University Of Mumbai

A PROJECT REPORT ON

"A Study on the effective promotional strategy influencing customer for

The products of "

Bachelor of Management Studies

Semester VI

2019 -2020

Submitted By

Satish Naikare

(SEAT NO: - 1162787)

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

University Of Mumbai

A PROJECT REPORT ON

"A Study on the effective promotional strategy influencing customer for

The products of BIG BAZAAR AND D-MART "

Bachelor of Management Studies

Semester VI

2019 -2020

Submitted

In Partial Fulfilment of the requirements

For the Award of Degree of

Bachelor of Management Studies

By

Satish Naikare

(SEAT NO: - 1162787)

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE
J.K. Jadhav Knowledge Centre, Nadkarni Park,
Wadala (E), Mumbai – 400037

DECLARATION

I, **SATISH NAIKARE** from the BGPS'MUMBAI COLLEGE OF ARTS, COMMERECE & SCIENCE, WADALA (E) MUMBAI – 400037,of T.Y.B.M.S. Semester VI (2019-2020), hereby declare that I have completed the project on **"A Study on the effective promotional strategy influencing customer for the products of BIG BAZAAR and D-MART"** The information submitted is true and original to the best of my knowledge.

SATISH NAIKARE

Seat Number: - 1162787

BGPS' MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

CERTIFICATE

This is to certify that Mr. Satish Naikare, SEAT NO: - 1162787
of Third Year B.M.S., Semester VI (2019-2020) has successfully completed
the project on **"A Study on the effective promotional strategy influencing customer for the products of BIG BAZAAR and D-MART"**
under the guidance of Asst. Prof. Madhura Vilekar Mam.

Place: - Mumbai
Date:-

--- ---

Project Guide

External Examiner

--- ---

Asst. Prof. Draksha Khan Mam

Course Coordinator

Dr. Subhash Vadgule Sir

Principal

College Seal

ACKNOWLEDGEMENT

Thanks to merciful lord for all the countless gifts that you have offered me, and thanks to my family for the love and support.

Secondly I would like to thanks **"UNIVERSITY OF MUMBAI** "for giving me this opportunity of creating this project. This is something that has been done by me on a practical basis, I've utilized the knowledge that is provided to us and made this project. This has been a practical experience of me in relation to the knowledge that is taken from books.

In making this project report a lot of people have contributed by giving me the require knowledge and time. I would like to thank all of them. It is my great pleasure to acknowledge my deepest thanks to them.

I also wish to extend my appreciations to the management and staff of my college, especially our principal **"Dr. Subhash Vadgule"**, for his kind co-ordination and support.

My special thanks to my lovely Parents for their unconditional love and support. It is because of their assistance and competence that I have reached this milestone and most important thanks to our BMS Course **"Co-ordinator Asst. Prof. Draksha Khan"** for all the help and guidance.

I would like to express my gratitude and sincere thanks to my project guide "**ASST. PROF. MADHURA VILEKAR"** for instilling confidence in me to carry out this study and extending valuable guidance and encouragement from time to time, without which it would not have been possible to undertake and complete this project.

I would also like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Last but not the least my peers and friends for their valuable comments and suggestions for making this a cherishable experience for me.

Satish Naikare

EXECUTIVE SUMMARY

Indian retail sector is witnessing one of the most hectic Marketing activities of all times. The companies are fighting to win the hearts of customer who is 'God' said by the business tycoons. There is always a 'first mover advantage' in an upcoming sector. Here, that advantage goes to "BIG BAZAAR & D-Mart". It has brought about many changes in the buying habits of people. It has created formats, which provides all items under one roof at low rates, or so it claims! In this project, we have studied its marketing strategies and promotional activities.

The project titled **'A Study on the effective promotional strategy influences customer for the product of Big Bazaar and D-Mart'** helps us to understand the effect of promotional strategy which is responsible for attracting customers towards big bazaar & d-mart This study is helpful to top level management to improve the present promotional strategy of BIG BAZAAR & D-Mart.

The project was carried out as per the steps of Marketing Research. The well supportive objectives were set for the study. To meet the objectives primary research was undertaken. The data collection approach adopted was experimental research & survey research. The instrument used for the data collection was observation & questionnaire. The target respondents were the visitors of BIG BAZAAR & D-Mart, with the sample size of 120 for the study of sales management of the company. Tables & charts were used to translate responses into meaningful information to get the most out of the collected data. Based on those the inferences have been drawn with peer supportive data.

INDEX

TABLE-CHART INDEX

CHAPTER- 1
INTRODUCTION

1. INTRODUCTION OF PROJECT

As a part of our study of MBA programme, we are given capstone project work to develop our analytical faculties as professional students. In relation to the aforementioned objective the project undertaken by us covers marketing analysis of national. The study converges on two major giants in global market:

1. Big Bazaar
2. D-Mart

1.2 Why has this industry/topic been selected?

- Ones a customer get inside the store he will find all kinds of products available that may be Food item, Cosmetic, Electronic, Garments, Furniture etc.
- Because of these features it has a very good reputation in that area and customers who are residing far away and in other areas they also visit the store.
- This department is responsible for the product arrangement at the store with respect to their nature.
- This department is responsible for the maintenance of the systems of the stores.

1.3 INTRODUCTION TO THE TOPIC:

Big Bazaar Store

Pantaloon Retail (India) Limited, is India's leading retail company with presence across multiple lines of businesses. The company owns and manages multiple retail formats that cater to a wide cross-section of the Indian society and is able to capture almost the entire consumption basket of the Indian consumer. Headquartered in Mumbai (Bombay), the company operates through 5 million square feet of retail space, has over 331 stores across 40 cities in India and employs over 17,000 people. The company registered a turnover of Rest 2,019 corer for FY 2010-11. It owns and operates multiple retail formats including Pantaloons, Big Bazaar, Food Bazaar, Central, E-Zone, Fashion Station, Depot and many others.

Pantaloon Retail forayed into modern retail in 1997 with the launching of fashion retail chain, Pantaloons in Kolkata. In 2001, it launched Big Bazaar, a hypermarket chain that combines the look and feel of Indian bazaars, with aspects of modern retail, like choice, convenience and hygiene. Food Bazaar, food and grocery chain and launch Central, a first of its kind seamless mall located in the heart of major Indian cities, followed this. Some of its other formats include, Collection I (home improvement products), E-Zone (consumer electronics), Depot (books, music, gifts and stationary), All (fashion apparel for plus-size individuals), Shoe Factory (footwear) and Blue Sky (fashion accessories). It has recently launched its retailing venture, futurebazaar.com.

The group's subsidiary companies include, Home Solutions Retail India Ltd, Pantaloon Industries Ltd, Galaxy Entertainment and Indus League Clothing. The group also has joint venture companies with a number of partners including French retailer Etam group, Lee Cooper, Manipal Healthcare, Jaywalker's, Gini & Jony and Liberty Shoes. Planet Retail, a group company owns the franchisee of international brands like Marks & Spencer, Debenhams, Next and Guess in India.

Pantaloon Retail is listed on BSE and NSE with a turnover of Rs 2,018 crores for financial year ended 2008-09. Pantaloon Retail was selected as the Best of Best Retailers in Asia by Retail Asia-Pacific Top 500 magazine in 2006.

Future Group

Pantaloon Retail is the flagship enterprise of the Future Group, which is positioned to cater to the entire Indian consumption space. The Future Group operates through six verticals: Future Retail (encompassing all retail businesses), Future Capital (financial products and services), and Future Brands (management of all brands owned or managed by group companies), Future Space (management of retail real estate), Future Logistics (management of supply chain and distribution) and Future Media (development and management of retail media).

Future Capital Holdings, the group's financial arm, focuses on asset management and consumer finance. It manages two real estate investment funds (Horizon and Kshitij) and consumer-related private equity fund, Indecision. It also plans to get into insurance, consumer credit and other consumer-related financial products and services in the near future.

Future Group's vision is to, "Deliver Everything, Everywhere, Every time to Every Indian Consumer in the most profitable manner." One of the core values at Future Group is, 'Indian's' and its corporate credo is - Rewrite rules, Retain values.

Future Group Manifesto

"Future" – the word which signifies optimism, growth, achievement, strength, beauty, rewards and perfection. Future encourages us to explore areas yet unexplored, write rules yet unwritten; create new opportunities and new successes. To strive for a glorious future brings to us our strength, our ability to learn, unlearn and re-learn our ability to evolve.

We, in Future Group, will not wait for the Future to unfold itself but **create future scenarios** in the **consumer space** and facilitate consumption because consumption is development. Thereby, we will effect socio-economic development for our customers, employees, shareholders, associates and partners.

Our customers will not just get **what** they **need**, but also get them **where, how** and **when** they need.
We will not just post satisfactory results, we will **write success stories**. We will not just operate efficiently in the Indian economy, we will **evolve** it.
We will not just spot trends; we will **set trends** by marrying our understanding of the Indian consumer to their needs of tomorrow.
It is this understanding that has helped us succeed. And it is this that will help us succeed in the Future. We shall keep relearning. And in this process, do just one thing.
Big Bazaar is a chain of shopping malls in India currently with 29 outlets, owned by the Pantaloon Group. It works on same the economy model as Wal-Mart and has had considerable success in many Indian cities and small towns. The idea was pioneered by entrepreneur **Kishore Biyani**, the head of Pantaloon Retail India Ltd. Big Bazaar stores in Metros have a gaming area and kids play area for entertainment.
Cities where stores are located are, **Agra, Ahmadabad, Allahabad, Ambala, Asansol, Bangalore, Bhubaneswar, Chennai, Coimbatore, Palakkad, Kolkata, Delhi, Durgapur, Ghaziabad, Gurgaon, Hyderabad, Indore, Lucknow, Kanpur, Mangalore, Mumbai, Nagpur, Nasik, Panipat, Pune, Rajkot, Surat, Thane, Thiruvananthapuram, Vishakhapatnam**.
Big Bazaar is not just another hypermarket. It caters to every need of customer's family. Where Big Bazaar scores over other stores is its value for money proposition for the Indian customers. At Big Bazaar, customer will definitely get the best products at the best prices -- that's what Big Bazaar guarantee. With the ever increasing array of private labels, it has opened the doors into the world of fashion and general merchandise including home furnishings, utensils, crockery, cutlery, sports goods and much more at prices that will surprise customer. And this is just the beginning. Big Bazaar plans to add much more to complete customers shopping experience

Departments with their Products

1) Men's Department

Formals (Shirts & Pants)
Jeans T-Shirts
Major brands in this department
Pantaloon

2) Furniture Department

Dining Table
Bedroom Accessories
Hall accessories (Sofa sets, Chairs, Computer table etc)
Mattresses

3) Home Decor

Flower vase
Artificial Flowers
Religious gifts
Candle stand
Umbrellas
Photo Frames
Assorted color Stones
Frame Paintings
Water falls (artificial)
Birthday items

Chronology

2001

- Three Big Bazaar stores launched within a span of 22 days in Kolkata, Bangalore and Hyderabad

2002

- Big Bazaar - ICICI Bank Card is launched.
- Food Bazaar becomes part of Big Bazaar with the launch of the first store in Mumbai at High Street Phoenix

2005

- Launches a unique shopping program: the Big Bazaar Exchange Offer, inviting customers to exchange household junk at Big Bazaar

2007

- The 50th Big Bazaar store is launched in Kanpur
- Big Bazaar partners with Futurebazaar.com to launch India's most popular shopping portal

2008

- Big Bazaar becomes the fastest growing hypermarket format in the world with the launch of its 101st store within 7 years of launch
- Big Bazaar joins the league of India's Business Super brands. It is voted among the top ten service brands in the country in the latest Pitch-IMRB international survey

2010

- Big Bazaar wins CNBC Awaaz Consumer Awards for the third consecutive year. Adjudged the most preferred Most Preferred Multi Brand Food & Beverage Chain, Most Preferred Multi Brand Retail Outlet and Most Preferred Multi Brand One Stop Shop
- Big Bazaar connects over 30,000 small and medium Indian manufacturers and entrepreneurs with around 200 million customers visiting its stores.

2011

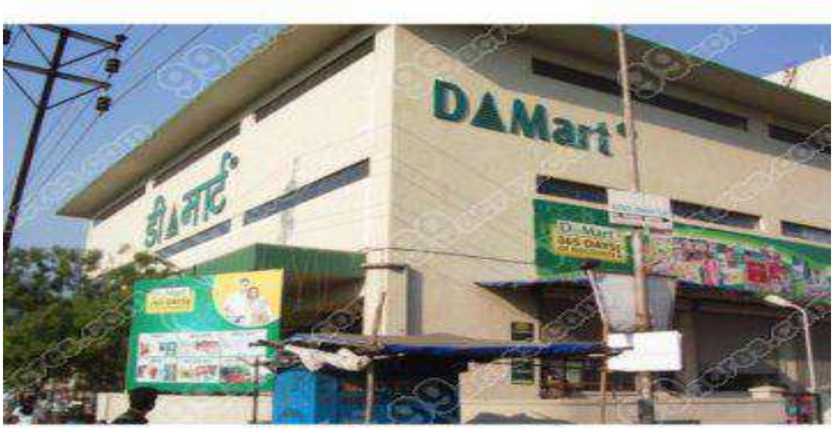
- 200th store opened in India
- Big Bazaar has come up a new logo with a new tag line: 'Naye India Ka Bazaar'
- For the convenience of the online customers, Big Bazaar has started free shipping on all orders above Rs. 1000

2012

- Partnered with Disney to launch "Kidz Cookies", exclusively for kids across India
- Big Bazaar is planning to add further value to its retail services by offering Value added services like grinding, de-seeding, vegetables cutting at free of cost

1.4 INTRODUCTION OF D-MART STORE:

D-Mart offer products to satisfy the entire family's needs. Merchandise offered at D-Mart is always at lower prices. Stores are designed with customer convenience in mind. D-Mart respects your intelligence by offering a wide choice of brand and pack sizes, couple with easy-to-understand communications and information.



Avenue Super Marts Ltd.

Avenue Super Marts Ltd (ASL) owns and operates hypermarkets and supermarkets by the store name **D-Mart**.

D-Mart seeks to provide a one-stop shopping experience for the entire family, meeting all their daily household needs. A wide selection of home utility products is offered, including foods, toiletries, beauty products, garments, kitchenware, bed and bath linen, home appliances and much more.

Since **D-Mart** first opened its doors in the Mumbai region in 2000, it has grown into a trusted and well-established shopping destination in Maharashtra, Gujarat, Andhra Pradesh and Karnataka. **D-Mart** is now looking forward to growing its stores across India.

Culture

At **ASL**, we're strong believers in deriving excellence in customer service through systemic training and rigor at work. We value simplicity and humility in our people and strongly believe that integrity and merit is the only route to growth at **ASPL**. We hire professionals who share our values and unabashedly lead by example.

Vision

It is our continuous endeavor to investigate, identify and make available new products/categories for the customer's everyday use and at the 'best' value than anybody else.

Presence

D-Mart's expansion began in 2007, when stores were opened in Ahmedabad, Baroda, Pune, Sangli and Solapur. Today **D-Mart** is established in 46 locations across Maharashtra, Gujarat, Andhra Pradesh and Karnataka, in:

Maharashtra

- Mumbai
- Navi Mumbai
- Thane
- Pune
- Solapur
- Sangli

Gujarat

- Ahmedabad
- Rajkot
- Baroda
- Surat
- Anand
- Amravati
- Kolhapur

Andhra Pradesh

Hyderabad, Karnataka**,** Bangalor

Product offerings:

D-Mart ofeers a wide selections of products in the following categories:

- Foods
- Toiletries and Beauty products
- Garments
- Kitchenware
- Bed and Bath linen
- Toys & Gmaes Stationery
- Home Appliances
- Footwar

1.5 LITRATURE REVIEW

(Doyle& Fenwick 1974; Jain & Etgar 1976: King & Ring 1980; Chowdhury et al 1998), withsome research efforts having attempted to explore the evolution of store image formation(Mazursky and Jacoby 1986); and others seeking to conduct a meta-analysis of retail patronage studies (Pan & Zinkhan 2006). However, the existing literature did not retail image. Consumers' perception of store image is based, in part, on functional qualities that the store may possess, and by other, less tangible or psychological attributes **(Lindquist 1974).** Lindquist analyzed over 20 studies dealing with store image formation and identified 35 different aspects that in reveal any prior studies where cluster**ing techniques had been used to** study consumers' perceptions of stofluence store image for**mation. These were grouped into** nine broad categories, including: merchandise, service, **clientele, physical facilities,** convenience, promotion, store atmosphere, institutional a**ttributes, and post-transaction** satisfaction. Mazursky and Jacoby (1986) conducted a sim**ilar analysis and verified that** "merchandise related aspects" (such as quality, pricing and as**sortment), and "service related** aspects" (such as quality in general and salesperson's servic**e) are among the most important** components of store image. A 1994 study by Baker, Grewal and Parasuraman **confirmed** that "the store image literature suggests there are linkages **between merchandise and service** quality, and store image." A later study by Baker, Grewal and Voss (2002) **also confirmed** that service quality was a key determinant of store image. Given the **prevalence in the** literature of merchandise and service as two key determinants i**n the formation of store image,** these two attributes were selected for this present study to **gauge consumer's perceptions of** retail stores. These attributes were incorporated in this study by obtaining **consumer similarity** judgments on retailers' "service quality" and "merchandise qua**lity". The clustering of retail** stores based on these two attributes will yield a better unde**rstanding of competition within** the retailing industry. This is of interest from a strategic ma**rketing standpoint in that many** off-price retailers carry the same quality merchandise as **other, higher priced retailers** (namely, department stores and specialty stores). In previou**s years, competition within the** retail sector was more clearly delineated in that departmen**t stores tended to compete with** other department stores; and in general, stores of a specific t**ype tended to compete with like** stores in reality, these distinctions (at least with regards to **merchandise quality) may not be** as clear today since off-price retailers often carry the sa**me merchandise as specialty and** department stores. No longer can the competition be viewe**d as narrowly – merely by store** type - as it had been in the past for purposes of marketing **strategy development. Off-price** retailers strive to convince consumers that their product q**uality is comparable to that of** department stores. This study will enable us to confirm whether consumer **perceptions of** product quality will also yield information that would be of strategic interest to retailers.

CHAPTER-2

Research Methodology

2.1 Research Methodology:

Since the study is on retail sector first the detail study of the store is been conducted about its Management team its structure the number of departments which all brands does the store has, who are its suppliers about its warehouses.

Based on the topic objectives were set and to arrive at the opinion on objectives a set of 120 questionnaires were designed of 26 questions and response is collected from the customers who are visiting the store. For data collection Random Convenient sampling method was adopted. **For this project the area of research is Ahemadabad.**

2.2 RESEARCH OBJECTIVE

- To scan customer buying behavior.
- To know the promotional strategy of Big Bazar D-Mart.
- To know the relation between promotional strategy and buying decision.

- To comprehend the determinants of customer satisfaction.
- To know about the growth prospective with respect to demand analysis.
- To analyse product mix.
- How Big Bazaar and dmart Establish and maintain the in retailing through promotion

2.3 Data Collections Methods:

Market research requires two types of data i.e. secondary data and primary data. Primary data has been used abundantly for the study. Well-structured questionnaires were prepared & the survey was undertaken. Feedback for the display has been taken by asking questions & observation has also done to gather primary information.

There is also a use of secondary data, collected from the various journals, books, and websites & from Store managers.

Primary data - Field Survey

Secondary data - Big Bazaar records, D-Mart records,Book ,Company Websites

Area of research: - **Ahmedabad, himalya mall ,Sabarmati area**
Research approach: - **Survey method**

2.4 Sampling Method

Since the study is restricted to Retail sector, all the functional Departments of Big Bazaar & D-Mart and the respondents are found at the store only so according to the convenience randomly they are being picked so sampling method is used in this study is Random Convenient Sampling.

Sampling

Sample size	**: 120 respondents**
Sampling Method	**: Random Convenience sampling**
Sample Unit	**: Customer of Big bazaar & D-Mart**
Measuring Tools	**: Questionnaire**

2.5 INDUSTRY ANALYSIS: - D MART

D'mart Exclusive, Dolphin Mart's home decor and gifting solutions brand, plans to open around 35 stores and is targeting a turnover of Rs 80 crore this fiscal. In the current financial year, the company plans to invest a total sum of Rs 20-25 crore for expansion. d'mart Exclusif plans to open 3 stand-alone showrooms, 15-16 boutiques at airports/ malls, and 14-16 franchise stores this fiscal. It also plans to open a kiosk at T3 Terminal in Delhi and stores in tier 2 and 3 cities as well. The company will also venture into e-commerce by the end of this year.
Dolphin Mart is the importer and distributor of premium signature art and decor pieces including silverware, crystal ware, limited edition collectibles, objects d'art, figurines, furniture accessories and gifts items, selected and sourced from international brands in Italy, Spain, Germany, France, UK, and China. The company claims that d'mart Exclusive is the sole product distributor for such premium brands in India as per an agreement.

Speaking about the location preferences for its new stores, Praveen Rao, Vice President, and Dolphin Mart, said: "The ideal location to open a new store depends on a number of factors. Our first preference is stand-alone showrooms on high streets, followed by reputed mall/shopping complexes."

Highlighting the key requirements of a franchisee, he said that an exclusive franchisee would be required to invest a sum of Rs1 crore and must have an area of 1,200 sq.ft. while a non-exclusive franchisee would have to invest Rs 30 lakh and have an area between 800 and 1,000 sq.ft. For the shop-in-shop format, the franchisee will have to invest up to Rs 20 lakh and must have an area of 500-600 sq.ft.."

He confirmed that d'mart Exclusive spends 10 percent of its total sales on advertising and marketing including more than 15 exhibitions annually. Kiosks are an important lead creation point for the retailer. Stores contribute 35 percent towards total sales of d'mart Exclusive.
to Rao, among all the products sold at demark Exclusie, the price band between Rest 25,000 and Rs 35,000 is the most popular among Indian customers. Worldwide limited editions sell the most in India, contributing almost 60 percent towards the total sales of the company.
There is a huge untapped market for the Rs 140 billion home improvement vertical in India. Indian consumers have disposable incomes and are looking for more upgraded lifestyles, which d'mart Exclusive caters to. The market has also extended from metro to tier 2 cities as well, which shows exponential growth in the sector.

Big bazaar

Big Bazaar: This hypermarket chain was introduced in India by Pantaloon Retail (India) Limited. The year was 2001. The first store opened in Kolkata and was followed by stores in Hyderabad and Bangalore, in a short span of 22 days. These stores contributed over Rs 43 crores to the company's turnover and over Rs 2.89 crores to the PBDIT in the first year itself. In 2006-2007 more Indians discovered the value of shopping in Big Bazaar. Big Bazaar launched 27 new stores in 22 cities, covering over 1.40 million square feet. While Big Bazaar continued to expand in the large cities it also tapped consumptions potential in smaller cities like Agra, Allahabad, Coimbatore, Surat, Panipat, Palakkad, Kanpur, and Kolhapur. By May 2008, there were 89 Big Bazaars spread across various cities and towns across the country.

“Jo bazaar mein milta who sab yahan milta hai” is how Rakesh Biyani Director Pantaloon Retail (India) Limited describes Big Bazaar. The bazaar is a term commonly used for the market or market place. Whenever any of us need anything the simplest way to get it is to go to the bazaar. Big Bazaar represents a location where a customer can shop for anything that he needs for which he would normally visit a bazaar or the markets.

Retail in India is still at a nascent stage. This case study has been prepared as a basis for discussions, on evolving formats suitable for India.

Pantaloon Retail (India) Limited was incorporated as Manz Wear Private Limited in the year 1987. It became a public limited company in 1991 and was renamed Pantaloon Fashions (India) Limited and then Pantaloon Retail (India) limited in 1999. Over the years the company has accelerated growth through its ability to manage change. It integrated backwards into garment manufacturing and expanded its retail network at the same time. It launched three successful brands – Pantaloon trouser bar denims and John Miller shirts between 1987 and 1993.

The company introduced the concept of The Pantaloon Shoppe, an exclusive men’s wear retail store, which expanded across India from 1994-1998 . In the year 1997, Pantaloon moved to large format lifestyle retailing with the launch of Pantaloons India’s family Store. Pantaloon has grown to a 29 store network and occupies 263,000 sq ft of the retail space. They contributed Rs 174 crores to the total turnover of the company.

The management was aware that in retail, size mattered. The business revolved around volumes. Lifestyles retailing did not rally provide these volumes the volumes came from the large Indian middle class market that was waiting to be tapped. Big Bazaar – the discount store — was launched in the year 2001, to meet the aspirations of he middle class. In a short span of two years it had added a Food Bazaar and Gold Bazaar to its ranges of offerings.

At the time of the launch of Big Bazaar there was no real precedent in the Indian market Giants the RPG hypermarkets had opened in Hyderabad only two months prior to the launch of Big Bazaar. A western model had to be adapted to suit the needs of the Indian environment various local markets and local market leaders were studied. This was done to understand the product mix and the prices offered. One of the key discount retailers studied was Sarvanna Stores in Chennai.

Saving is the key to the Indian middle class consumer. The store which would be created had to offer value to the consumer. Keeping this in mind, the concept of Big Bazaar was created.

2.6 Company overview

Big bazaar

Big Bazaar Pvt., Ltd. operates as a hypermarket. The company offers fashion and general merchandise including home furnishings, utensils, crockery, cutlery, sports goods, electronics, toys, footwear, men's and women's apparel, accessories such as sunglasses, watches, and handbags, luggage, fruits, vegetables, and stationary products. The company sells its products through its retail stores located nationwide. Big Bazaar Pvt., Ltd. was founded in 2001 and is based in Mumbai, India. Big Bazaar Pvt., Ltd. operates as a subsidiary of Future Group.

Kishore Biyani said he is not holding talks with anybody to sell stake in Big Bazaar Pvt., Ltd and Food Bazaar, Inc. as Future Group has sorted out its debt crisis. "We are not in discussions with anybody. I don't want to divest my core retail business now. I want to run it," Kishore Biyani told ET. "Our debt levels are very comfortable and divestment, if any, will only be in non-core assets," the Future Group Chief said. "In the past one month, Biyani has managed to reduce his debt by INR 60 billion. Now, he is in no hurry to sell any of his core businesses," the person close to Future Group said.

Mitsubishi Corporation is looking to acquire a stake in Big Bazaar Pvt., Ltd. Mitsubishi had made it a pre-condition to invest in Future Group's food sourcing and back-end infrastructure, sources familiar with the matter said. Mitsubishi and Future Group discussed the issue in the US last week and Mitsubishi has even suggested a convertible structure that will allow an equity stake in Big Bazaar. Kishore Biyani was unavailable for comments and his spokesperson said the matter was speculative. Mitsubishi did not respond to Business Standard seeking comment.

D mart

Dolphin Mart Limited, founded in 1992 is engaged in Lifestyle Retail Marketing of imported rare collectibles ranging from home dcor, art pieces, corporate gifts, furniture and furniture accessories under two established premium brands namely dMart Exclusif and Woodmart Exclusif. A national player in the premium luxury segment, is dedicated to offering a range of aspirational and lifestyle decoratives handpicked from renowned world class brands across the world, with products from the classic to the contemporary.

"It is a challenge to handle fresh produce," says S Jagdish Krishnan, chief operating officer, retail and bakery divisions, at Heritage Foods. "For, it goes through the farmer-broker-wholeseller-retailer chain which roughly takes a day. If we work along with farmers and process it quickly, we can sell it profitably." Besides, it also has a 50-member team which procures 55 per cent of its fresh produce locally in the areas where it operates.

It has one of the largest multi-product, multi brand service centre in the country, where 400 service staff and 120 skilled technicians work, who provide after-sales, collection and delivery services to customers.

So whenever a customer buys a big product like air-conditioner, its service centre is informed about the purchase which in turn calls the customer and says it will send technicians to install it. Its technicians get in touch with customers and install it.

2.7 Analysis and interpretation

SWOT ANALYSIS

Strengths:

- High brand equity enjoyed by Big Bazaar
- State of the art infrastructure
- A vast variety of stuff available under one roof
- Everyday low prices, which attract customers
- Maximum percent of footfalls converted in sales
- Huge investment capacity

- Biggest value retail chain in India
- It offers a family shopping experience, where entire family can visit together.
- Available facilities such as online booking and delivery of goods

Weakness:

- Unable to meet store opening targets on time
- Falling revenue per sq ft
- General perception: ‘Low price = Low quality’
- Overcrowded during offers
- Long lines at billing counters which are time consuming
- Limited only to value offering low price products. A no of branded products are still missing from Big Bazaar’s line of products. E.g. Jockey, Van heusen,

Opportunity:

- A lot of scope in Indian organized retail as it stands at approximately 4%.
- Increasing mall culture in India.
- More people these days prefer to visit big stores where they can find large variety under one roof

Threats:

- Competition from other value retail chains such as Shoprite, Reliance (Fresh and trends), Hypercity and D mart.
- Unorganized retail also appears to be a threat to Big Bazaar’s business. A large population still prefers to visit local convenient stores for daily purchases
- Changing Government policies
- International players looking to foray India

CHAPTER-3
Data analysis

3.1 Definition of Marketing mix.

Marketing mix is the combinations of elements that you will use to market your product. There are four elements: Product, Place, Price and Promotion. They are called the four Ps of the marketing mix. Some people think that the four Ps are old fashionable and propose a new paradigm: The four Cs!* Product becomes customer needs; Place becomes convenience, price is replaced by cost to the user, promotion becomes communication. It looks like a joke but the Cs is more customer-oriented.

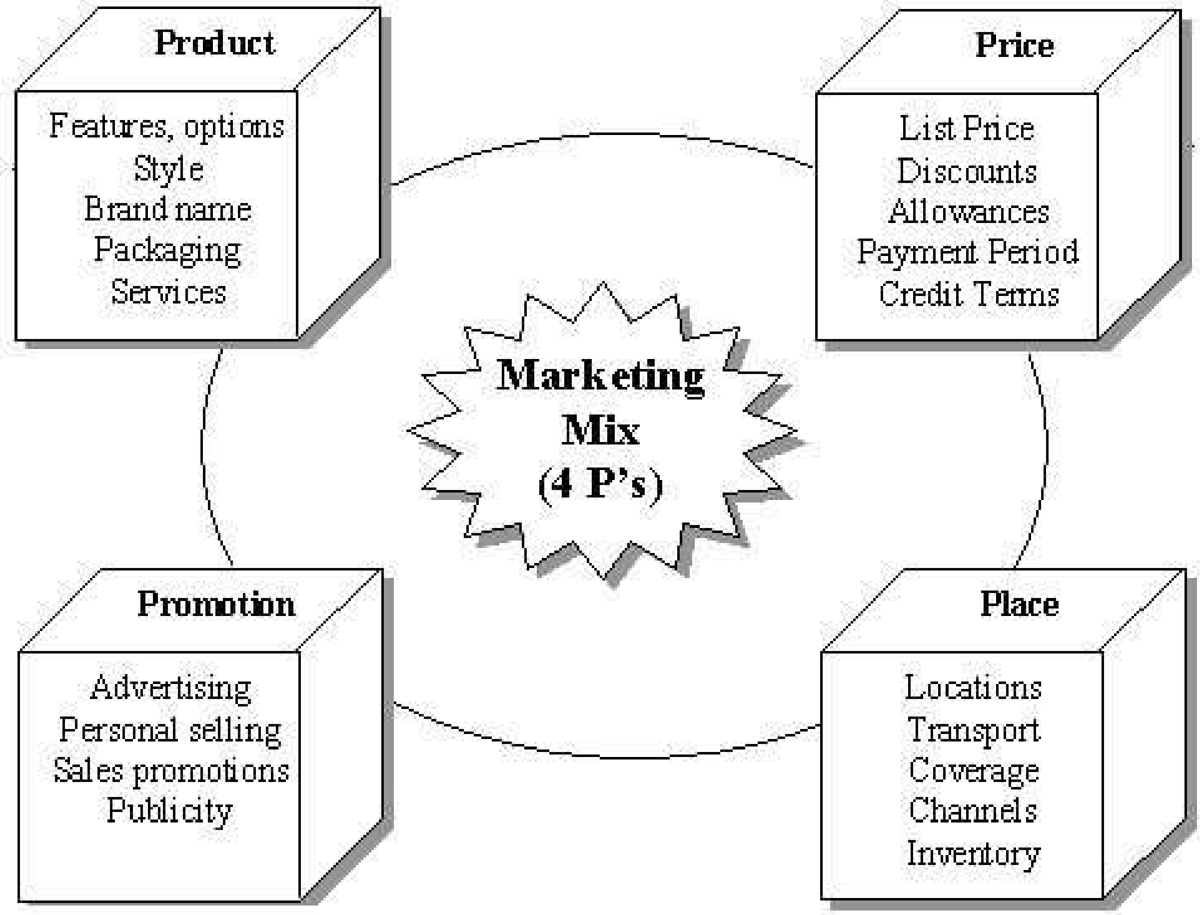

Product
Features, options
Style
Brand name
Packaging
Services
Price
List Price
Discounts
Allowances
Payment Period
Credit Terms
Marketing
Mix
(4 P's)
Promotion
Advertising
Personal selling
Sales promotions
Publicity
Place
Locations
Transport
Coverage
Channels
Inventory

Fig.3.1

Store’s advertisement

Store	No.	%
Big-Bazaar	74	61.67
D-Mart	46	38.33
Total	120	100

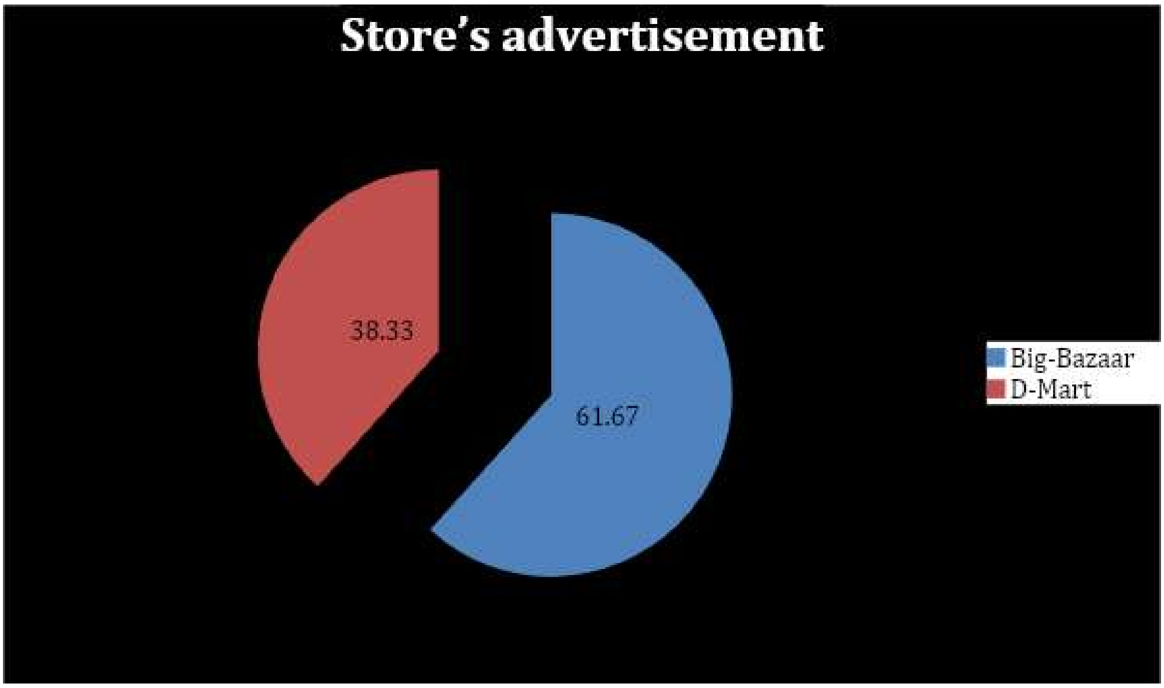


Fig.3.2

ANALYSIS:

From the survey, from 120 respondents, gave response for more powerful advertise to Big-Bazaar is 61.67% & D-Mart is 38.33%.

INTRPRETATION:

Majority of the customers are give response for most powerful advertisement is Big-Bazaar. We can also interpret that the big-bazaar comparison is more powerful people attract with advertisement like T.V., Hoarding, newspaper, is most of the part of purchasing by advertisement.

3.2 4p's of Big Bazaar & D-Mart

Product:

- **Purchasing a product in Store**

Store	NO.	%
Big-Bazaar	52	43.33
D-mart	38	31.67
Both	30	25.5
None	0	0.0
Total	120	100

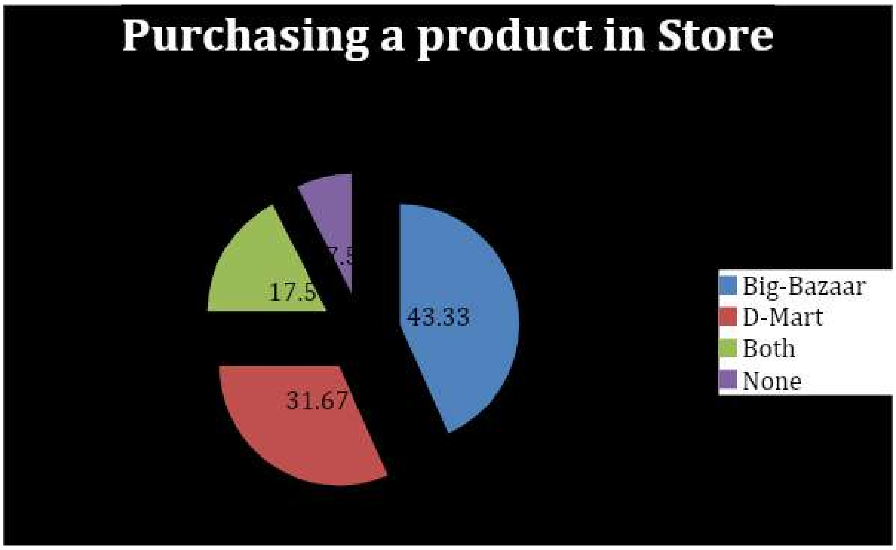


Fig.3.3

ANALYSIS:

From the survey, from 120 respondents, gave response Big-Bazaar is 43.33% & D-mart is 31.67% & both is 17.5% and none 7.5%.

INTERPRETATION:

Majority of the customers are given response to Big-Bazaar, We can also interpret from this that big bazaar has located itself in a good place from where it is able to attract customers. As a hypermarket which is to be located far off the city, big bazaar has located itself in a good place from where it is convenient for people to visit big bazaar.

Big-Bazaar

Big Bazaar offers a wide range of products which range from apparels, food, farm products, furniture, child care, toys, etc. of various brands like Pantaloon, Levis, Allen Solly, Pepsi, Coca- Cola, HUL, ITC, P&G, LG, Samsung, Nokia, HP etc.

Big Bazaar also promotes a number of in house brands like:

- DJ & C
- Tasty Treat

- **End. Notes**
  - Four Cs! - Consumer wants and need Vs Product
    - Cost to satisfiy Vs Price
    - Convenience to buy Vs Place
    - Communication Vs Promotion
  - HUC - Hindustan Unilever Ltd.
  - ITC - Indian Tobacco Company
  - P&G - Procter & Gambler

- **Choose the product from the store.**

Big-Bazaar						
	1	**2**	**3**	**4**	**5**	**6**
	%	**%**	**%**	**%**	**%**	**%**
Advertisement	17.05	20.45	9.09	11.36	17.61	24.43
Reference	11.93	16.47	20.45	15.9	14.77	20.45
Experience	16.48	14.78	21.02	14.2	11.36	22.16
Quality	16.48	9.66	24.43	22.16	15.91	11.36
Quantity	21.59	21.02	10.8	12.5	24.43	9.66
Service	16.48	17.61	14.2	23.86	15.91	11.93

Fig.3.4

ANALYSIS:

From the survey, from 120 respondents, gave response for choose product from the store to First rank Big-Bazaar is 17.04%, & Second rank is 20.40%, & Third rank is 9.09%, & Fourth rank is 11.36%, & Fifth rank is 17.61%, & Sixth rank is 24.46% of them Advertisement. Give First rank is 11.93%, & Second rank is 16.48%, & Third rank is 20.45%, & Fourth rank is 15.90%, & Fifth rank is 14.77%, & Sixth rank is 20.45%, of them Reference. Give First rank is 16.48%, & Second rank is 14.78%, & Third rank is 21.02%, & Fourth rank is 14.20%, & Fifth rank is 11.36%, & Sixth rank is 20.15%, of them Experience. Give First rank is 16.48%, & Second rank is 9.66%, & Third rank is 24.43%, & Fourth rank is 22.15%, & Fifth rank is 15.90%, & Sixth rank is 11.36%, of them Quality. Give First rank is 21.59%, & Second rank is 21.02%, & Third rank is 10.79%, & Fourth rank is 12.15%, & Fifth rank is 24.43%, & Sixth rank is 9.65%, of them Quantity. Give First rank is 16.48%, & Second rank is 17.61%, & Third rank is 14.20%, & Fourth rank is 23.66%, & Fifth rank is 15.90%, & Sixth rank is 11.93%, of them Service.

INTREPRETATION:

Majority of the customers are gave response for quantity is the most choose the product from the store. We can also interpret that Big Bazaar is designed as an agglomeration of bazaars or Indian markets with clusters offering a wide range of merchandise including fashion and apparels, food products, general merchandise, furniture, electronics, books, fast food and leisure and entertainment sections are also of this product are available in bulk at big bazaar.

D-Mart

D-Mart offer products to satisfy the entire family’s needs. Merchandise offered at D-Mart is always at lower prices. Stores are designed with customer convenience in mind. D-Mart respects your intelligence by offering a wide choice of brand and pack sizes, couple with easy-to-understand communications and information.

D-Mart ofeers a widw selections of products which range from pparels,Foods, Toiletries and Beauty products, Garments, Kitchenware, Bed and Bath linen, Toys & Games Stationery, Home Appliances, Footwear.

The service offered was somewhat okay. As soon as we went in, the security (lady) informed us that she was putting our belongings inside a D-Mart's green clothed bag and sealing it. Even the purse bag of my mother was sealed inside. We had to argue with the security guard and finally we managed to get the purse out. We began shopping with 10 minutes of wasted time and a rather bad mood to begin shopping with.

The staff was unfriendly and unfamiliar with rules. It seemed as if they wanted to sell without understanding the requirements of the customer. On the Priya pickle offer (1free for 2 bought) the staff lady wanted us to buy the same pickle three times. This was a stupid idea, what would we do with 3 achaars of the same mango, or ginger, or lime? Finally after we explained the stupidity behind her reasoning she relented and let us chooses a variety of three

- **Choose the product from the store.**

	D-Mart					
	1	2	3	4	5	6
	%	%	%	%	%	%
Advertisement	16.13	22.58	20.16	13.71	12.1	15.32
Reference	14.51	19.35	15.32	18.55	20.16	12.1
Experience	25	17.74	22.58	8.06	11.29	15.32
Quality	23.39	12.1	7.26	17.74	16.13	23.39
Quantity	10.48	13.71	20.97	21.77	17.74	15.32
Service	10.48	14.52	13.71	20.16	22.58	18.55

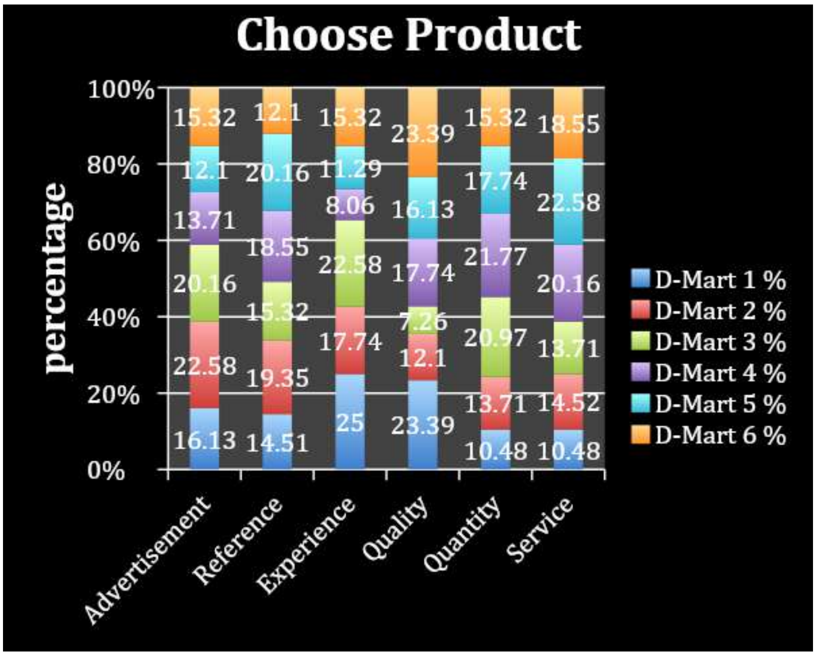


Fig.3.5

ANALYSIS:

Give response for choose product from the store to First rank D-Mart is 16.12%, & Second rank is 22.58%, & Third rank is 20.16%, & Fourth rank is 13.70%, & Fifth rank is 12.09%, & Sixth rank is 15.32% of them Advertisement. Give First rank is 14.51%, & Second rank is 19.35%, & Third rank is 15.32%, & Fourth rank is 18.54%, & Fifth rank is 20.16%, & Sixth rank is 12.09%, of them Reference. Give First rank is 25%, & Second rank is 17.74%, & Third rank is 22.58%, & Fourth rank is 8.06%, & Fifth rank is 11.29%, & Sixth rank is 15.32%, of them Experience. Give First rank is 23.38%, & Second rank is 12.09%, & Third rank is 7.25%, & Fourth rank is 17.74%, & Fifth rank is 16.12%, & Sixth rank is 23.38%, of them Quality. Give First rank is 10.48%, & Second rank is 13.70%, & Third rank is 20.96%, & Fourth rank is 21.77%, & Fifth rank is17.74%, & Sixth rank is 15.32% of them Quantity. Give First rank is 10.48%, & Second rank is 14.51%, & Third rank is 13.70%, & Fourth rank is 20.16%, & Fifth rank is 22.58%, & Sixth rank is 18.54% of them Service.

INTERPRETATION:

Majority of the customers are gave response for quality choose the product from the store. We can also interpret that D-mart are provided to customers good quality of products. And many people are satisfied to service & quality.

Pricing:

- ## Unexpected offers

	No.	%
Yes	71	59.17
No	49	40.83
Total	120	100

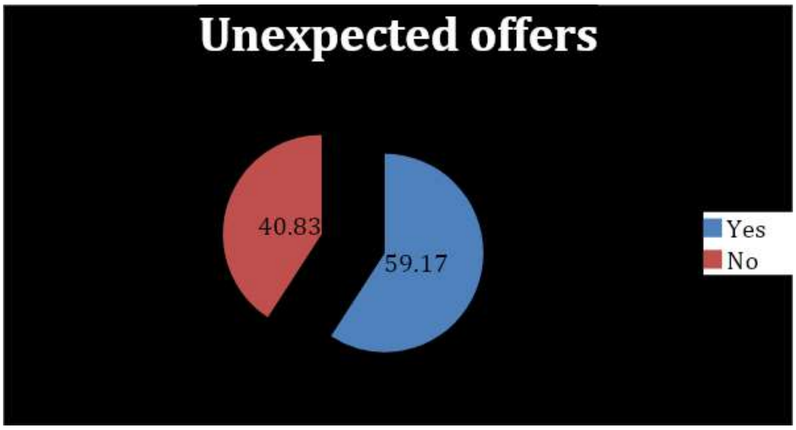


Fig.3.6

ANALYSIS:

From the survey, from 120 respondents, gave response for like to make your purchase under unexpected offers to Yes is 59.17%, & No is 40.83%.

INTERPRETATION:

Majority of the customers are give response for interested to buy under unexpected offers only.

Big-Bazaar

The pricing objective at Big Bazaar is to get ³Maximum Market Share. Pricing at Big Bazaar is based on the following techniques:

- **Value Pricing (EDLP - Every Day Low pricing):**

Big Bazaar promises consumers the lowest available price without coupon clipping, waiting for discount promotions, or comparison shopping.

- **Promotional Pricing:**

Big Bazaar offers financing at low interest rate. The concept of psychological discounting (Rs. 99, Rs. 49, etc.) is also used to attract customers. Big Bazaar also caters on Special Event Pricing (Close to Diwali, Gudi Padva, and Durga Pooja).

- **Differentiated Pricing:**

Differentiated pricing i.e. difference in rate based on peak and non- peak hours or days of shopping is also a pricing technique used in Indian retail, which is aggressively used by Big Bazaar. e.g. Wednesday Bazaar

Bundling:

It refers to selling combo-packs and offering discount to customers. The combo- packs add value to customer and lead to increased sales. Big Bazaar lays a lot of importance on bundling.

e.g. 3 Good Day family packs at Rs 60(Price of 1 pack = Rs 22)
5kg oil + 5kg rice + 5kg sugar for Rs 599

D-Mart

The prices offered are economical over here. D-Mart offers minimum 5% discount on MRP on all items except medicines, grocery and vegetables and fruit items.

The product mix was fairly good. Lot of variety was available for all types of products. The assortments done for apparels was as per the price in descending order and as per the size i.e. extra large, large, medium and small. Also, in nearby racks the assortment was as per size nos. i.e. 28, 30, 32, etc for trousers and 38, 39, 40, 42, 44, etc. for shirts.

D-Mart gift coupons us an ideal way for organization to reward or gift their employees. D-Mart offers gift coupons in denominations of 250 (worth Rs 250) and 500 (worth Rs 500). Individuals may also receive gift coupons if their off-take us Rs 10,000 or more.

Place:

Distance of store

	No.	%
00-05	39	32.5
05-10	50	41.68
10-15	17	14.16
More thane 15	14	11.66
Total	120	100

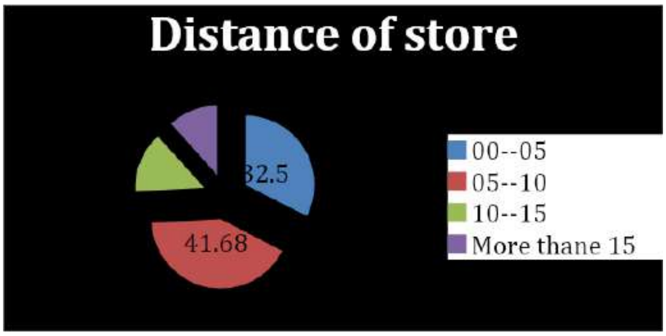


Fig.3.7

ANALYSIS:

From the survey, from 120 respondents, gave response for How much distance to the store to 32.5% of them 0-5 km, & 41.68% of them 5-10 km, & 14.16% of them 10-15 km, & 11.66% of them More than 15 km.

INTERPRETATION:

Majority of the customers are give response for 0-5 km distance to the store.

- **Parking facility**

	No.	%
Yes	79	65.83
No	41	34.17
Total	120	100

Fig.3.8

ANALYSIS:

From the survey, from 120 respondents, gave response for happy with the parking facility provided to Yes is 65.83%, & No is 34.17%.

INTERPRETATION:

We interpret that majority of the customers are satisfied with the parking space availability provided by store. Hence In holidays probably it will be very essay for customers to park their vehicle in store.

- **Location of store**

	No.	%
Yes	83	69.17
No	37	30.83
Total	120	100

Fig.3.9

ANLYSIS:

From the survey, from 120 respondents, gave response for happy with the location of the store to Yes is 69.17%, No is 30.83%.

INTERPRETATION:

Majority of the customers are give response for happy with the location of the store. We can also interpret from this that store has located itself in a good place from where it is able to attract customers. As a hypermarket which is to be located far off the city, store has located itself in a good place from where it is convenient for people to visit store.

3.4 Big-Bazaar

The Big Bazaar stores are operational across three formats ² hypermarkets spread over 40,000-45,000 sq ft, the Express format over 15,000-20,000 sq ft and the Super Centers set up over 1 lake sqft. Currently Big Bazaar operates in over 34 cities and towns across India with 116 stores. Apart from the Metros these stores are also doing well in the tier II cities. These stores are normally located in high traffic areas. Big Bazaar aims at starting stores in developing areas to take an early advantage before the real estate value booms. Mr. Biyani is planning to invest around Rs 350 crore over the next one year expansion of Big Bazaar. In order to gain a competitive advantage Big Bazaar has also launched a website www.futurebazaar.com, which helps customers to orders products online which will be delivered to their doorstep. This helps in saving a lot of time of its customers.

3.5 D-Mart

The D-Mart stores are operational across three formats hypermarkets spread over 30,000-35,000 sq ft, the Express format over 7,000-10,000 sq ft and the Super Centers set up over 1 lake sqft. Currently D-Mart operates in over 15 cities and towns across India with 70 stores. These stores are normally located in high traffic areas. Which helps customers to orders products online which will be delivered to their doorstep? This helps in saving a lot of time of its customers.

Promotion:

- **Choose factor for most while purchasing.**

Big-Bazaar										
Factor	1		2		3		4		5	
	No.	%	No.	%	No.	%	No.	%	No.	%
Offer	22	29.73	21	20.27	17	22.97	10	13.51	14	18.92
Service	15	20.27	12	16.21	27	36.49	12	16.22	22	29.73
Quality	17	22.97	20	27.02	12	16.21	11	14.86	18	24.32
Availability of Products	09	12.16	08	18.91	14	18.92	25	33.78	08	10.81
Quantity	11	14.86	13	17.57	04	05.41	16	21.62	12	16.22
Total	74	100	74	100	74	100	74	100	74	100
D-Mart										
Factor	1		2		3		4		5	
	No.	%	No.	%	No.	%	No.	%	No.	%
Offer	15	32.61	12	26.09	14	30.43	07	21.73	04	08.69
Service	09	19.57	10	21.74	05	10.87	13	32.60	15	32.61
Quality	11	23.91	13	28.26	09	19.57	16	39.14	07	15.22
Availability of Products	05	10.87	08	17.39	03	06.52	03	6.53	11	23.91
Quantity	06	13.04	03	06.52	15	32.60	07	15.22	09	19.55
Total	46	100	46	100	46	100	46	100	46	100

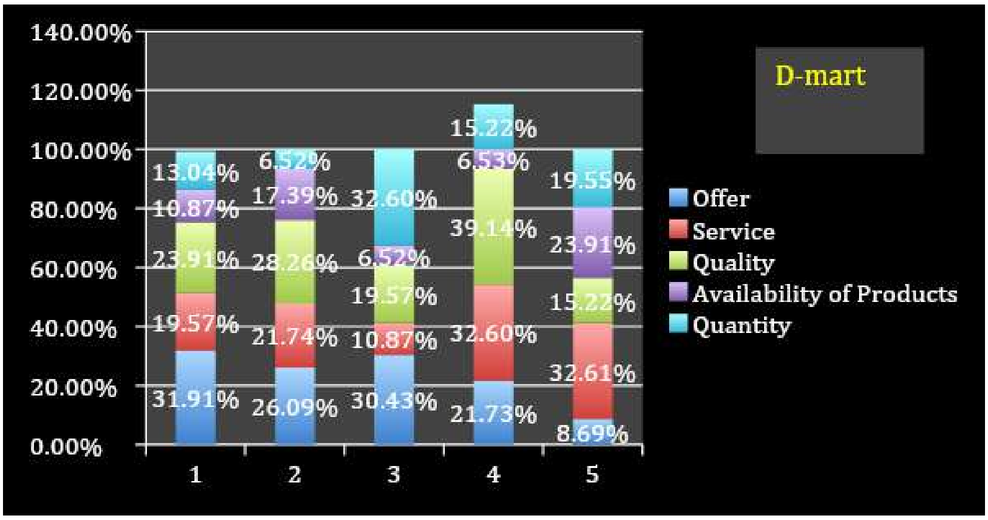


Fig.3.10

ANALYSIS:

From the survey, from 120 respondents, gave response for Choose from factor which attracted you most while purchasing, to give first rank Big-Bazaar is 29.73%, & second rank is 20.27%, & third rank is 22.97%, fourth rank is 13.51% and five rank 18.92% of them Offer. Give First rank D-Mart is 32.61%, & Second rank is 26.09%, & Third rank is 30.43%, & Fourth rank is 21.73% and five 8.69% of them Offer. Give first rank Big-Bazaar is 20.27%, & second rank is 16.21%, & third rank is 25.68%, fourth rank is 31.08% of them Service. Give First rank D-Mart is 34.78%, & Second rank is 19.56%, & Third rank is 13.04%, & Fourth rank is 32.60% of them Service. Give first rank Big-Bazaar is 22.99%, & second rank is 20.28%, & third rank is 16.22%, fourth rank is 40.54% of them Quality. Give First rank D-Mart is 19.57%, & Second rank is 13.06%, & Third rank is 28.26%, & Fourth rank is 39.14% of them Quality. Give first rank Big-Bazaar is 14.86%, & second rank is 35.14%, & third rank is 35.13%, fourth rank is 14.87% of them Availability of Product. Give First rank D-Mart is 23.91%, & Second rank is 34.78%, & Third rank is 34.79%, & Fourth rank is 6.53% of them Availability of Product.

INTERPRETATION:

Majority of the customers are like to offer to Big-Bazaar. & like service to D-Mart. We can also interpret that some people are like Wednesday Discount Offers on Food, Fashion, household Items at Big Bazaar. it's means wide range of products available in big bazaar. and D-Mart are Even it provides a good service and ambience to its customers who encourage them to visit d-mart more and more times. So that customers can get more satisfaction.

- ## Source about outlet

Source	Big-Bazaar		D-Mart	
	No.	%	No.	%
T.V.	18	24.3243	11	23.9130
Hoarding	19	25.6756	8	17.3913
Bus Painting	13	17.5675	10	21.7391
News Paper	24	32.4324	17	36.9565
Total	74	100	46	100

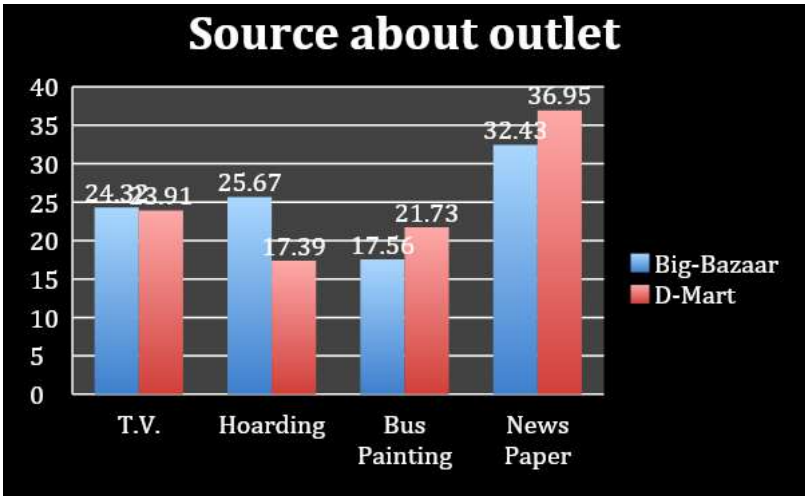


Fig.3.11

ANALYSIS:

From the survey, from 120 respondents, gave preference for Big-Bazaar is 24.32% of them T.V., & 25.67% of them Hoarding. & 17.56% of them Bus Painting. & 32.43% of them News Paper. And Give preference for D-Mart is 23.91% of them T.V. & 17.39% of them Hoarding, & 21.73% of them Bus Painting, & 36.95% of them News Paper.

INTERPRETATION:

Majority of the customers are gave response for News paper is the most influencing factor which is responsible for awareness of Big Bazaar & D-Mart. We can also interpret that some people are visited a store through seen to advertisement in news paper. The various promotion schemes used at Big Bazaar include.

- ## Offer

Offer	Big-Bazaar						D-Mart					
	1		2		3		1		2		3	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Buy 1,Get 1 free	26	35.22	25	39.2	23	25.57	14	30.43	9	19.56	23	50.00
Gift Voucher	31	41.48	29	38.65	14	19.88	20	43.47	13	28.26	13	28.26
Future Card	17	23.29	20	22.15	37	54.55	12	26.08	24	52.17	10	21.73
Total	74	100	74	100	74	100	46	100	46	100	46	100

Fig.3.12

ANALYSIS:

From the survey, from 120 respondents, gave response for like the most offer to give first rank Big-Bazaar is 35.22% & second rank is 39.2% & third rank is 25.57%. And give first rank D-mart is 30.43% & second rank is 19.56% & third rank is 50.00%.of them Buy 1, Get 1 free. Give first rank Big-Bazaar is 41.48% & second rank is 38.65% & third rank is 19.88%. And give first rank D-mart is 43.47% & second rank is 28.26% & third rank is 28.26%.of them gift voucher. Give first rank Big-Bazaar is 23.29% & second rank is 22.15% & third rank is 54.55%. And give first rank D-mart is 26.08.55% & second rank is 52.17% & third rank is 21.73% of them future card.

INTERPRETATION:

Majority of the customers are give first rank gift voucher to Big-Bazaar & D-mart. We can also interpret that Big Bazaar & D-Mart is the destination where you get products available at prices lower than the MRP, setting a new level of standard in price, convenience and quality, making Big Bazaar & D-Mart, India’s favorite shopping destination. Big Bazaar & D-Mart Gift Vouchers are available in convenient denominations of **Rs. 50, 100, 250, 500 & 1000.** They are redeemable at all Big Bazaar & D-Mart stores across India. Some people are don’t like service of future card.

Big-Bazaar

- “Saal ke sabse saste 3 din”
- Hafte ka sabse sasta din “Wednesday bazaar”
- Exchange Offers “Junk swap offer”

- Future card(3% discount)
- Shakti card
- Advertisement (print ad, TV ad, radio)
- Brand endorsement by M.S Dhoni and Asin

Big Bazaar has come up with 3 catchy lines written on hoardings taking on biggies like Westside, Shoppers stop and Lifestyle. They are:

- “Keep West- a Side. Make a smart choice!”
- “Shoppers! Stop. Make a smart choice!”
- “Change your Lifestyle. Make a smart choice!”
- Each party is free to accept or reject the exchange offer.
- Each party believes it is appropriate or desirable to deal with the other party.

Whether exchange actually takes place depends upon whether the two parties can agree on terms that will leave them both better off (or at least not worse off) than before. Exchange is a value-creating process because it normally leaves both parties better off. Note that exchange is a process rather than an event. Two parties are engaged in exchange if they are negotiating-trying to arrive at mutually agreeable terms. When an agreement is reached, we say that a transaction takes place. A transaction involves at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement. Usually a legal system exists to support and enforce compliance among transactions. However, transactions do not require money as one of the traded values. A barter transaction, e.g., involves trading goods or services for other goods or services

- **Tagline of big bazaar ‘Isse Sasta Aur Acha Kahin Nahin’?**

	No.	%
Yes	79	65.83
No	41	34.17
Total	120	100

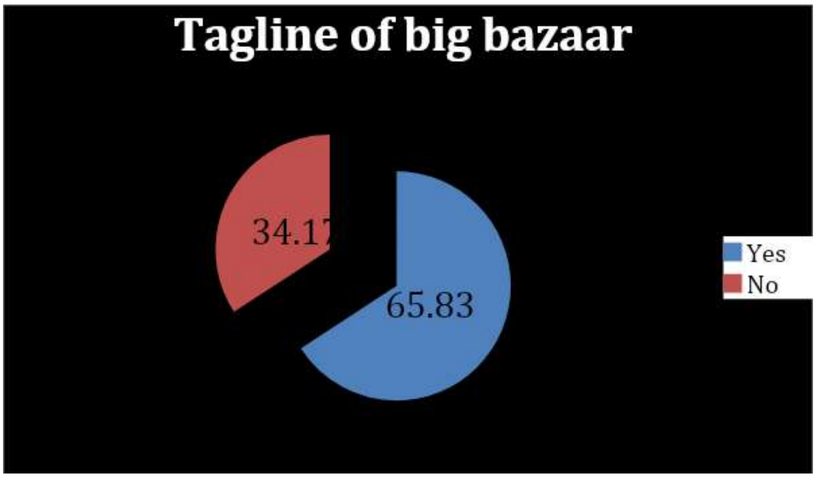


Fig.3.13

ANALYSIS:

From the survey, from 120 respondents, gave response for agree with the tagline of big bazaar 'Isse Sasta Aur Acha Kahin Nahin' to Yes is 65.83% & No is 34.17%.

INTERPRETATION:

Majority of the customers are give response for satisfied with the tagline of big bazaar 'Isse Sasta Aur Acha Kahin Nahin' we can also interpret from this that tagline of big bazaar is an even it provides more wide range of product.

D-Mart

Promotion and sales offers were present for most of the items. There were a discount of 10 % on all Navneet products and Cadbury celebrations. There was one separate whole shelf for garbage dust bin bags selling at Rs.29 wherein the actual MRP was Rs.45.In case of apparels there is a variety available ranging from menswear, women swear and kids wear.

Advertising

When D-mart had opened up, on the way towards Nahur station, there was a hoarding nearly for 3 months to advertise that the mall has opened up at Mulund.

D-Mart mostly use discount offers as a promotional tool for increasing sales.Promotional tools are very much important for D-Mart, in incrasing sales and also in introducing new products.

Customers are also satisfied with the promotional tools of D-Mart, mostly they are satisfied with the discount offers.

Customer are satisfied with the products of D-Mart and also with the behavior of the employees.

To knoe abiut sales promotional technoques and its effectiveness of D-mart.

The study will be carride out in the city of ahmedabad and wwill enable D-Mart to understand which consumer and sales promotion scheme are beneficial and like by cistomer so as to retain for longer period.
This reasearch is helpful to know type of sales promotional scheme used by retail store and to motivate the consumer for buying the products.

- Tagline of D-Mart **'Daily Discounts, Daily Savings.!**

	No.	%
Yes	69	57.5
No	51	42.5
Total	120	100

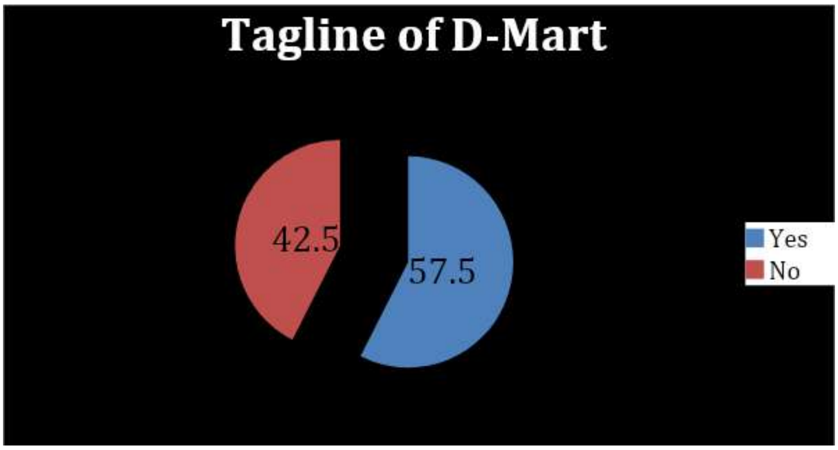


Fig.3.14

ANALYSIS:

From the survey, from 120 respondents, gave response for agree with the tagline of D-Mart 'Daily Discounts, Daily Savings…!' to Yes is 57.5% & No is 42.5%.

INTERPRETATION:

Majority of the customers are give response for agree with the tagline of D-Mart 'Daily Discounts, Daily Savings…!' we can also interpret from this that tagline of D-Mart It is also clearly known that D-Mart sales its goods at a discounted price as compared to the market. Even it provides a good service and ambience to its customers who encourage them to visit D-Mart more and more times.

- **Advertisement effects in shopping behavior.**

	No.	%.
Yes	88	73.33
No	32	26.67
Total	120	100

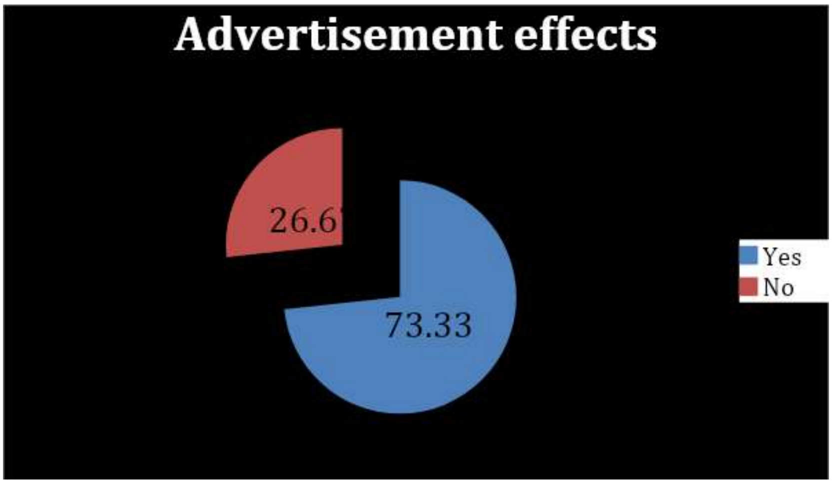


Fig.3.15

ANALYSIS:

From the survey, from 120 respondents, gave response for advertise effect your shopping behavior to Yes is 73.33% & No is 26.67%.

INTERPRETATION:

Majority of the customers are give response for advertisement effect in shopping behavior to People mostly come to store as they get various kinds of products under one roof. Store should try and produce more qualitative products so that customers can get more satisfaction and would never think of not doing shopping in store.

- ## Promotional activities conducted by store

	No.	%
Yes	64	53.33
No	56	46.67
Total	120	100

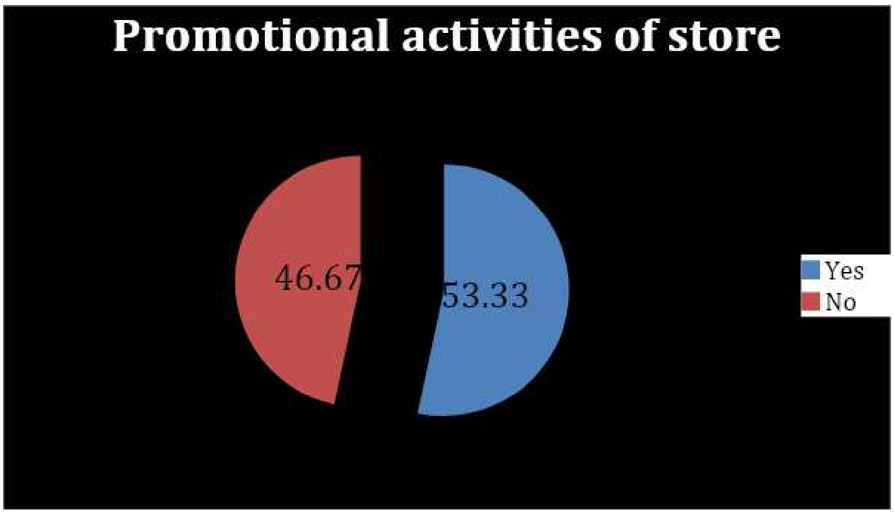


Fig.4.1

ANLAYSIS:

From the survey, from 120 respondents, gave response for aware of promotional activities conducted by store to Yes is 53.33%, & No is 46.67%

INTERPRETATION:

Majority of the customers are given response for aware of promotional activities conducted by store. We are also interpreting that product categories like grocery and clothes, big bazaar has many local branded products. Customers purchase a lot of these as its cheap in price even though its quality is not so good. As most of the customers belong to lower class and middle class people, they purchase those local branded products as it gives them value for money. Different products of the same category have different prices. Some customers also pre decides the brand on the local manufactured grocery and food products of the store. Store should include more of the branded products in its each category so that customers have more options to choose among the brands. This will bring in more number of people to store which will definitely increase the sales.

- **Purchase pattern changes at the promotions.**

	No.	%
Yes	39	32.5
No	81	67.5
Total	120	100

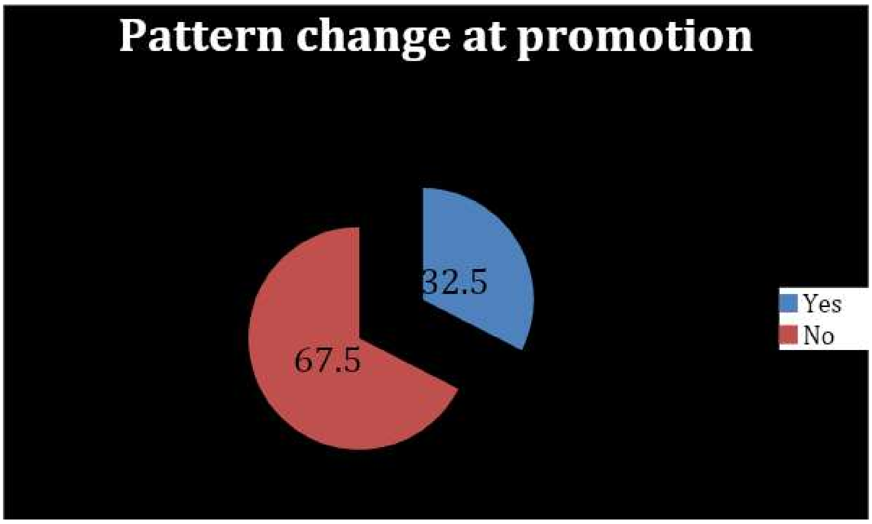


Fig.4.2

ANALYSIS:

From the survey, from 120 respondents, gave response for purchase pattern changes, looking at the promotions to Yes is 32.5%, No is 67.5%.

INTERPRETATION:

Majority of the customers are give response to don't believe that promotions is responsible for their purchase decision.

4.1 <u>Big-Bazaar</u>

DEVELOPING YOUR PROMOTIONAL STRATEGEY

Developing an effective promotional strategy demands more than just being aware of the tools promotional. Promotion is an ongoing process that requires much planning. A strategy is simply a careful plan. The effectiveness of your strategy depends on more than how much money you put into it. Effectiveness results from the thoroughness of your planning and the consistency with which you carry it out.

Promotional Strategies

“ How do I get my Product/Service out there?” This is a question that many people who plan to being their own businesses, or even larger companies who have already established a name for themselves, frequently ask. Your product or service may be the latest and greatest on the market today, but that doesn’t help you if no one know it exists. You need to find some way to make yourself and your product known.

That is where promotion comes into play. But what exactly is promotion? Well, The act of promoting or the fact of being promoted; advancement. Encouragement of the progress, growth, or acceptance of something, furtherance. Advertising, publicity. Essentially this covers everything from commercial to magazine ads and even free items given out at exhibitions and trade shows. Promotion is preformed many different ways by many different people but when it all comes down to it there is really only one purpose.

4.2 D-Mart External Design:

As mentioned earlier D-MART is located in the middle of three bustling towns, namely Mulund, Bhandup, and Nahur. The exterior design of D-MART is very ordinary and functional at best. It consists of a small complex with trees lining its front entrance. The building is painted white with D-MART logo clearly visible from the road. The exterior also houses certain food and refreshment stalls for the shoppers to enjoy

Interior Design

The interiors were predominantly green thus associating it with the colour of their logo. This also made the store look more spacious and organized. As far as the flooring is considered the whole store was floored with ceramic tiles. Adequate light was present focusing on the merchandise as well as for the convenience of the customers. Music was pure soft Hindi music which appealed to the target customers. Separate entrance is present for the physically challenged.

Layout:

Layout is fairly simple and it is kept simple with a view to keep everything that customer in his eye sight and reach. The whole store has been divided into various sections according to the categories that are stacked there was found the most used products i.e. FMCG* were very easy to support and purchase.

ImageSetup:

The image that D-Mart wants to set up is that of a discount store that offers most of the products with all the major brands. D-Mart is a store offers value for money. The store puts various offers on products some throughout the year and some periodically. When a customer enters the gate first thing he notices are the boards that say “Minimum 5% discount on all products”. This itself makes customer think of a good value for money

TARGET CUSTOMER:

D-mart projecting itself as a discount store targets the middle income group. The area in which it is located is predominantly middle class residential area. So the location is such that it is very convenient for its target customers. Also it is a very fast growing and value conscious segment. In order to attract their attention, D-mart keeps giving several offers that directly projects greater value to the customer.

- **Service provided by store**

	No.	%
Yes	74	61.67
No	46	38.33
Total	120	100

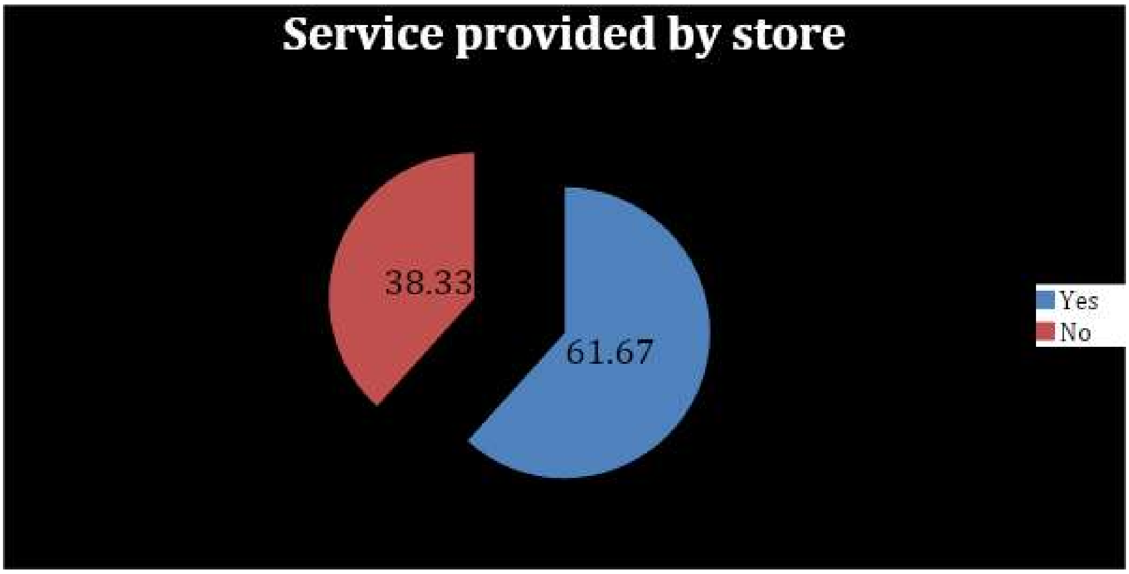


Fig.4.3

Big-Bazaar								
Services	1		2		3		4	
	No.	%	No.	%	No.	%	No.	%
Food	29	39.18	21	28.36	15	20.27	9	12.16
Clothe	22	29.72	19	25.63	13	17.58	20	27.02
Accesseries	13	17.58	14	19.00	27	36.52	20	27.02
Stationary	10	13.51	20	27.02	19	25.63	25	33.78
Total	74	100	74	100	74	100	74	100
D-Mart								
Services	1		2		3		4	
	No.	%	No.	%	No.	%	No.	%
Food	10	21.73	12	26.08	20	43.47	4	8.70
Clothe	12	26.08	8	17.40	12	26.08	14	30.43
Accesseries	15	32.61	13	28.26	9	19.56	9	19.56
Stationary	9	19.56	13	28.26	5	10.87	19	41.30
Total	46	100	46	100	46	100	46	100

ANALYSIS:

From the survey, from 120 respondents, gave response for satisfied with service provided by store to Yes is 61.67%, & No is 38.33%.

INTERPRETATION:

We interpret that majority of the customers are satisfied with service provided by store. It is a threat for big-bazaar & d-mart as some of the attributes of other organized stores facility provides more satisfaction to customers. People mostly come to big bazaar & d-mart as they get various kinds of products under one roof, It is also clearly known that big bazaar & d-mart provided to good quality of the product.

- **Services of store**

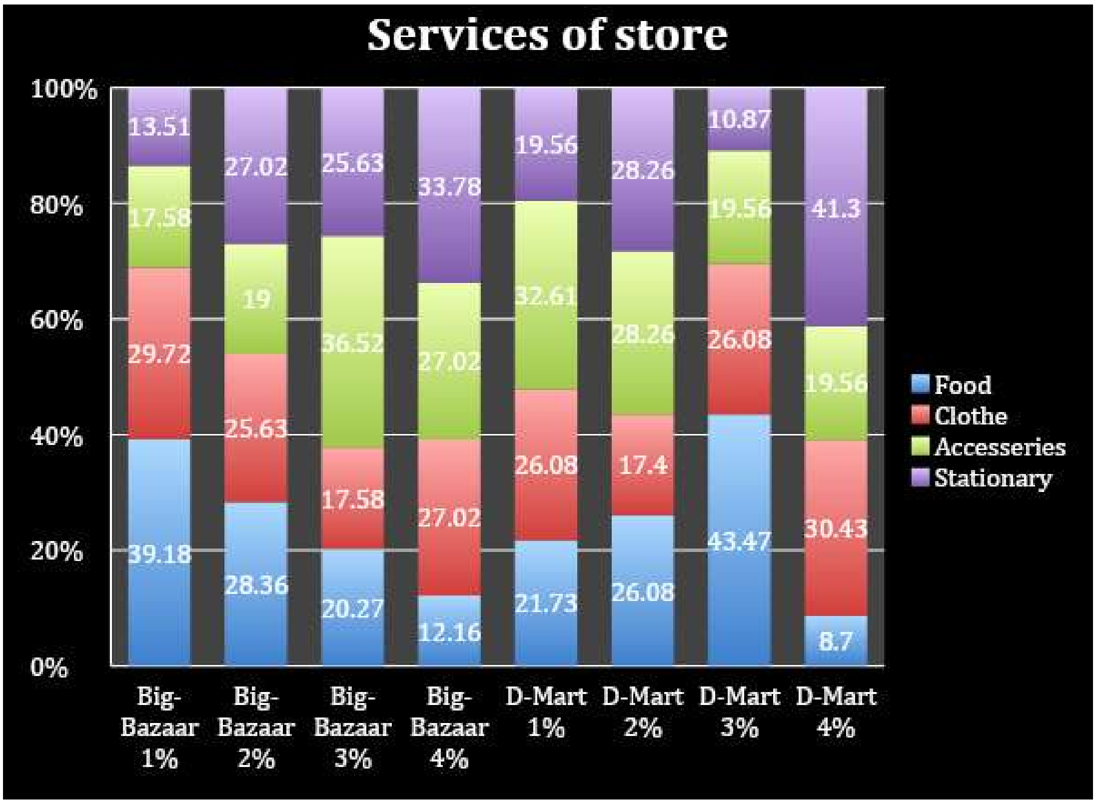


Fig.4.4

ANALYSIS:

From the survey, from 120 respondents, gave response for purchase, what kind of service go to the store, to give first rank Big-Bazaar is 39.18%, & second rank is 28.36%, & third rank is 20.27%, fourth rank is 12.16% of them Food. Give first rank D-Mart is 21.73%, & second rank is 26.08%, & third rank is 43.47%, & fourth rank is 8.70% of them Food. Give first rank Big-Bazaar is 29.72%, & Second rank is 25.63%, & third rank is 17.58%, & Fourth rank is 27.02% of them clothe. Give first rank D-Mart is 26.08%, & Second rank is 17.40%, & Third rank is 26.08%, & Fourth rank is 30.43% of them clothe. Give first rank Big-Bazaar is 17.58%, & Second rank is 19.00%, & Third rank is 36.52%, & Fourth rank is 27.02% of them Accessories. Give First rank D-Mart is32.61%, & Second rank is28.26%, & Third rank is 19.56%, & Fourth rank is 19.56% of them Accessories. Give First rank Big-Bazaar is 13.51%, & Second rank is 27.02%, & Third rank is 25.63%, & Fourth rank is 33.78% of them Stationary. Give First rank D-Mart is 19.56%, & Second rank is 28.26%, 10.87& Third rank is %, & Fourth rank is 41.30% of them Stationary.

INTERPRETATION:

Majority of the customers are give First rank food items to big bazaar and accessories to D-Mart. From this we interpret that some of the products brand are pre decided in advance and for some of the products customers don’t at all pre decide any brand. As per food items are concerned customers pre decide the brand as many branded food items are available in big bazaar. The customers pre decides brands on cloths and grocery most as big bazaar produces much of local brands and also have some well known branded products of clothes with it like flying machine jeans. As per accessories items are concerned customers pre decide the brand as many branded accessories items like that furniture, house decoration, etc. are available in D-Mart. The customer’s pre decides brands on grocery most as D-Mart produces much of local brands and also have some well known branded products.

4.3 Organizational Structure (Zonal)

-

Organization is a set of people working together for accomplishment of a common objective. The role adn responsibilities are stated clearly without any ambiguity. The positions occupied by different individuals are presented in the form of resources.

An organization structure consist of activities such as task allocation, coordination and supervision, which are directed towards the achivement of organization aims. It ca also be considered as the viewing glass or perspective through which individuals see their organization and its environment. An organization can be structure in many different ways, depending on their objective. The structure of an organization will determine the modes in which it operates and performs.

Organizational structure allows the expressed allocation of responsibilities for different entities such as the branch, department, workgroup, and individual. Organization structure affects organizational action in two big way. First , it provided the foundation on which standard operating procedures and routines rest. Second, it determines which individuals get to participate in which decision-making processes.

Fig.4.5

Store Structure

The store structure of a retail store will vary by the size and type of the business. Most tasks involved with operating a retail business will be the same. However, small or independent retail stores may combine many sectors together under one division, while larger stores create various divisions for each particular function along with many layers of management.

For example, the small specialty shop may have all of its employees under one category called Store Operations. A large department store may have a complete staff consisting of a manager, assistant manager and sales associates for its Sporting Goods department, Home and Garden, Bed and Bath, and each additional department.

In order to define the store's organization, start by specifying all tasks that need to be performed.

Then divide those responsibilities among various individuals or channels. Group and classify each task into a job with a title and description. The final step is to develop an organizational chart.

Fig.4.6

4.4 CUSTOMER BUYING DETERMINANTS:

Customer's satisfaction with a product depends upon how well the product performance lives up to customer expectation. It is a key influence on future buying behavior.

Consumers make many buying decisions every day. Most large companies research Consumers buying decisions in great details to consumer questions about what customer buy, where customer buy, how and how much they buy, why they buy.

It is very easy to get the answer to first three questions. but finding way they buy is very difficult because it require studying deep the Consumer behaviour. The model of the customer buying behavior answer the question affecting buying behavior of the customers. Consumers make many buying decisions every day. Most large companies reaserch consumer buying decision in grat details to answer question about what cinsumer buy, where they buy, how and ho

They are every where on the T.V. hoarding, posters and print media. Brands while proclasiming their positive qualities pull down those of their rivals. Intagible assets such as brands, patents and know now have become incrasingly dominats elements of company value. Brand are widely recognized as corporate assets but have been historically evaluated on non financial attributes like awareness, recognition.

- **Demographic Analysis- Age**

Age	Male		Female	
	No.	%	No.	%
18-20	24	35.82	21	39.62
21-26	17	25.37	13	24.53
26-30	15	22.39	9	16.98
Above 30	11	16.42	10	18.86
Total	67	100	53	100

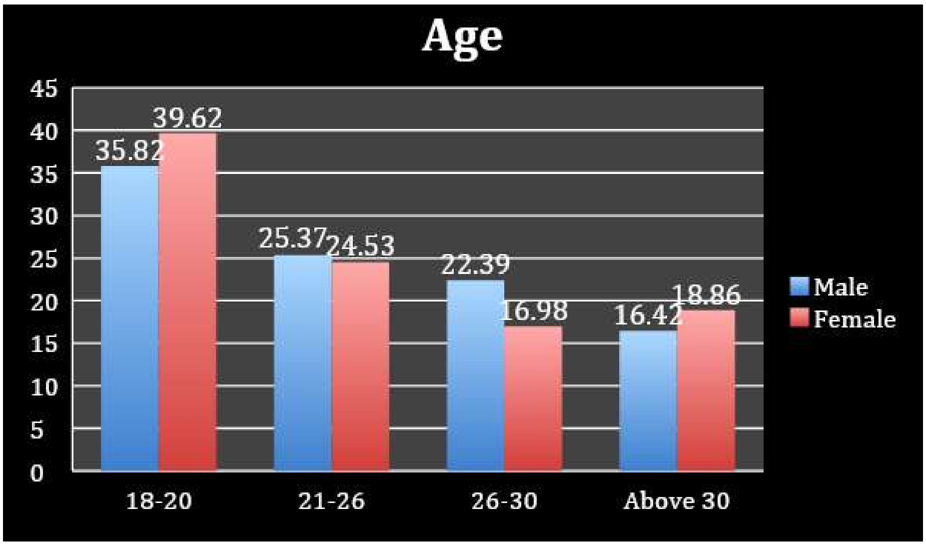


Fig.4.7

ANALYSIS:

From the survey, from 120 respondents, gave response Male is 35.82% & Female is 39.62% of them 18-20 year., and gave preference Male is 25.37% & Female is 24.53% of them 21-26 year., and gave preference Male is 22.39% & Female is 16.98% of them 26-30 year., and gave preference Male is 16.42% & Female is 18.86% of them Above 30 year.

INTERPRETATION:

Majority of the Male and Female customers are gIven response for 18-20 year, means his prefer to store and

- ## OCCUPATION:

Occupation	Male		Female	
	No.	%	No.	%
Student	27	40.29	18	33.96
Employed	18	26.86	23	43.39
Self Employee	22	32.84	12	22.64

Total	67	100	53	100

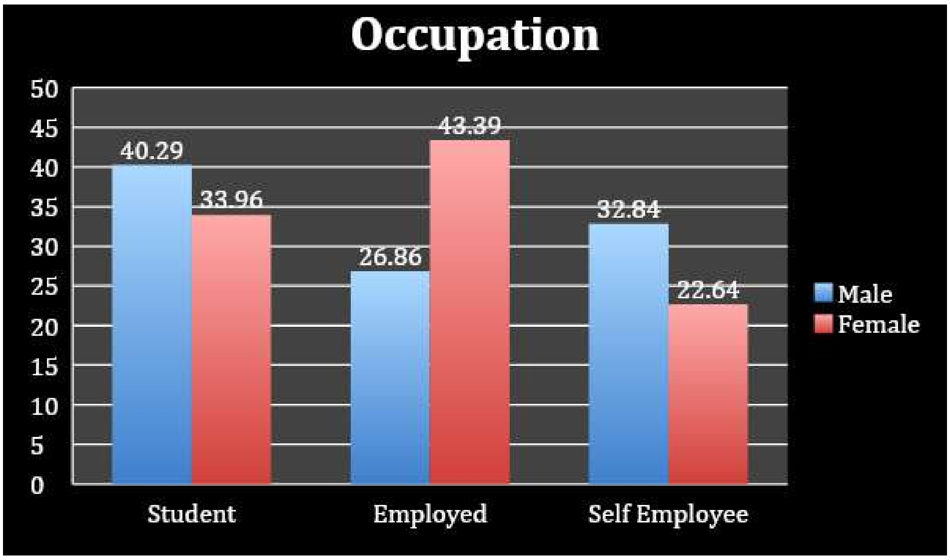


Fig.4.8

ANALYSIS:

From the survey, from 120 respondents, gave response Male is 43.71% & Female is 39.85% of them Student., and gave preference Male is 40.72% & Female is 44.36% of them Employed., and gave preference Male is 15.57% & Female is 15.79% of them Self employee.

INTERPRETATION:

Majority of the male customers are given response to Student & Female customer are gave response to employed. We can also interpret that some boys are like visited to store. Because some boys are purchase a sport equipment (ball, bats, helmets, hoops, goals, etc.), & jeans-T-shirt. Majority female are purchase a household items, jewel mart.

- ## Family Member

Member	Male		Female	
	No.	%	No.	%
0-2	9	13.43	6	11.32
2-4	33	49.25	19	35.85
4-6	10	14.92	18	33.96
More thane 6	15	22.39	10	18.87
Total	67	100	53	100

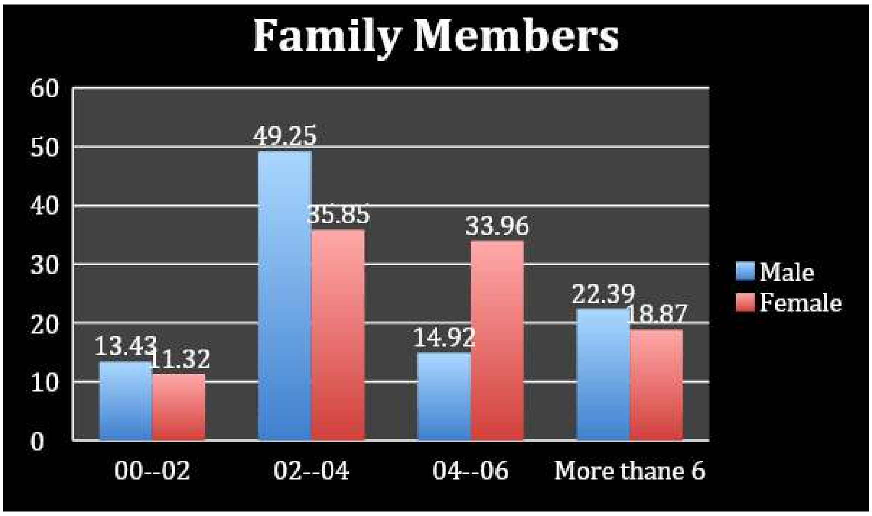


Fig.4.9

ANALYSIS:

From the survey, from 120 respondents, gave response Male is 13.43% & Female is 11.32% of them 0-2 member, and gave preference Male is 49.25% & Female is 35.85% of them 2-4 member, and gave preference Male is 14.92% & Female is 33.96% of them 4-6 member, and gave preference Male 22.39% & Female 18.87% of them More than 6 member.

INTERPRETATION:

Majority of the male & female customers are given response for 2-4 family member. We can also interpret that mostly customer are not visited a store in more thane 6 family member.

- **Visit a store.**

Time	No.	%
Daily	16	13.33
Weekly	48	40.00
Monthly	53	44.17
Yearly	3	2.5
Total	120	100

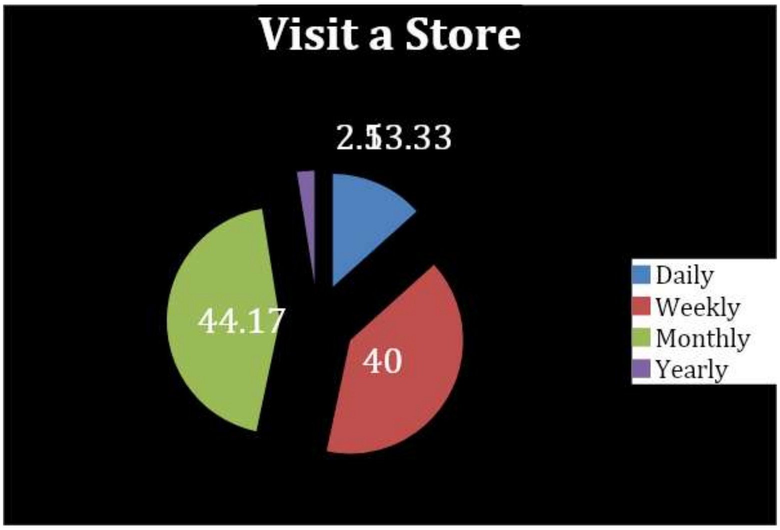


Fig.4.10

ANALYSIS:

From the survey, from 120 respondents, gave response Daily is 13.33% & Weekly is 40.00 & Monthly is 44.17% and Yearly 2.5%.

INTRPRETATION:

Majority of the customers are give preference to store visited monthly. We can also interpret that some of the customer vis-ited weekly and monthly basis for purchase their requirements.

- **Expense shopping.**

Amount	No.	%
Below 1000	22	18.33
1000-2000	27	22.5
2000-5000	46	38.33
More thane 5000	25	20.83
Total	120	100

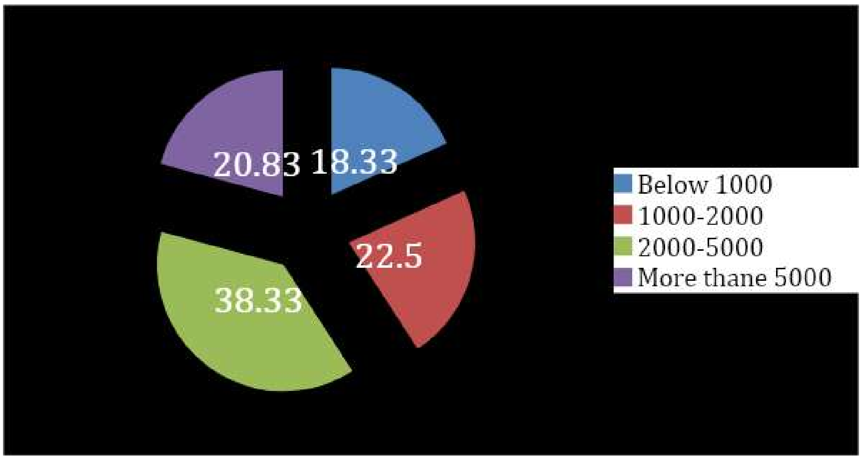


Fig.4.11

ANALYSIS:

From the survey, from 120 respondents, gave response for monthly expense while shopping to Below Rs.1000 is 18.33% & Rs.1000-2000 is 22.5% & Rs.2000-5000 is 38.33% and more thane Rs.5000 is 20.83%.

INTERPRETATION:

We interpret that most of the customers purchase goods in bulk which leads them to spend a lot. Volume sales are high in store. Customers tend to purchase more goods from store as it provides goods at a discounted rate. Probably those persons who spend more in a visit to store are purchasing on a monthly basis. Those customers who are spending very less money that is below Rs 1000 are mostly coming in just to move around store and spend time. In the process they used to spend money on food items and also purchase some products while roaming in it. Impulse buying behavior of customers comes in to play to a large extent. More discounts shall be provided to people who does bulk purchase. This will encourage people to purchase more products.

- **Section of the store like the most.**

	No.	%
Food	41	34.17
House hold	29	24.16
Kids	33	27.5
Jewel mart	17	14.17
Total	120	100

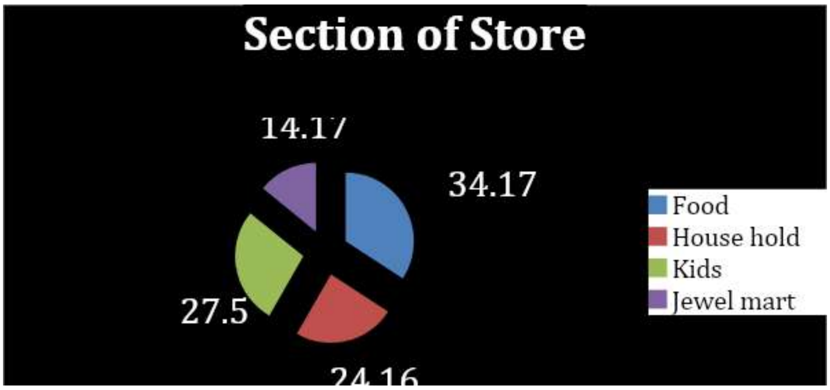


Fig.4.12

ANALYSIS:

From the survey, from 120 respondents, gave response for which section like of the store to 34.17% of them Food, & 24.16% of them House Hold, & 27.5% of them kids, & 14.17% of them Jewel mart.

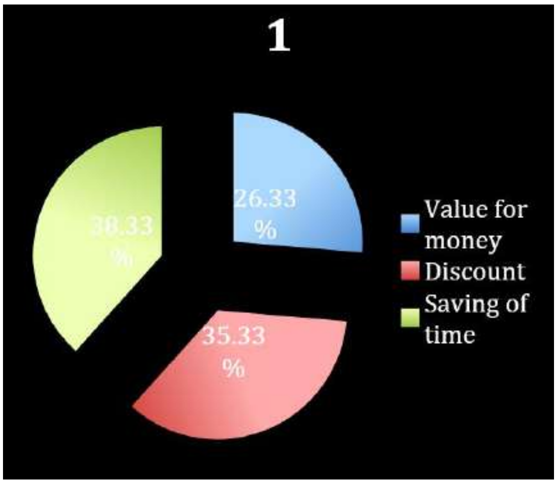
INTERPRETATION:

Majority of the customers are give response for food items section of the store like the most. We are also interpret that some of the products brand are pre decided in advance and for some of the products customers don't at all pre decide any brand. As per food items are concerned customers pre decide the brand as many branded products are available in the store. And some people are don't like purchase jewel mart from the store.

- ### Gender

Gender	No.	%
MALE	66	55
FEMALE	54	45

- **Reason for coming to the store**



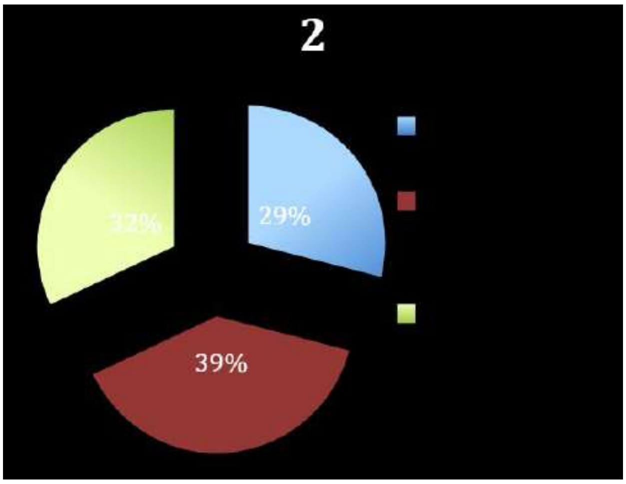


Fig.4.13

INTERPRETATION:

Majority of the customers are gave response for saving to the time is the most reason for coming to the store. We can also interpret that availability of product save the time of customer. Customer get all the product like food, cloths, stationary are available in store. So whatever they want to purchase they get in store and not going to different shop which are located in different places.

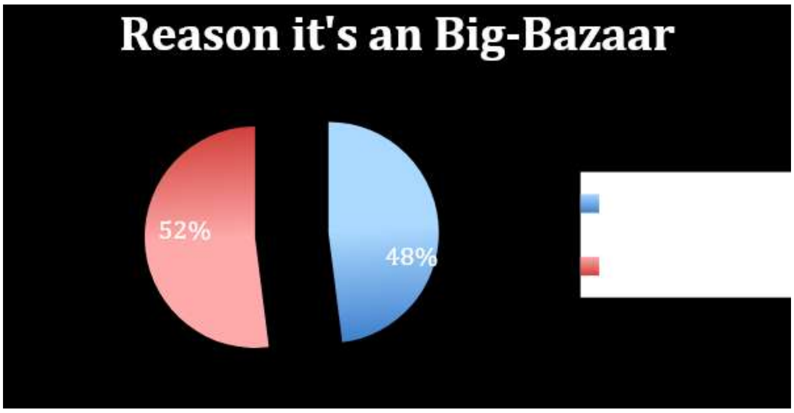


Fig.4.14

INTREPRETATION:

Majority of the customers are give response for why big bazaar called big bazaar? we are also interpret that big-bazaar is offer the widest range of product with the varieties of different brand.

Big Bazaar wins its first award and national recognition. Big Bazaar and Food Bazaar awarded the country's most admired retailer award in value retailing and food retailing segment at the India Retail Forum

Hypothesis Test:-

1) Choose factor for most while purchasing ? {Give only first 5 rank}

Offer :-

(a) H_o: $\mu = 3$ Customer are Satisfied at Moderate level
H_a: $\mu \neq 3$ Customer are not Satisfied at Moderate level

n = 120 $\bar{x}$ = 2.8667 s = 1.25647 df = 120-1 = 119 α = .01

(b) H_o: $\mu = 3$
H_a: $\mu \neq 3$

(c) For two-tail test, $\alpha/2 = .005$ critical $t_{.005,119} = \pm 2.576$

(d) $$t = \frac{\bar{x}-\mu}{\frac{s}{\sqrt{n}}} = \frac{2.8667-3}{\frac{1.25647}{\sqrt{120}}} = -1.162$$

(e) Observed t = -1.162 < $t_{.005,119}$ = -2.576

(f) **Fail To Reject the null hypothesis**

Interpretation:-

The decision is Accepted for Choose factor for most while purchasing, it means Customer not Satisfied at Moderate level(Rank 3).

2) Choose factor for most while purchasing ? {Give only first 5 rank}

Service :-

(a) H_o: μ = 3 Customer are Satisfied at Moderate level

H_a: μ ≠ 3 Customer are not Satisfied at Moderate level

n = 120 $\bar{x}$ = 2.8583 s = 1.14713 df = 120-1 = 119 α = .01

(b) H_o: μ = 3

H_a: μ ≠ 3

(c) For two-tail test, α/2 = .005 critical $t_{.005,119}$ = ±2.576

(d) $$t = \frac{\bar{x}-\mu}{\frac{s}{\sqrt{n}}} = \frac{2.8583-3}{\frac{1.14713}{\sqrt{120}}} = -1.353$$

(e) Observed t = -1.353 < $t_{.005,149}$ = -2.576

(f) **Fail To Reject the null hypothesis**

Interpretation:-

The decision is Accepted for Choose SERVICE to Choose factor for most while purchasing , it means Customer not Satisfied at Moderate level(Rank 3).

(3) Choose factor for most while purchasing ? {Give only first 5 rank}

QUALITY :-

(a) H_o: μ = 3 Customer are Satisfied at Moderate level

H_a: μ ≠ 3 Customer are not Satisfied at Moderate level

n = 120 $\bar{x}$ = 2.6750 s = 1.16072 df = 120-1 = 119 α = .01

(b) H_o: μ = 3

H_a: μ ≠ 3

(c) For two-tail test, α/2 = .005 critical $t_{.005,119}$ = ±2.576

(d) $$t = \frac{\bar{x}-\mu}{\frac{s}{\sqrt{n}}} = \frac{2.6750-3}{\frac{1.16072}{\sqrt{120}}} = -3.067$$

(e) Observed t = -3.067 > $t_{.005,149}$ = -2.576

(f) **Reject the null hypothesis**

Interpretation:-

The decision is Rejected for Choose Saving of time to coming to the store, it means Customer not Satisfied at Moderate level(Rank 3)

FINDINGS

- Most of the customers buy their requirement in Big Bazaar & d-mart on the basis of Weekly and monthly basis. Customers realized that Big Bazaar & d- mart stores provide qualitative products/service with reasonable price.
- At present time Big Bazaar & d-mart provide different types of product assortments to the customers.
- Big bazaar & d-mart is a hypermarket as it provides various kinds of goods like apparels, grocery, stationary, food items, electronic items, leather items, watches, jewellery, crockery, decorative items, sport items, chocolates and many more. It competes with all the specialty stores of different products which provide goods at a discounted rate all through the year.
- Big Bazaar and d-mart mainly deal with middle income group people who want qualitative product with reasonable cost.
- There are more than 50 big bazaars in different cities of India, it seems that there is a vast growth of big bazaar lying as customers demand is increasing for big bazaars.
- the customers are give response for most powerful advertisement is Big-Bazaar. We can also interpret that the big-bazaar comparison is more powerful people attract with advertisement like T.V., Hoarding, news paper, is most of the part of purchasing by advertisement.

SUGGESTIONS

- Big bazaar and d-mart should provide large parking space for its customers so that they can easily park their vehicles.
- The infrastructure is needed to be changed a bit during weekends as heavy crowd comes in to big bazaar and d-mart during those days.
- Big bazaar and d-mart should include more of branded products its product category so as to attract the brand choosy people to come in to big bazaar.
- Big bazaar should keep offers in regular intervals so that there should not be a long term gap, because offer is the most influencing factor which is responsible for customer purchase decision
- they also concentrate on TV advertisement they should show ads and promotional offers in a regular interval in languages like Hindi English.
- Hoarding should be placed uncovered area.

LIMITATIONS:

- This research is conducted on a sample size, so it might be possible that the information given by such respondents may not match with the replay of total customer available in the store that time.
- The study was restricted to only the customers of BIG BAZAAR & D-Mart.
- The time constrain was a limiting factor, as more time was required to carry out study on other aspects of the topic.
- The result and analysis based on the customer survey method and small sample size has taken only 120.
- Findings are related to particular areas
- It might be possible that the answers given by the respondents are of biasness

CONCLUSION

Big Bazaar & D-Mart are a major shopping complex for today's customers. It is a place where customers find variety of products at a reasonable price. Big Bazaar & D-Mart has a good reputation of itself in the market. It has positioned itself in the market as a discounted store. It holds a huge customer base. The majority of customers belong to middle class family. The youth generation also likes shopping and moving around Big Bazaar & D-Mart. Volume sales always take place in Big Bazaar & D-Mart. Impulse buying behavior of customers comes in to play most of the times in Big Bazaar & D-Mart.

Big Bazaar & D-Mart is a hypermarket as it provides various kinds of goods like apparels, grocery, stationary, food items, electronic items, leather items, watches, jewellery, crockery, decorative items, sport items, chocolates and many more. It competes with all the specialty stores of different products which provide goods at a discounted rate all through out the year. It holds a large customer base and it seemed from the study that the customers are quite satisfied with Big Bazaar & D-Mart. As of now there are 34 Big Bazaar & D-Marts in different cities of India, it seems that there is a vast growth of Big Bazaar & D-Mart lying as customers demand; increasing for Big Bazaar & D-Marts. It has emerged as a hub of shopping specially for middle class people.

Different types of products starting from a baby food to pizzas wide range is available under one roof. In Delhi it is the middle class people who mostly do marketing from Big Bazaar & D-Mart. Even most of the people do their monthly shopping from Big Bazaar & D-Mart. People not only visit Big Bazaar & D-Mart to do shopping but also visit for outing purpose as it provides a very nice ambience to its customers. As people go to malls they just tend to move around Big Bazaar & D-Mart whether it is for shopping purpose or for outing purpose. Grocery, apparels and food items are the products which are demanded most by the customers of Ahmedabad in Big Bazaar & D-Mart. The major drawback of Big Bazaar & D-Mart is that it lacks in providing enough parking space for their customers. This may discourage the customers to come to Big Bazaar & D-Mart and shop as they face difficulty in parking their vehicles. Even though some customers say that they don't feel problem in parking their vehicle, it is because of the parking space available to them by the mall. As it is surveyed it seems that the biggest competitors of Big Bazaar & D-Mart are the kirana stores, discounted specialty stores like Vishal mega mart, The Tata Groups (Croma), Reliance Retail, & Sabka Bazaar etc.

BIBLIOGRAPHY

Reference Books

Books name	Author/publication
MARKETING MANAGEMENT AND BUSINESS BUYER BEHAVIOR.	Kotler, Phillip. Armstrong, PHI pub. :Delhi, ed. 9th.(pp.218 - 224,335-353,411-413,559-561,)

Websites

- http://www.bigbazaar.co.in
- http://www.pantaloonretail.in/businesses/big-bazaar.html
- http://www.scribd.com/doc/41556853/Bigbazaar-4p-Mix
- http://en.wikipedia.org/wiki/Marketing_management
- http://www.pantaloonretail.in
- http://dmartindia.com/home.html

University of Mumbai

University Of Mumbai

A PROJECT REPORT ON

“A STUDY OF WAREHOUSING IN INDIA”

Bachelor of Management Studies

Semester VI

2019 -2020

Submitted By

Gulista Ansari

(SEAT NO: - 1162777)

BGPS’

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

University of Mumbai

University Of Mumbai

A PROJECT REPORT ON

“A STUDY OF WAREHOUSING IN INDIA”

Bachelor of Management Studies

Semester VI

2019 -2020

Submitted

In Partial Fulfilment of the requirements

For the Award of Degree of

Bachelor of Management Studies

By

Gulista Ansari

(SEAT NO: - 1162777)

BGPS’

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

DECLARATION

I, **GULISTA ANSARI** from the BGPS'MUMBAI COLLEGE OF ARTS, COMMERECE & SCIENCE, WADALA (E) MUMBAI – 400037,of T.Y.B.M.S. Semester VI (2019-2020), hereby declare that I have completed the project on **"A STUDY OF WAREHOUSING IN INDIA"** The information submitted is true and original to the best of my knowledge.

GULISTA ANSARI

Seat Number: - 1162777

BGPS' MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

CERTIFICATE

This is to certify that Ms. Gulista Ansari, SEAT NO: - 1162777
of Third Year B.M.S., Semester VI (2019-2020) has successfully completed the project on **"A STUDY OF WAREHOUSING IN INDIA"**
under the guidance of Asst. Prof. Madhura Vilekar Mam.

Place: - Mumbai
Date:-

--------------------------------------- ---------------------------------------

Project Guide External Examiner

--------------------------------------- ---------------------------------------

Asst. Prof. Draksha Khan Mam Dr. Subhash Vadgule Sir

Course Coordinator Principal

College Seal

ACKNOWLEDGEMENT

Thanks to merciful lord for all the countless gifts that you have offered me, and thanks to my family for the love and support.

Secondly I would like to thanks **"UNIVERSITY OF MUMBAI** "for giving me this opportunity of creating this project. This is something that has been done by me on a practical basis, I've utilized the knowledge that is provided to us and made this project. This has been a practical experience of me in relation to the knowledge that is taken from books.

In making this project report a lot of people have contributed by giving me the require knowledge and time. I would like to thank all of them. It is my great pleasure to acknowledge my deepest thanks to them.

I also wish to extend my appreciations to the management and staff of my college, especially our principal **"Dr. Subhash Vadgule"**, for his kind co-ordination and support.

My special thanks to my lovely Parents for their unconditional love and support. It is because of their assistance and competence that I have reached this milestone and most important thanks to our BMS Course **"Co-ordinator Asst. Prof. Draksha Khan"** for all the help and guidance.

I would like to express my gratitude and sincere thanks to my project guide "**ASST. PROF. MADHURA VILEKAR"** for instilling confidence in me to carry out this study and extending valuable guidance and encouragement from time to time, without which it would not have been possible to undertake and complete this project.

I would also like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Last but not the least my peers and friends for their valuable comments and suggestions for making this a cherishable experience for me. I would also thank **Amirshoyal Sayed** who has always been my support and my inspiration behind this project

Gulista Ansari

TABLE OF CONTENT

CHAPTER 1

1.1 STATEMENT OF THE AIM

A warehouse is a commercial building for storage of goods. Warehouses are used by manufacturers, importers, exporters, wholesalers, transport businesses, customs, etc. They are usually large plain buildings in industrial parts of towns. They come equipped with loading docks to load and unload trucks; or sometimes are loaded directly from railways, airports, or seaports. They also often have cranes and forklifts for moving goods, which are usually placed on ISO standard pallets.

Following are the main reason for the comparative services.

- Increase in different types of products in market
- Need of different organizations in order to move their product from one place to another
- In order to check which is the best way or warehousing and to make cost minimal
- In order to increase the life of any product which are kept in warehouse
- To determine what and how is good for any product

1.2 INTRODUCTION OF THE PROJECT REPORT

My Project report is made on the topic **"STUDY OF WAREHOUSING IN INDIA"** worked and acquired the data from different websites and reports of the transportation company and various retailers as where their good are stored.

- This project is to analyse different types of warehouses
- With this project the retailers and people in entire India would come to know which type of Warehouse are best for their products
- This project is based on Primary Data and Secondary Data for analysis.
- This project also concentrates on the satisfaction of the customers.
- This project helps in capturing the behaviour of customer and even understanding their needs and wants from warehouse.

1.3 OBJECTIVE OF THE PROJECT REPORT

1. To design the supply chain to maximize profitability, and ensure that the supply chain is being placed well with all the different types of Warehouses

2. To maximize overall value generated.

3. Improving the storage facility of Retailer and manufacturers

4. Improving the quality

5. Minimizing the time

6. Reduces the transportation cost

7. Expanding width/depth of distribution

8. Product Life cycle support

9. Service orientation

10. To look for Sources of Revenue and Cost

1.4 EXECUTIVE SUMMARY

I have great pleasure in presenting my project to the Mumbai University; my topic is **"A STUDY OF WAREHOUSING IN INDIA"**. I have made sincere effort to make this project informative and i am sure it would justify the same.

As the title of the project report suggest the main aim if the project is to study the distribution, Storage and supply chain management that is done different Warehouses in India. Comparison is even made from firm to firm to achieve the requirement that is needed by the customer.

1.5 LIMITATION OF THE PROJECT REPORT

- Every research work suffers from some limitations; similarly, the research also has some limitations. The limitations of the research project are as follows: -

- **Time Constraint**: **-** The biggest constraint was the time. Due to limited time the research could have been carried out a larger scale, the sample size would have been larger covering more geographical areas and with more detailed questionnaire.

- The research that is carried out is only exploratory in nature further this research can be carried out through a more descriptive or casual.

- Many other factors are responsible for the business development of a company apart from the customer satisfaction or the internal management of the company, these other factors is not taken into consideration.

- The research has been limited to Mumbai only. It would have given better results if it would have been carried out on all streams of walk of life.

- The findings of the research are qualitative in nature. It would be better if the same could have been quantified.

1.6 PROBLEM OF THE PROJECT REPORT

During the research the researcher faces a lot of problem. Following are the problems that were faced by me.

1. Lack of Computerization.
2. Problems of internet. (Weak Internet network).
3. Lack of time availability while searching for secondary data.
4. Lack of sufficient funds to make little research part available.
5. Problem faced during survey.
6. Everyone is not easy or readily available for providing the responses.

CHAPTER 2

2.1 INTRODUCTION TO WAREHOUSING

Warehousing: Warehousing is the act of storing goods that will be sold or distributed later. While a small, home-based business might be warehousing products in a spare room, basement, or garage, larger businesses typically own or rent space in a building that is specifically designed for storage.

Warehousing involves doing the following things:

1. A good storage system to store goods into different geographical areas. 2. A good tracking system so that goods are stored in right way and right quantity. 3. A good packaging, which takes the wear and tear of transport in storage containers. 4. Tracking the places where the product can be placed such that there is a maximum safety of the product. 5. It also involves a system to take back goods from the trade.

Description: Warehousing can make or break a company. A good Warehousing system quite simply means the company has greater chance of selling its products more than its competitors. The company that knows how to store and take care of its products in proper shape and as demanded by consumer at lower costs than its competitors will make greater margins absorb raw material price rise better and last longer in tough market conditions. Warehousing is critical for any type of industry or service. The best price product, promotion and people come to nothing if the product is not available for sale at the points at which consumers can buy.

In the FMCG industry in India, specially, companies distribute their low-value, high volume products to over 1 million retail outlets, or points of sale. The most successful FMCG companies have the best warehouses networks where all the products are properly stored and managed so that whenever there is a need in the market the product is readily available to any consumer.

2.2 ABSTRACT OF THE PROJECT REPORT

India is the largest producer of various commodities like milk vegetables, fruits, tea, pulses, butter, cereals, and meat. India ranks first in the production of fruits and vegetables. Unfortunately, it has also highest level of wastage for the above mentioned items in the world, resulting in money loss of about Rs.25000 Crore annually. This is mainly due to poor storage techniques adopted. The storage methods and warehouses currently being used are mostly used in remote areas and where the atmosphere damages the products.

This project gives a lot of knowledge about "**Book My Storage**" in India and the business that are done using them in between many organizations and the feedback and the output from the customers.

The project concentrates on finding the issues in warehousing and solving them by calculating the data and then coming to a resolution that can be carried out in future and can be used for a long term satisfaction.

This project gives detail information about what is warehousing, what are the different types of warehousing, the factors that are affecting in the smooth transaction of the business.

An extensive survey was taken in order to understand the problems that are faced and how to solve them.

The extensive survey even provided with the data that can be used in order to solve the future problems that can be solved by taking the necessary steps from the data that is collected in the survey.

2.3 NEED TO STUDY

Following are the reasons for which the study for this project was done.

- To maximize profitability, and ensure that the warehousing technique that is used is properly planned and executed to deliver that profitability.
- To maximize the overall value generated for the customer's services and then take steps in improving the quality of services that are given.
- To make sure that the services that are provided to customers are as per the standards and no one is left in pain.
- Minimizing the time.
- Reduces the transportation cost
- Reduces warehousing cost
- Product Life cycle support
- Rationalize supplier base
- Service orientation
- To look for Sources of Revenue and Cost
- Power & conflict issues in warehousing

2.4 SCOPE OF THE STUDY

- The scope of the project was to know the warehousing technique of the company.
- To know the feedback from the customers about the quality of products and services offered by the warehousing company
- By knowing this it will help company to improve and get to know in which type of area they are lacking behind and improve in that.
- Also, if company is not concentrating in particular area by getting the feedback of the company can do so.
- Ensuring and getting feedback from them by knowing about the quality of services.
- Do company maintain good supply procedures and management is done to make deliveries on proper time and also storage of products is taken good care of.
- The stock holding, material handling, inventory control, order processing of the company will help the company to know about the value of their services are going in a proper direction or not.
- By knowing the feedback from the customer and working on alternatives for making warehousing technique more better
- What features it should add up in the channels of movement of goods and services for improvement.
- If the feedback, we got is positive then it will definitely make company positive with its services?
- So, they will continuously provide best quality services on time.

CHAPTER 3

3.1 A STUDY ON BOOK MY STORAGE

A BookMyStorage warehouse is a facility in the supply chain to consolidate products to reduce transportation cost, achieve economies of scale in manufacturing or in purchasing

- BookMyStorage provide value-added processes and shorten response time
- BookMyStorage Warehousing has also been recognized as one of the main operations where companies can provide tailored services for their customers and gain competitive advantage. There are various types of warehouses: they can be classified into production warehouses and distribution centres
- BookMyStorage and by their roles in the supply chain they can be classified as raw materials warehouses, work-in-process warehouses, finished good warehouses, distribution warehouses, fulfilment warehouses, local warehouses direct to customer demand, and value-added service warehouses

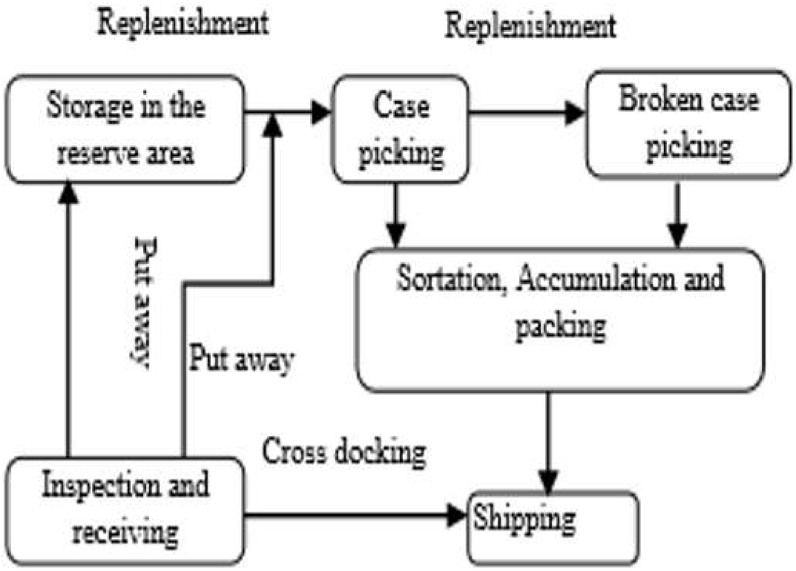


Fig 1. Typical warehouse functions

3.2 ABOUT BOOK MY STORAGE

BookMyStorage is a web based e-fulfilment platform offering state of the art physical storage, warehousing and inventory management solution. We have the power of most advanced logistics technology to help businesses meet the needs of their customers.

Business

No Matter if you require space for a single box of inventory or hindered of square feet's, we have optimum solutions for every need. We guarantee a seamless order fulfilment experience integrated with latest technology and easy access to real time order and inventory data.

Office

Have loads of paper and files lying around taking a lot of space? Keep your office tidy and manageable at a single click. Store away extra files and papers with us, it will not only make your office look neat but you will also find your files safer and more organized.

Households

Urban life comes with small apartments and space shortage, resulting in clutter. We help create more space at home by storing extra stuff at our facility. You can avail our service while on the move, relocating or renovation. We pick, pack and retrieve at your doorstep.

Fulfilment

Once your order is received, we will pick, pack and ship your order safely

Easy selling

Take advantage of our strong network of warehouse, and Omni channel e-fulfilment centre.

3.3 FEATURES OF WAREHOUSING – BOOK MY STORAGE

With BookMyStorage app, align your business to warehouse and distribution centres to maximize cost saving.

Our app eliminates the manual process of tracking, builds order assembly faster with less labour.

We make sure you get rid of tedious paper work and operate with real time system. Gain visibility, obtain real time operational status, and monitor labour productivity with an ease of a touch

BookMyStorage is so amazing! It's so helpful. Before I knew about it I wasted so much time and money on fulfilment and storage with so many failures. With BookMyStorage I can now focus on customer acquisition without worrying about fulfilment.

My biggest challenge was inventory management and order tracking. With BookMyStorage I get real time updates on my inventory which help me plan product

BookMyStorage is not only a critical partner in regards to our commercial activities related to the Inventory Management Solution, but as an implementation partner. They bring the service and expertise that helps build the success through integrated technology at each level, live and ongoing support.".

We choose BookMyStorage for their friendliness and functionality of the tool as well as their logistics management. "I would recommend BookMyStorage to other potential clients for their dedication, hard work and knowledge of the transportation industry and supply chain operations. Mr. Sunil Nair.

BookMyStorage offers end to end businesses solutions in
e-fulfilments
order management
logistics
warehousing
distribution
door-to-door express delivery

At: A/3rd floor, Suashish Diamond Park, Dattpada Roadmap Tata Steel Gate, Magathane Depot, Borivali (E), Mumbai-400066

Box My Space provides complete e-commerce logistics to get your products delivered to your customers at the right time. We have pioneered our technology that is easy-to-use and provides online merchants with the visibility and complete control.

You take care of selling your products on multiple portals and we will take care of fulfilling those orders for you on time.

Fill up the form and our Business Development team will contact you right away!

Box My Space provides complete e-commerce logistics to get your products delivered to your customers at the right time. We have pioneered our technology that is easy-to-use and provides online merchants with the visibility and complete control.

You take care of selling your products on multiple portals and we will take care of fulfilling those orders for you on time.

Fill up the form and our Business Development team will contact you right away!

(i) **Proper Location:**

For effective movement of goods and cost saving, warehouses should be established at places, which are convenient to both the buyer and the seller. These warehouses should be set up near railway stations, major highways, seaports and airports, where goods can be loaded and unloaded conveniently. It is also recommended to have go downs in open places so that the vehicles can move around easily.

(ii) **Use of Mechanical Appliances:**

In the warehouses, mechanical appliances should be used to load and unload the goods. It not only results in safety of men and material but also reduces wastages in handling goods and overall handling costs.

(iii) **Sufficient Space:**

For an ideal warehouse, adequate space should be covered for maximum storage and to keep the goods in proper order. Each trader (big or small) would want that all of his merchandise should be accommodated in one warehouse so that he need not travel to different places to manage the loading and unloading of his goods.

(iv) **Proximity to the Market:**

The warehouses should be established at a place where market for raw materials and for selling finished goods is as close as possible. This is the reason that big warehouses are close to commercial places or bus stands.

(v) **Parking Facility:**

Parking along road, public places in the urban/suburban areas continue to be a harrowing experience for the traders who visit from outstations. Hence, in warehouses, proper arrangements should be made inside the premises to assist quick loading, unloading and safe parking.

(vi) **Safety Measures:**

A warehouse, which basically is used to store eatables or perishable goods like bread, butter, fruits, eggs and vegetables should be equipped with proper cold storage, moisture resistance etc. facilities. Further, efforts should be made to secure the warehouse against possibilities of theft and damage from heat, rainwater, insects, pests and fire. The use of fire extinguishers, safety alarms, budgets and round the clock security arrangements should be there to secure warehouses from unforeseen miss happenings.

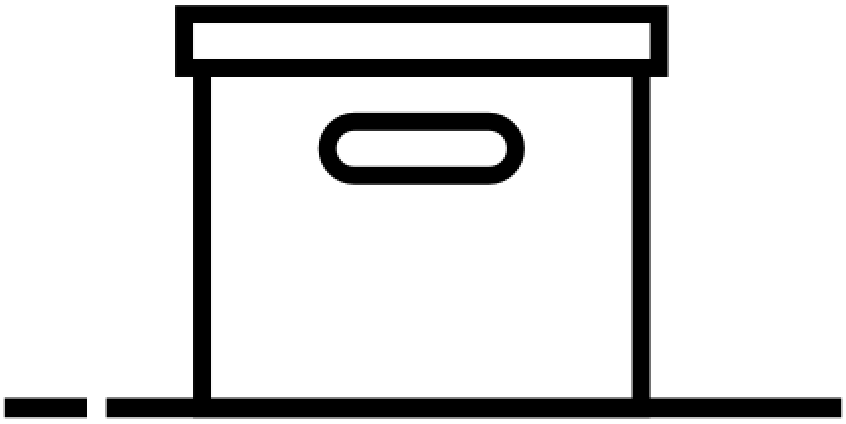
(vii) **Economical:**

The warehouse location, layout, construction and maintenance should be done in such a way that ensures maximum storage of goods at minimum expense.

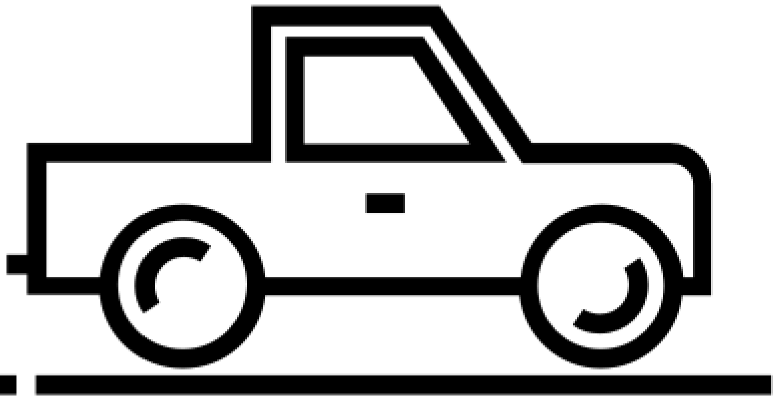
(viii) **Proper Management:**

If warehouses are not managed properly, all the money spent will go waste. Mismanagement may lead to theft, loss, errors and omissions of goods stored by various traders. Hence, a strict control over the warehouse is essential on permanent basis. A permanent officer should be appointed for proper arrangements of incoming and outgoing goods.

3.4 WORKING OF BOOK MY STORAGE



We help you pack



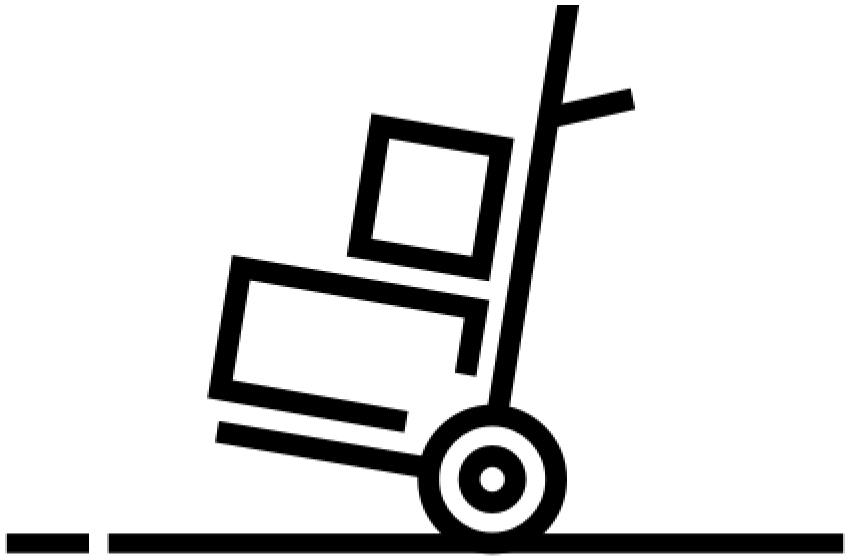
if needed.

We pickup from your

doorstep.

We store it safely

in our facility



We deliver back when

CHAPTER 4

4.1 DIFFERENT TYPES OF WAREHOUSES

Types of warehouses include storage warehouses, distribution centres (including fulfilment centres and truck terminals), retail warehouses, cold storage warehouses, and flex space.

Retail warehouses

These displayed goods for the home trade. This would be finished goods- such as the latest cotton blouses or fashion items. Their street frontage was impressive, so they took the styles of Italianate Palazzi.

Richard Cobden's construction in Manchester's Mosley Street was the first palazzo warehouse. There were already seven warehouses on Portland Street when they commenced building the elaborate Watts Warehouse of 1855, but four more were opened before it was finished.

Cool warehouses and cold storage

Cold storage preserves agricultural products. Refrigerated storage helps in eliminating sprouting, rotting and insect damage. Edible products are generally not stored for more than one year. Several perishable products require a storage temperature as low as −25 °C.

Cold storage helps stabilize market prices and evenly distribute goods both on demand and timely basis. The farmers get the opportunity of producing cash crops to get remunerative prices. The consumers get the supply of perishable commodities with lower fluctuation of prices.

Ammonia and Freon compressors are commonly used in cold storage warehouses to maintain the temperature. Ammonia refrigerant is cheaper, easily available, and has a high latent heat of evaporation, but it is also highly toxic and can form an explosive mixture when mixed with fuel oil. Insulation is also important, to reduce the loss of cold and to keep different sections of the warehouse at different temperatures.

There are two main types of refrigeration system used in cold storage warehouses: vapor absorption systems (VAS) and vapor-compression systems (VCS). VAS, although comparatively costlier to install, is more economical in operation.

The temperature necessary for preservation depends on the storage time required and the type of product. In general, there are three groups of products, foods that are alive (e.g. fruits and vegetables), foods that are no longer alive and have been processed in some form (e.g. meat and fish products), and commodities that benefit from storage at controlled temperature (e.g. beer, tobacco).

Location is important for the success of a cold storage facility. It should be in close proximity to a growing area as well as a market, be easily accessible for heavy vehicles, and have an uninterrupted power supply.

Overseas warehouses

These catered for the overseas trade. They became the meeting places for overseas wholesale buyers where printed and plain could be discussed and ordered. Trade in cloth in Manchester was conducted by many nationalities.

Behrens Warehouse is on the corner of Oxford Street and Portland Street. It was built for Louis Behrens & Son by P Nunn in 1860. It is a four-storey predominantly red brick build with 23 bays along Portland Street and 9 along Oxford Street. The Behrens family were prominent in banking and in the social life of the German Community in Manchester.

Packing warehouses

The main purpose of packing warehouses was the picking, checking, labelling and packing of goods for export. The packing warehouses: Asia House, India House and Velvet House along Whitworth Street in Manchester were some of the tallest buildings of their time. See List of packing houses.

Railway warehouses

Warehouses were built close to the major stations in railway hubs. The first railway warehouse to be built was opposite the passenger platform at the terminus of the Liverpool and Manchester Railway. There was an important group of warehouses around London Road station (now Piccadilly station).In the 1890s the Great Northern Railway Company's warehouse was completed on Deans gate: this was the last major railway warehouse to be built.

The London Warehouse Piccadilly was one of four warehouses built by the Manchester, Sheffield and Lincolnshire Railway in about 1865 to service the new London Road Station. It had its own branch to the Ashton Canal. This warehouse was built of brick with stone detailing. It had cast iron columns with wrought iron beams.

Canal warehouses

All these warehouse types can trace their origins back to the canal warehouses which were used for trans-shipment and storage. Castle field warehouses are of this type- and important as they were built at the terminus of the Bridgewater Canal in 1761.

4.2 AUTOMATION AND OPTIMIZATION

Some warehouses are completely automated, and require only operators to work and handle all the task. Pallets and product move on a system of automated conveyors, cranes and automated storage and retrieval systems coordinated by programmable logic controllers and computers running logistics automation software. These systems are often installed in refrigerated warehouses where temperatures are kept very cold to keep the product from spoiling. This is especially true in electronics warehouses that require specific temperatures to avoid damaging parts. Automation is also common where land is expensive, as automated storage systems can use vertical space efficiently. These high-bay storage areas are often more than 10 meters (33 feet) high, with some over 20 meters (65 feet) high. Automated storage systems can be built up to 40m high.

For a warehouse to function efficiently, the facility must be properly slotted. Slotting addresses which storage medium a product is picked from (pallet rack or carton flow), and how they are picked (pick-to-light, pick-to-voice, or pick-to-paper). With a proper slotting plan, a warehouse can improve its inventory rotation requirements—such as first in, first out (FIFO) and last in, first out (LIFO)—control labor costs and increase productivity.

Pallet racks are commonly used to organize a warehouse. It is important to know the dimensions of racking and the number of bays needed as well as the dimensions of the product to be stored. Clearance should be accounted for if using a forklift or pallet mover to move inventory.

4.3 STORAGE AND SHIPPING SYSTEMS

Some of the most common warehouse storage systems are:

- Pallet racking including selective, drive-in, drive-thru, double-deep, pushback, and gravity flow
- Cantilever racking uses arms, rather than pallets, to store long thin objects like timber.
- Mezzanine adds a semi-permanent story of storage within a warehouse
- Vertical Lift Modules are packed systems with vertically arranged trays stored on both sides of the unit.
- Horizontal Carousels consist of a frame and a rotating carriage of bins.
- Vertical Carousels consisting of a series of carriers mounted on a vertical closed-loop track, inside a metal enclosure.

A "piece pick" is a type of order selection process where a product is picked and handled in individual units and placed in an outer carton, tote or another container before shipping. Catalog companies and internet retailers are examples of predominantly piece-pick operations. Their customers rarely order in pallet or case quantities; instead, they typically order just one or two pieces of one or two items. Several elements make up the piece-pick system. They include the order, the picker, the pick module, the pick area, handling equipment, the container, the pick method used and the information technology used. Every movement inside a warehouse must be accompanied by a work order. Warehouse operation can fail when workers move goods without work orders, or when a storage position is left unregistered in the system.

Material direction and tracking in a warehouse can be coordinated by a Warehouse Management System (WMS), a database driven computer program. Logistics personnel use the WMS to improve warehouse efficiency by directing pathways and to maintain accurate inventory by recording warehouse transactions.

4.4 ISSUES AFFECTING WAREHOUSING

Since warehouses, stores and distribution centres have to operate as essential component elements within supply chains network, key decisions when setting up such facilities must be determined by the overall supply chain strategies for service and cost. The factors that should be considered include the following.

Market and product base stability

Long –term market potential for growth and for how the product range may expand will influence decisions on the size and location of a warehouse facility, including space for prospective expansion. These considerations will also impact on the perceived need for potential flexibility, which in turn can influence decisions on the type of warehouse and the level of technology to be used.

Type of materials to be handled:

Materials handled can include raw materials, WIP, OEM Auto spare parts, packaging materials and finished goods in a span of material types, sizes, weights, products live and other characteristics. The units to be handled can range from individual small items through carton boxes, special storage containers for liquids, drums, sacks, and palletized loads. Special requirements for temperature and humidity may also have to be met in the case of perishables and all of these will impact on the type of warehouses and technology level.

Warehouse Facility:

type, size and location. The type of operation, the design capacity and size of a warehouse and its location will all be influenced if not directly determined by its exact role and position in the supply chain network, and the role, capacity and location of any other facilities in the supply chain. The customer base, level of inventory, the need for optimization of inventory, time compression in the supply chain and the overall customer service levels should also be considered when deciding on type, size and location. A further consideration here is whether the warehouse facility should be an own-account operation run by the company or outsourced and run by a 3PL.

Inventory and Inventory Location:

Within a supply chain network there is an issue not only of what materials to stock and in what quantities, but also in what locations. Options can include distribution centres devoted to specific markets or parts of the product range distribution centres dedicated to serving specific geographic areas, or regional distribution centres that hold for example the fast moving product lines, with the slower lines held only in a Regional distribution centre (RDC). The option depends on such factors as customer base, product range and service levels required. The options on the level of technology have already been noted, and the range can go from very basic installations with high manual input and least mechanization to fully automated and robotic installations.

Other factors can include the need for flexible operation to meet important demand fluctuations such as seasonal variations, and the perceived future stability and growth of the market and product range. The level of technology adopted in any particular application should be chosen because it almost nearly matches the given requirements and objectives. It is not true that automation or similar technologies are accurate in every case. It is true that good, probably computer-based, communication and information systems are vital in every application, irrespective of the technology level.

CHAPTER 5

5.1 FUNCTIONS OF WAREHOUSING

Warehouses are basically intermediate storage points in the logistics system where raw material, work in process, finished goods and good in transit are held for varying duration of times for a variety of purposes. The warehousing functionality today is much more than the traditional function of storage. The following are main function that warehousing serves today:

1. Consolidation

This helps to provide for the customer requirement of a combination of products from different supply or manufacturing sources. Instead of transporting the products as small shipments from different sources, it would be more economical to have a consolidation warehouse. This warehouse will receive these products from various sources and consolidate these into shipments, which are economical for transportation or as required by the customers.

2. Break Bulk

As the name suggests, the warehouse in this case serves the purpose of receiving bulk shipments through economical long distance transportation and breaking of these into small shipments for local delivery. This enables small shipments in place of long distance small shipments.

3. Product Mixing

Products of different types are received from different manufacturing plant or sources in full shipment sizes. These products are mixed at these warehouses into right combination for the relevant customers as per their warehouses and continuously provided for the product mixture shipments requiring these.

4. Cross Docking

This type of facility enables receipt of full shipments from a number of suppliers, generally manufacturers, and direct distribution to different customers without storage. As soon as the shipments are received, these are allocated to the respective customers and are moved across to the vehicle for the onwards shipments to the respective customers at these facilities. Smaller shipments accompanying these full shipments are moved to the temporary storage in these facilities awaiting shipments to the respective customers along with other full shipments.

5. Postponement

This Functionality of warehousing enables postponement of commitment of products to customer until orders are received from them. This is utilized by manufacturers or distributors for storing products ready up to packaging stage. These products are packaged and labelled only on the receipt of the order.

6. Stock Piling

This function of warehousing is related to seasonal manufacturing or demand. In the case of seasonal manufacturing, certain raw materials are available during short periods of the year. Hence, manufacturing is possible only during these periods of availability, while the demand is full year around. This requires stockpiling of the products manufactured from these raw materials. An example is mango pulp processing. On the other hand, certain products like woollens are required seasonally, but are produced throughout the year, and thus need to be stockpiled.

7. Positioning

This permits positioning products or materials at strategic warehouses near to the customers. These items are stored at the warehouse until ordered by the customers when these can be provided to the customers in the shortest lead-time. This function of warehousing is utilized for higher service levels to customers for critical items and during increased marketing activists and promotions.

8. Assortment

Assortment warehouse store a variety of products for satisfying the requirements of customers. For example, retailers may demand different brands of the same product in small quantities rather than larger quantities of the single brand.

9. Decoupling

During manufacturing, operation lead-times may differ in order to enable production economies. Thus, the batch size and the lead-time of production may differ in consecutive operations. This decoupling of operations requires intermediate storage of materials required for the subsequent operation.

10. Safety Stocking

In order to cater to contingencies like stock outs, transportation delays, receipt of defective or damaged goods, and strikes, safety stocks have to be maintained. This ensures that, on the inbound site production stoppages do not occur, and, on the outbound side customers are fulfilled on time.

5.2 STORAGE SYSTEMS IN WAREHOUSING

The type of materials passing through warehouses varies enormously, with different sizes, weights, shapes, levels of fragility and hazard characteristics. A major benefit of unit loads such as pallets is that they enable the use of standard storage systems and handling equipment, irrespective of what is handled. Nevertheless, variations in throughput and order picking patterns make it appropriate to have different types of storage system, with different operational characteristics, so that systems can be selected that most closely match the needs of the wider system within which they are to operate.

The key factors influencing the choice of a storage system are:

- The nature and characteristics of the goods and unit loads held;
- The effective utilization of building volume-horizontal and vertical:
- Good access to stock;
- Compatibility with information system
- Maintenance of stock condition and integrity;
- Personal safety;
- Fire protection;
- Handling equipment including maintenance;
- Staff;
- Information management systems.

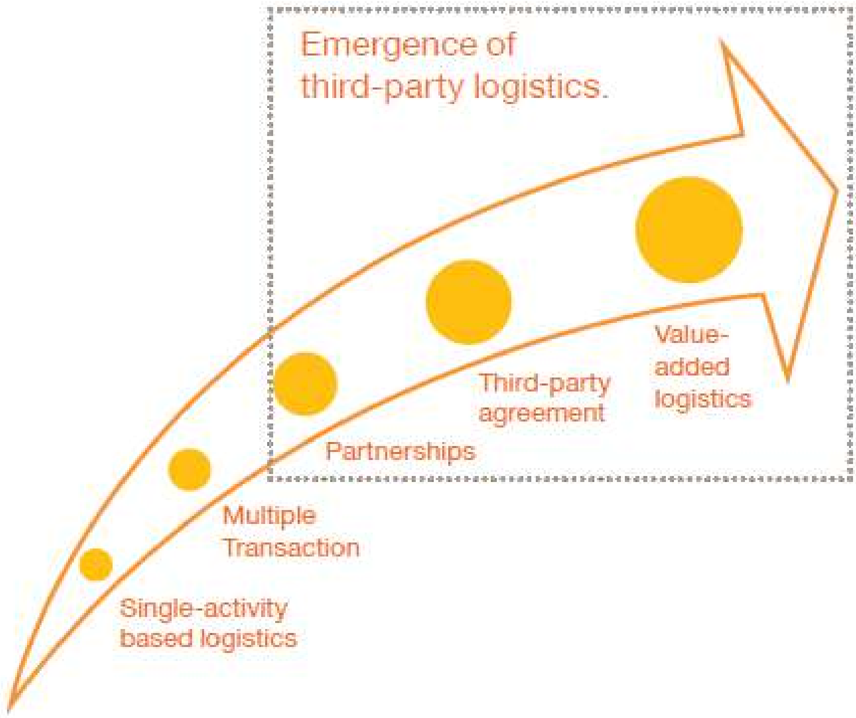
5.3 SERVICES AT BOOK MY STORAGE

BookMyStorage has evolved from traditional transport companies to a full-fledged logistics service provider, which offers various supply chain services such as transportation,

warehousing and other value additions. Traditionally, there existed only pure transport or warehousing service providers of the in-house nature. The trend changed towards providing

customised services and started being outsourced to specialised players in the industry. Thus emerged the concept of third-party logistics (3PL), where companies provide outsourced or

third-party logistics services to companies for part, or sometimes all of their supply chain management functions. Third-party logistics providers typically specialise in integrated operation, warehousing and transportation services that can be scaled and customised based on market conditions and the demands and delivery service requirements for their products and materials.



BookMyStorage has vital component, efficient planning of which can bring down costs to a great extent.

Manufacturers are working towards leaner supply chains with lesser lead times in order to gain competitiveness

in the market. Transportation, warehousing and distribution are the critical components of the entire supply

chain. With manufacturing activity increasing in the last few years, logistics has gained equal importance in order to

provide better goods at lesser cost

In the complete logistics value chain, warehousing forms a very important link. Warehousing, which forms 20% of the total logistics market, was traditionally used as godowns to store

goods from the time of production till the time of consumption. Over time and with the changing role of the sector, traditional warehouses have transformed to collection and storage

points, where raw material, intermediate and manufactured goods are collected, assorted, stored and distributed to the point of consumption sale. The warehousing market in India

is expected to grow at a rate of 35 to 40% annually, displaying high potential for growth over the next few years. Currently, the sector is highly fragmented with small players holding

small units distributed across states with many challenges:

• Inadequate skilled labour

• Inefficient material handling with outdated handling equipment

• Limited technology penetration and innovation

• Lack of world-class standards and specifications

BookMyStorage Private warehouses

BookMyStorage are owned by private entities or individuals and are used exclusively for the goods owned, imported by or on behalf of the licensee. The warehouses are usually constructed at strategic locations to cater various

manufacturing, business and service units. They are flexible enough to be customised in terms of storage and placement, according to the nature of the products. include the following:

• Loading/unloading

• Receipt/dispatch of goods

• Transit operations by road/rail to and from the port

• Stuffing/de-stuffing of containers

• Customs clearance

• Consolidation and desegregation of Less than Container Load (LCL) cargo

• Temporary storage of cargo and containers

• Repair and maintenance of containers

• Refrigerated warehousing

• Hub-and-spoke services

5.4 CORRECTING WEAKNESSES

The golden rule for helping a warehouse improve its operation is "explain and train". Before raising criticisms of the warehouse's business, however, the principal should attempt to understand the nuances of each locality. There may well be causes which are temporary or peculiar to a warehouse, and these must be taken into account in any recommended changes. A common weakness among warehouses' sales staff is their failure to discover a customer's needs and relate the benefits of products to them. The sales person may fail to probe to find what the customer wants; may concentrate only on storing and selling what the company has to offer. It may be thought easier to sell on price rather than push the benefits. The warehouse manager/ person needs training but this may not be within the facility of a small warehouse. The principal should therefore assume the responsibility for both the stored product training and showing how to approach and convert prospects. The principal may wish to manipulate the performance of the warehouses' sales people by offering them sales incentives. Warehouses have mixed views on principals' incentives. On the one hand they provide a boost to the sales staff's salary and so allow the warehouse to recruit a higher class of personnel. On the other the warehouse who allows a principal to make a payment to sales staff must concede a loss of control. The installation of systems and procedures at dealers can help eliminate some of the weaknesses. For example, if it is important that a follow up takes place after the initial sales call or demonstration, it would not be difficult to set up a system which reminds the sales of this next step. Systems can be devised for every part of the sales sequence. For example, a rule could be made that the telephone is answered before it rings more than three times; another might ensure that a customer is not kept waiting for more than five minutes in the showroom. Restrictions could be placed on the offering of discounts. Of course all procedures and rules need policing if they are to be continuously observed. Further, it must be recognized that within a small warehouse, overt bureaucracy is unacceptable and often unnecessary. So any procedures suggested to the warehouses should be simple. They should be sold-in as ways of helping the warehouse improve performance. A heavy hand is unlikely to work.

5.5 WAREHOUSING OPPORTUNITIES FOR BOOK MY STORAGE

India has become a manufacturing hub for most industries. The main reasons for this are increasing domestic consumption and the cost-effectiveness of outsourcing manufacturing activities. Some industries have gained tremendous traction over the last few years, cashing in on the ongoing trend of the economy. These includes the following:

• Automotive

• Retail

• Pharmaceutical

• Agriculture

Key challenges for warehousing

Despite its strategic importance in the Indian economy, the opportunities that the Indian landscape presents and its immense potential for growth, the Indian warehousing sector confronts several challenges. While the lack of sufficient physical infrastructure is one of these challenges, the time lag between devising and implementing strategies due to the lack of international warehousing standards is another. Indian warehousing players

face challenges and bottlenecks at various stages of their operation lifecycle. Some of these challenges are strategic while others are operational and need to be managed on an ongoing basis.

The sustainable growth of the warehousing sector will rely heavily on how effectively industry players and the government can work together to address challenges in the long term. Some key challenges that Indian warehousing players face are briefly discussed below:

Strategic challenges:

• Infrastructure: Infrastructure is one of the most important components of the warehousing

sector. An efficient warehousing operation hinges critically on high-quality supporting

infrastructure that includes a good national highway network, interstate roads and congestion free city roads. The total share of organized warehousing space is less than eight per cent of the total warehousing space in India. The industry is fragmented and largely unorganized and is dominated by small players with small capacities, not well-linked with the national

highway network and interstate roads.

• Land availability: Procurement of land in a strategic location with clear title and proper approvals is still a key challenge for any new entrant to set up a warehouse.

• Lack of standardization: The demand for warehousing comes from many sources with specific needs. The lack of warehousing standards and accreditation poses a significant challenge to the industry where quality and flexibility of available warehousing space is a major concern. In most cases for ready-to-occupy warehouses, the companies have to invest further in order to upgrade the space and its specifications to standards that support their operations. As we go forward, the demand from occupiers is expected to put pressure on developers and owners to adopt the standards formulated by policymakers. Many of the ready-to-occupy off-the-shelf basic warehouses do not easily lend themselves to upgradation in terms of technology compliance or accommodating automated equipment’s.

• High cost of credit: Access to adequate and timely credit at a reasonable cost is one of the most critical problems faced by this sector. The main reason for this has been the high-risk perception among banks about the unorganized nature of this sector and the high transaction costs for loan appraisal. Since a majority of the players in this sector are small or medium entrepreneurs, they are unable to provide collateral in order to avail of loans from banks and are hence denied credit.

5.6 WAREHOUING AND SUPPLY CHAIN MANAGEMENT

Warehousing forms an important constituent of the supply chain as it is where manufactured goods are collected, stored and distributed to the point of consumption. Warehousing in India, accounts for about 20% of the Indian logistics market and is expected to grow at a rate of 35 to 40% annually, displaying high potential for growth over the next few years. Changing business dynamics and the entry of global 3PLs has led to the re-modeling of the logistics and warehousing services in India. From a mere combination of transportation and storage services, logistics is fast emerging as a strategic function that involves end-to-end solutions that improve efficiencies. The growth of organised industry sectors such as retail, automotive, manufacturing, pharma and agriculture, etc., in India is expected to give rise to more integrated supply chains requiring better services, processes and storage facilities. Increasingly, warehouses are being used to serve several important functions, beyond mere storage of products, requiring warehouse service providers to expand their scope to include more sophisticated services.

Dynamic market requirements have made it imperative for Indian warehousing players to overcome challenges and maintain, improve and sustain competitiveness. Various measures such as skill development, policy initiatives and government measures, IT adoption and increased investments in the sector can be effective in increasing the competitiveness of the Indian warehousing players.

However, this journey can be smoothened and simplified if the challenges and concerns are addressed with collaborative efforts among all stakeholders including the government and its agencies, policy-makers, entrepreneurs, investors, logistics service providers, manufacturers, farmers and sellers. The mutual integration among them will rewrite the success story for the logistics and warehousing industry.

Various initiatives will have to be undertaken to reduce the skill gap in the warehousing sector in India. This will necessarily require a multi-pronged approach by various industry stakeholders. In addition, the training needs to be tailored to the requirement of warehousing such as cold chain, ICDs, etc. The training methods will also need to be upgraded using technology such as e-learning, online distance courses and practical classes through simulation.

In the changing market scenario mass awareness initiatives need to be identified to reveal the importance of warehousing and career opportunities in this sector.

The roll-out of GST is expected soon but the full implementation could take few months. The government will have to work overtime for its Pan-India implementation.

Along with GST, the government will need to increase its coordination with state governments at all levels.

India’s warehousing technology market is growing steadily, with the upswing in demand from the logistics, retail, and manufacturing sectors, as well as through government promotion. Increase in IT adoption and knowledge infrastructure is seen to provide a boost to the growth and maturity of warehousing players in India. IT adoption carries the potential to increase the competitiveness of warehousing players by delivering substantial operating savings while also improving the quality of order fulfillment.

5.7 ADVANTAGES OF WAREHOUSING

Warehousing offers many advantages to the business community. Whether it is industry or trade, it provides a number of benefits which are listed below.

Protection and Preservation of goods - Warehouse provides necessary facilities to the businessmen for storing their goods when they are not required for sale. It provides protection to the stocks ensures their safety and prevents wastage. It minimizes losses from breakage, deterioration in quality, spoilage etc. Warehouses usually adopt latest technologies to avoid losses, as far as possible.

Regular flow of goods- Many commodities like rice, wheat etc. are produced during a particular season but are consumed throughout the year. Warehousing ensures regular supply of such seasonal commodities throughout the year.

Continuity in production- Warehouse enables the manufacturers to carry on production continuously without bothering about the storage of raw materials. It helps to provide seasonal raw material without any break, for production of finished goods.

Convenient location- Warehouses are generally located at convenient places near road, rail or waterways to reduce the cost of transportation.

Easy handling- Modern warehouses are generally fitted with mechanical appliances to handle the goods. Heavy and bulky goods can be loaded and unloaded by using modern machines, which reduces cost of handling such goods. Mechanical handling also minimizes wastage during loading and unloading.

Creation of employment- Warehouses creates employment opportunities both for skilled and unskilled workers in every part of the country. It is a source of income for the people, to improve their standards of living.

Facilitates sale of goods- Various steps necessary for sale of goods such as inspection of goods by the prospective buyers, grading, branding, packaging and labeling can be carried on by the warehouses. Ownership of goods can be easily transferred to the buyer by transferring the warehouse keeper’s warrant.

Availability of finance- Loans can be easily raised from banks and other financial institutions against the security of the warehouse-keeper’s warrant. Some warehouses also provide advance to the depositors of goods on keeping security.

Reduces risk of loss- Goods in warehouses are well guarded and preserved. The warehouses can economically employ security staff to avoid theft, use insecticides for preservation and provide cold storage facility for perishable items. They can install fire-fighting equipment to avoid fire. The goods stored can also be insured for compensation in case of loss.

5.8 CONCLUSION

Finally, intermediaries such as warehouses add value to a supply chain between a supply stage and a customer stage if there are many small players at the customer stage, each requiring a small amount of the product at a time. The value added increases if warehouses carry products from many manufacturers.'

Improvement in supply chain performance occurs for the following reasons:

•Reduction in inbound transportation cost because of truckload shipments from manufacturers to warehouse

•Reduction in outbound transportation cost because the warehouse combines products from many manufacturers into a single outbound shipment

•Reduction in inventory costs because warehouse aggregates safety inventory rather than disaggregating at each retailer

•A more stable order stream from warehouse to manufacturer (compared to erratic orders from each retailer) allows manufacturers to lower cost by planning production more effectively

•By carrying inventory closer to the point of sale, warehouses are able to provide a better response time than manufacturers can

•Warehouses are able to offer one stop shopping with products from several manufacturers

CHAPTER 6

<u>**6.1 RESEARCH METHODOLOGY - TOOLS AND TECHNIQUES USED**</u>

SIGNIFICANCE OF THE STUDY

The study of about Warehousing (Warehousing forms an important constituent of the supply chain as it is where manufactured goods are collected, stored and distributed to the point of consumption. Warehousing in India)

OBJECTIVES

To study Warehousing

To study importance of warehousing

To understand various facility provided by warehousing

SCOPE OF THE STUDY

RESEARCH METHODOLOGY RESEARCH DESIGN

Research methodology is the process of solving the problem systematically by research. The objective of the study is to solve the problem by using available data

A research design is a logical and systematic plan prepared for directing a research study. It is the program that guides the investigator in the process of collecting, analysing and interpreting observations.

SAMPLING TECHNIQUE A part of the population is known as sample. The process of drawing sample from a population is known as a sampling.

CONVENIENCE SAMPLING

is the sampling technique used here? In this sampling we select whatever sampling unit is conveniently available. It lays groundwork for subsequent probability sampling.

SAMPLE SIZE

The researcher has to select a relevant fraction of the population, which is a representative of the entire population. The sampling size will be small in the case of the descriptive study where less than 1 percent is sufficient to provide reliable results. Here the sample size is 10 samples and it is limited to Book my Storage

COLLECTION OF DATA SOURCES

In this stage, there is a need to gather primary as well as secondary data. Primary data are collected on original information gathered for a specific purpose either through personnel interviews to staff, using digital source of answers / questionnaires etc. Secondary data is collected from already existing sources in various organization brochures and records.

Primary Data

The present study has used survey method for collecting the primary data by directly interviewing customers with questionnaire.

Secondary Data

Secondary data for the study were collected from the library reference, technical and subject based books, journals and magazines, websites and other previous studies

Tool for Data Collection A well-structured questionnaire was used to collect the primary data from the customers. The customers were given multiple choices to select their particular answers. A copy of the questionnaire is enclosed in the annexure.

Type of Questions: The questions that have been used in preparing the questionnaire are: -

Multiple choice questions

6.2 LIMITATIONS OF THE STUDY

1. The study was confined to only Book My storage. Therefore, the results cannot be generalized.

2. Customers were reluctant to answer certain questions.

3. The result generated out of the study is completely dependent on the nature of the response given by the customers.

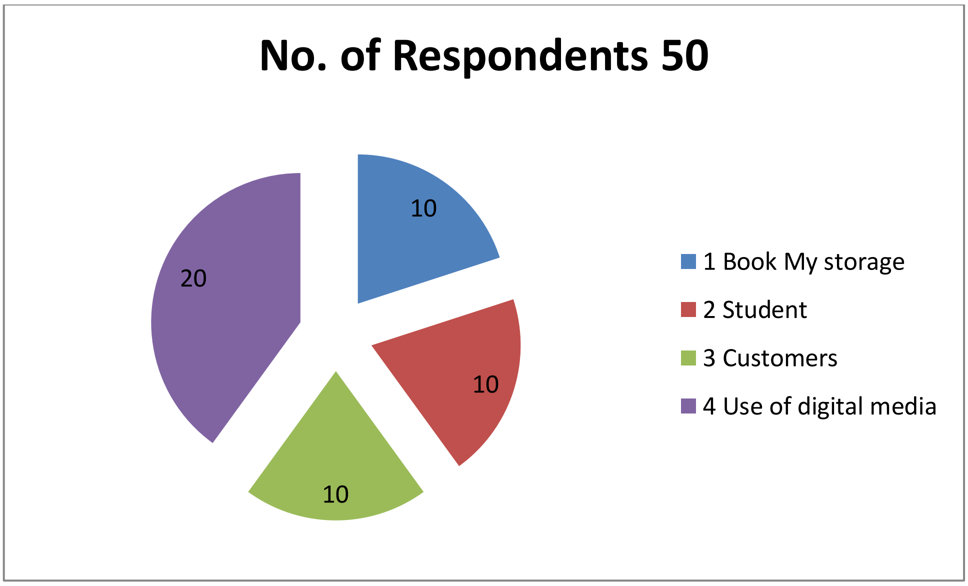
4. Short span of time was a limiting factor.

Method adopted for communication: Personal interview of staff, come customers, also use of digital media along with come student of my college.

6.3 RESEARCH ANALYSIS

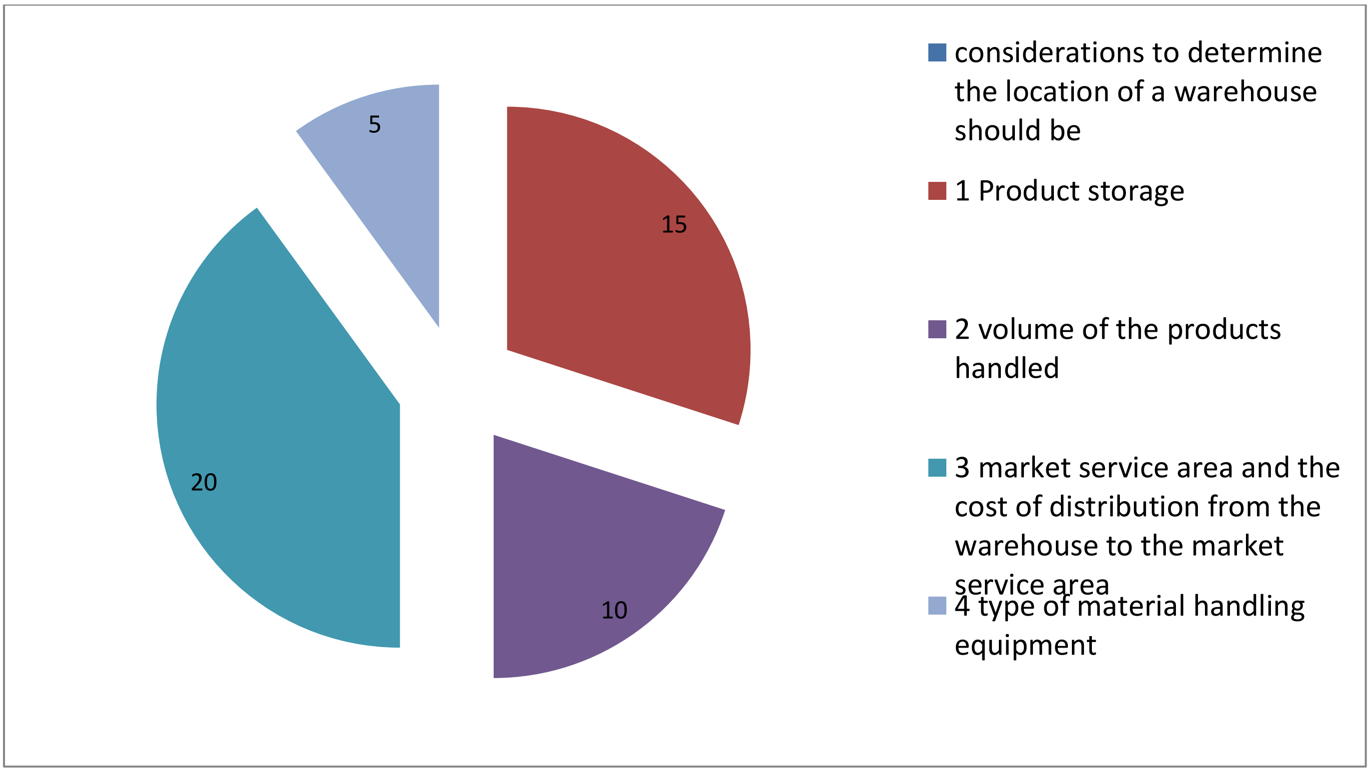
RESEARCH ANALYSIS (10 respondents were working with Book my storage, 10 respondents were student of my college, 10 respondents were customer of book my storage and 20 respondents were digital media

S. No.	Features	No. of Respondents 50
1.	Book My storage	10
2.	Student	10
3	Customers	10
4	Use of digital media	20



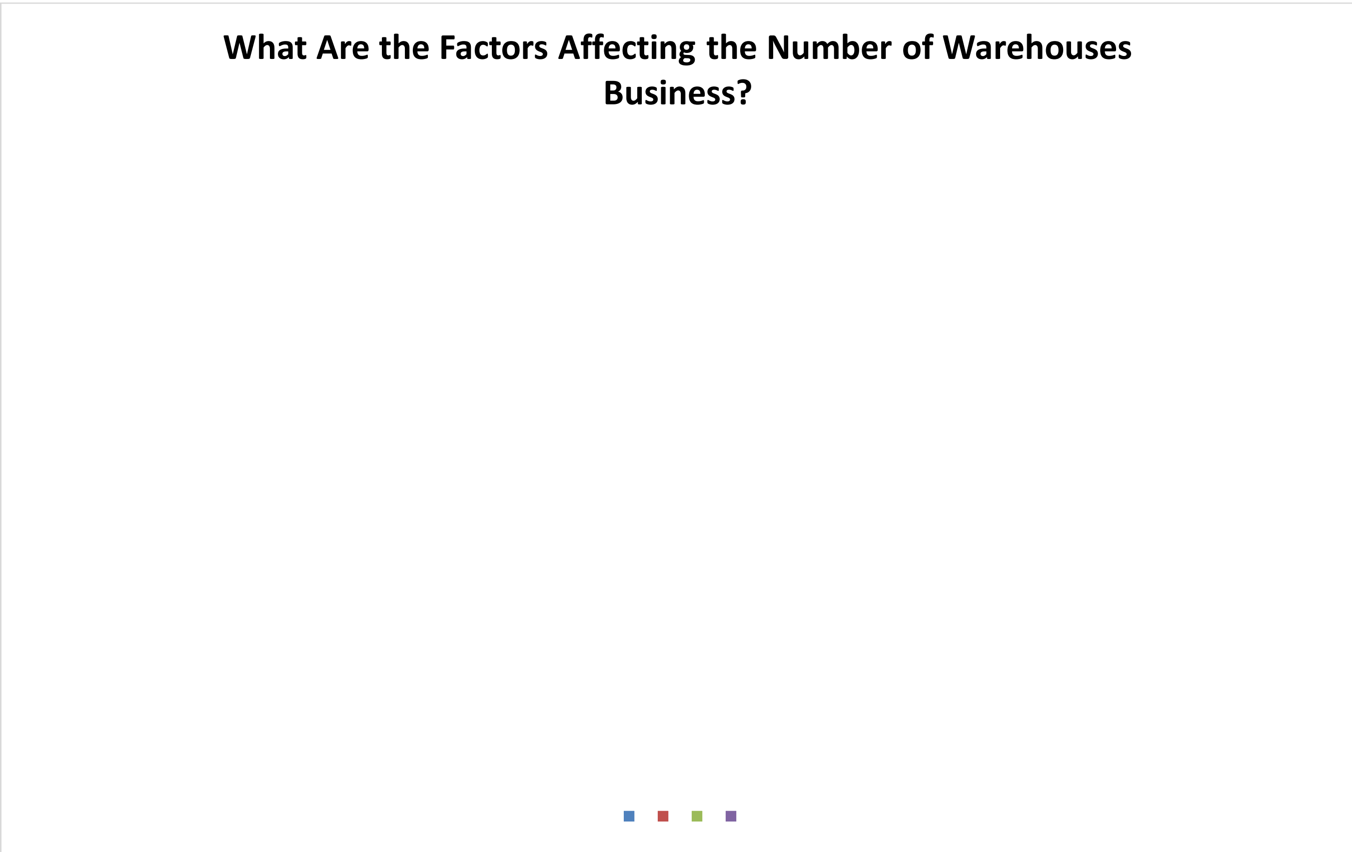
Considerations to Determine the Location of a Warehouse Should Be

considerations to determine the location of a warehouse should be		
1.	Product storage	15
2.	volume of the products handled	10
3	market service area and the cost of distribution from the warehouse to the market service area	20
4	type of material handling equipment	5



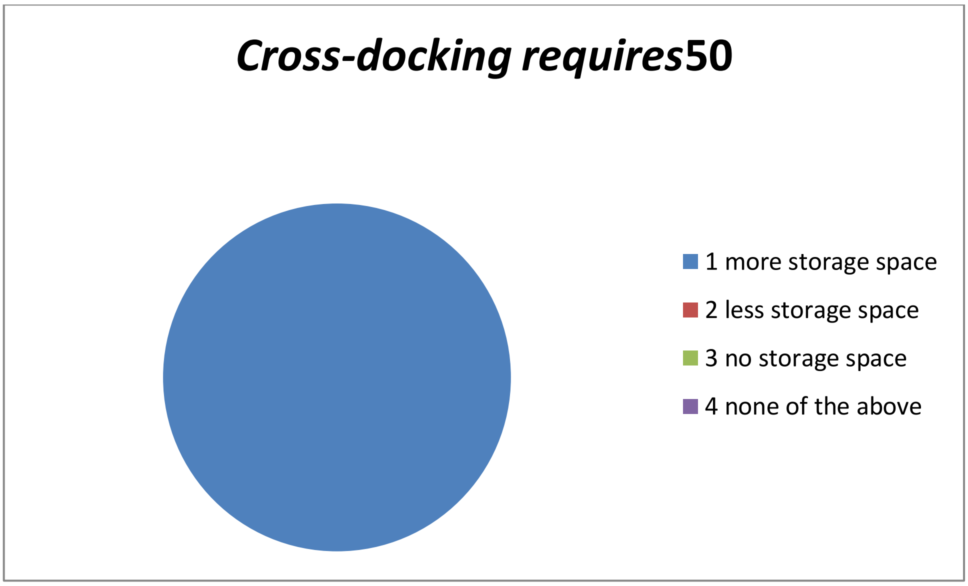
What are the factors affecting the number of warehouses business?

S. No.	What Are the Factors Affecting the Number of Warehouses Business?	No. of Respondents 50	Percentage %
1.	capital expenditure for material handling equipment	22	42%
2.	warehousing costs	15	30%
3	packing costs	5	10%
4	procurement costs	8	16%



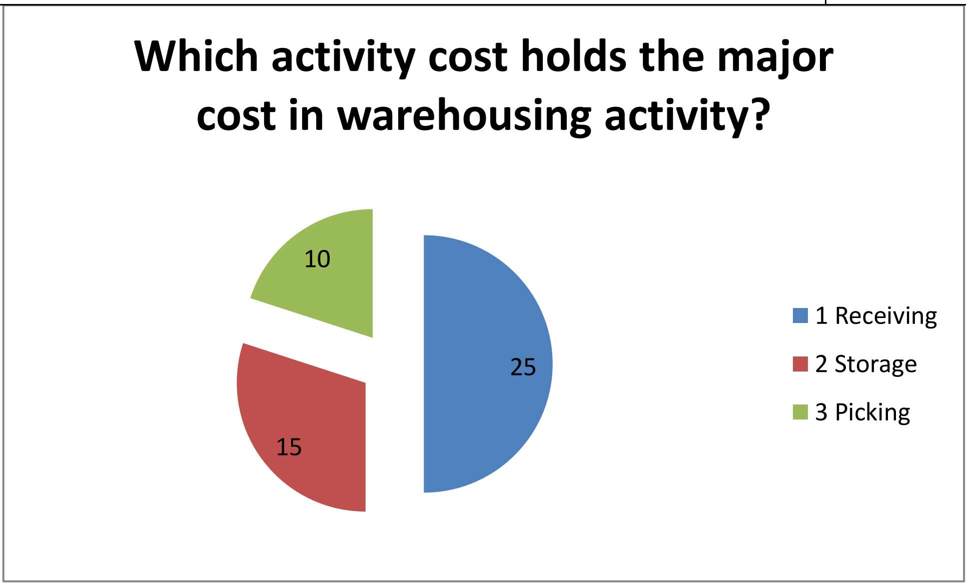
You view for Cross-docking requires

S. No.	Cross-docking requires	No. of Respondents 50
1.	more storage space	50
2.	less storage space	0
3	no storage space	0
4	none of the above	0



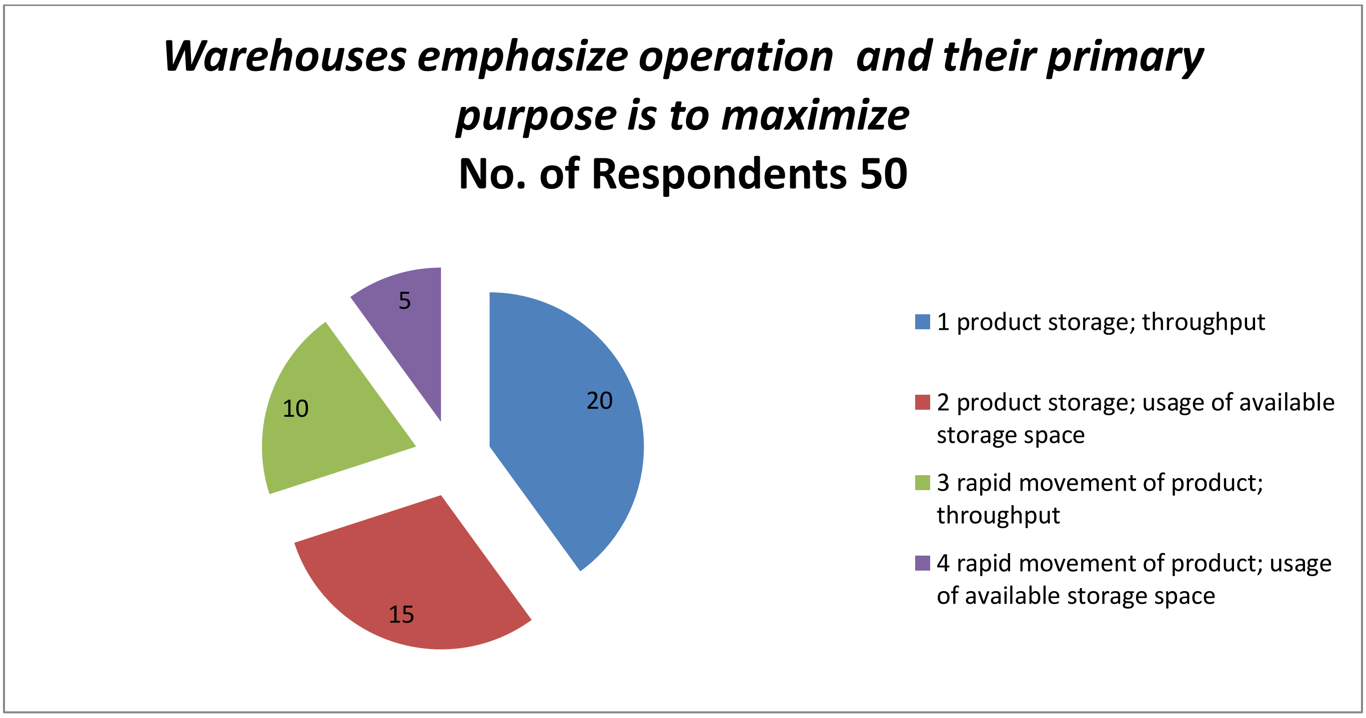
Which activity cost holds the major cost in warehousing activity?

S. No.	Which activity cost holds the major cost in warehousing activity	No. of Respondents 50
1.	Receiving	25
2.	Storage	15
3	Picking	10



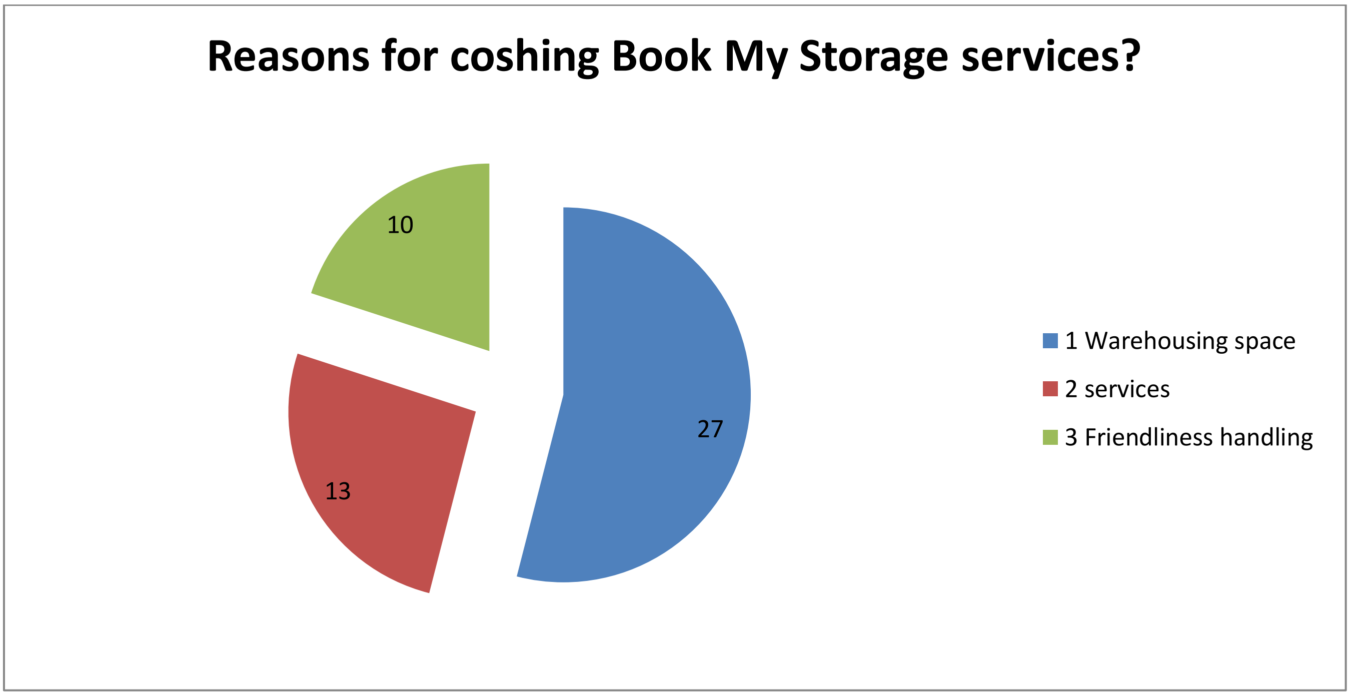
Warehouses emphasize operation and their primary purpose is to maximize

S. No.	Warehouses emphasize operation and their primary purpose is to maximize	No. of Respondents 50
1.	product storage; throughput	20
2.	product storage; usage of available storage space	15
3	rapid movement of product; throughput	10
4	rapid movement of product; usage of available storage space	5



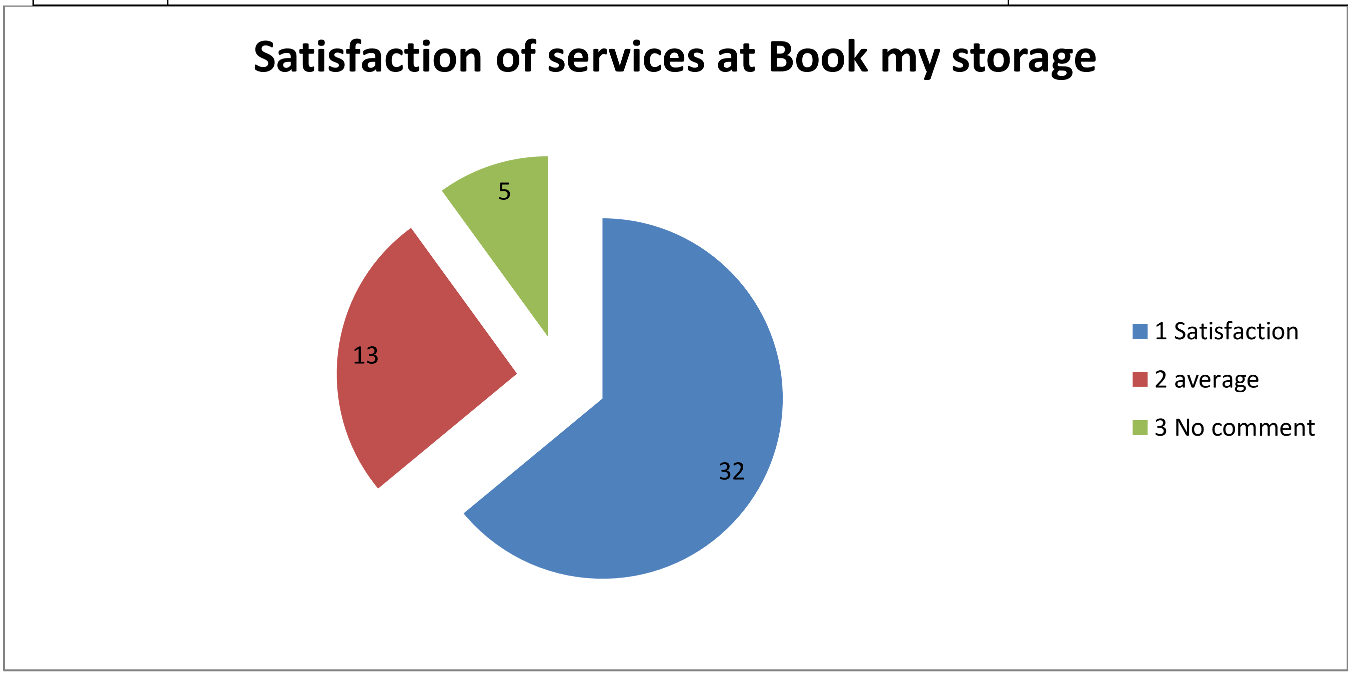
Reasons for coshing Book My Storage services?

S. No.	Reasons for coshing Book My Storage services?	No. of Respondents 50
1.	Warehousing space	27
2.	Services	13
3	Friendliness handling	10



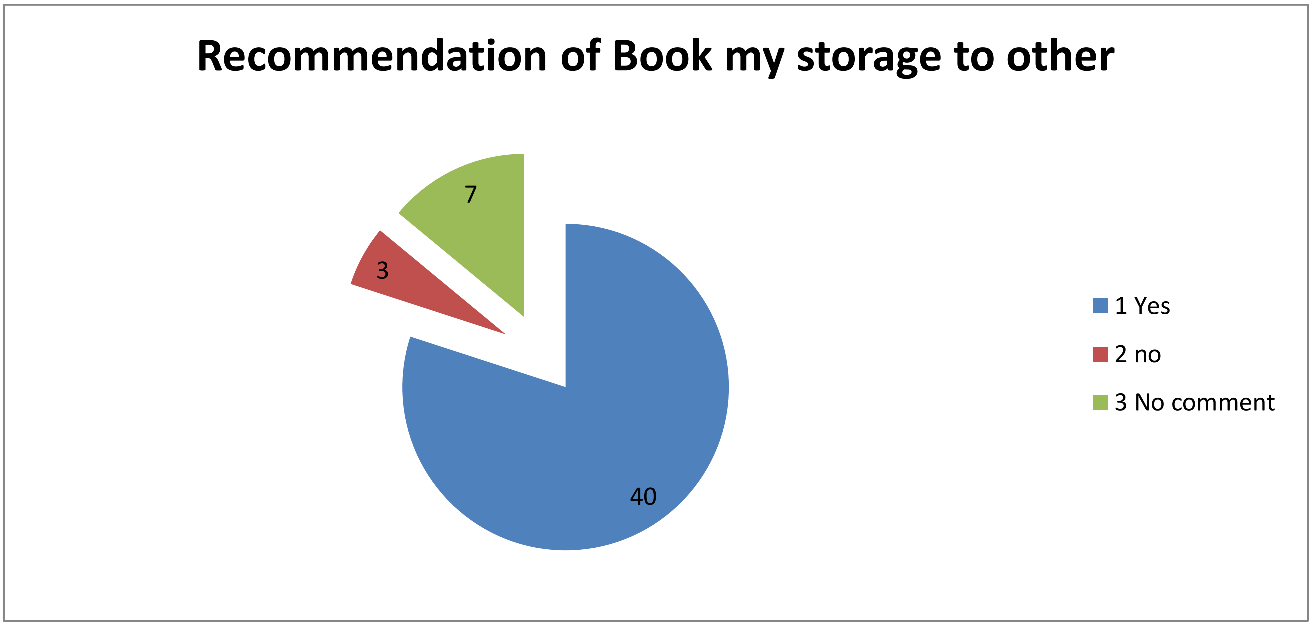
Satisfaction of services at Book my storage

S. No.	Satisfaction of services at Book my Storage	No. of Respondents 50
1.	Satisfaction	32
2.	average	13
3	No comment	5



Recommendation of Book my storage to other

S. No.	Recommendation of Book my storage to other	No. of Respondents 50
1.	Yes	40
2.	no	3
3	No comment	7



CHAPTER 7

7.1CONCLUSION

As an impact of large product varieties and shortened customer response times there is a greater emphasis on the ability of the organizations to establish smooth and efficient logistics operations. In this regard, warehouses play a vital role because they function as nodes that direct the flow of materials within a distribution network. The effects of organizing warehousing activities can directly be seen in customer service levels, lead times, and the cost structure of a company. Hence we can conclude that warehousing influences the performance of an entire supply chain. With the boom in organized retailing it becomes necessary for the players to continuously improve their process. The retailers have to strive continuously to reduce their costs. Technology being an enabler improved technology has to be incorporated into the current processes. Also the processes have to be designed in such a way that they provide for incorporating changes.

The value stream mappings of the current systems showed many bottlenecks that prevail in the system. These bottlenecks restricted the capacity the warehouses could handle. Performance and productivity of the warehouse suffered as the operations were manually carried when it could be more easily and more effectively done using machines. With WMS implementation the cycle time of the process also decreases. The cycle time reduces from 773 minutes to 236 minutes The cost benefit analysis for WMS implementation in warehouse shows a savings of Rs. 19,60,000 per month. The study proves WMS to be an enabling factor for performance and productivity improvement. The productivity of a WMS warehouse is way higher than when the operations are manually performed.

7.2 ANNEXURE I

Government initiatives: Policies and measures

Free Trade Warehousing Zone (FTWZ) Free Trade Warehousing Zones (FTWZ) were established by the government to develop infrastructure to facilitate import and export of goods and services with the freedom to carry out trade transactions in the free currency. These zones are established close to seaports, airports or dry ports, to be easily accessed by road or rail. According to the Special Economic Zones Act 2005, a FTWZ is a special

category of Special Economic Zone (SEZ) and is governed by the provisions of the SEC Act and the Rules. FTWZ are foreign territories to carry on business and are envisaged to be integrated zones to be used as international trading hubs. The minimum area of development under FTWZ is 0.1 million sqm, with 100% FDI approved. Some of the features of FTWZs

are as follows:

Customised categorised warehouses for industries such as chemicals, food, electronics, oil, etc.

Sophisticated freezer/cooler facilities

Break bulk, containerised, and dry cargo storage facilities

Controlled humidity warehouses

Enhanced transportation facilities

World-class information system for cargo tracking, etc.

Office space

Support facilities and amenities like medical facility, canteen services, business centres

Some of the requirements/ stipulations for a FTWZ are as follows:

Minimum area to be developed under FTWZ is 40 hectares with a built-up area of not less than 0.5 million sqm Minimum outlay for development is over ` 9 billion

Supply of material into FTWZ to be treated as physical exports for the Domestic Tariff Area (DTA) suppliers

Hundred per cent FDI allowed for the development of these zones

Duty-free import/domestic procurement of goods

Packing or re-packing without processing and labelling as per customer or marketing requirements to be undertaken within the FTWZ

Principally governed by the SEZ Act 2005 and SEZ rules 2006

Free foreign exchange currency transactions with FTWZs, the government expects to generate more employment opportunities as a result of increased organised warehousing activity due to increased competitiveness among industries in turn boosting the economy.

Logistics parks A logistics park is a stipulated area that facilitates domestic and foreign trade by providing services such as warehousing, cold storage, multi-modal transport facility, CFS, ICDs, etc. Logistics parks facilitate loading and unloading of cargo for distribution, redistribution, packaging and repackaging. They are developed in the vicinity of emerging industrial hubs such as Mumbai, Chennai, Hyderabad, Bangalore and NCR. Speciality logistics parks are being constructed for industries such as automobile, pharmaceuticals, agriculture, electronic hardware and aero industry.

These parks are being connected through well-laid rail links and multi-modal transport facilities. Logistics parks are similar to FTWZs but also cater to the domestic market.

Warehousing (Development and Regulation) Act, 2007Despite the importance of agriculture in the economy, no adequate steps have been taken to protect the agricultural produce

of the country. The introduction of the Warehousing Development and Regulatory Authority (WDRA) will make provisions for the development and regulation of warehouses. The

government launched the negotiable warehouse receipts (NWR) system to help farmers gain access to loans from banks and allow the transfer of ownership of that commodity stored in a warehouse without having to deliver the physical commodity. NWRs are negotiable under the

Warehouse (Development and Regulation) Act, 2007 and are regulated by the WDRA.

These receipts are expected to improve the borrowing capacity of farmers as well as

the quality of the bank's lending services in the agriculture sector, increase liquidity

in rural areas as well as encourage better price risk management in agriculture commodities.

The provisions of WDRA also lead to increased efficiencies in the lending portfolios of banks, as well as further enhance the interests of lending institutions in ensuring credit with

reference to goods in warehouses. The NWRs will enable the transfer of ownership of agricultural commodities stored in warehouses without having to deliver physical commodities to the financial institution. This in turn is expected to reduce the wastage/pilferage of goods during their transit from the place of production to the custody of banks/ financial institutions. The implementation of warehousing receipts under the

supervision of WDRA is expected to ensure the smooth functioning of the system to foster the growth of warehousing in India. New tax policies to reduce supply chain costs

The government has introduced good tax structures to reduce supply chain costs and

also to encourage the participation of private players in the system. Octroi was one of the traditional taxes introduced by the government. This was introduced with a view to develop warehouses and trans-shipment hubs outside octroi/state boundaries. However, it was objected to by logistics organisations since they allow delays at the octroi check post as they

ensure that only goods which need to enter the octroi zone do so. Otherwise, further delays are involved in pre-paying octroi on other goods and collecting the refunds later.

The implementation of VAT played a significant role in reducing logistics costs. VAT was introduced to avoid the cascading effects of tax as it was being paid at each level. However, a simplified tax regime

will help logistics players service multiple markets and offer end-to-end solutions far more efficiently and at much lower costs. Private sector participation plays an important role in developing the warehousing sector rapidly. Illegal warehousing can be curbed by the

government by setting up stricter and clearer rules. This will enable deeper penetration by international and domestic players into the warehousing sector. The traditional tax policies failed to encourage this as they led to cascading effect on the downstream industry, thus leading to higher cost for such industries.

The government had then taken a step forward to phase out Central Sales Tax (CST) and introduce GST, expected to revolutionise the entire warehousing sector. GST, with a uniform tax-rate, is expected to increase revenue by increasing tax collections, while it will help the

logistics industry in re-arrangement, to enable the manufacturer to store and distribute goods across the country without any state boundaries. The proposed tax structure is expected to

integrate the country economically and also make cheaper goods available. The 13th Finance Commission had recommended the following measures through

7.3 ANNEXURE II

Report of the Task Force on Goods and Services Tax:

It categorically stated that the tax on vehicles and tax on goods and passengers levied by the state governments should be submitted in the GST.

The task force felt that all transport equipment's and all forms of services for transportation of goods and services by rail, air, road and sea must form an integral part of the comprehensive GST base recommended by the task force over which both the central and state governments would have concurrent jurisdiction.

The tax regime for transport equipment and services should be the same as in the case of any other goods.

The task force stated that it is not necessary to levy a higher rate of tax on vehicles as is the existing practice since it is proposed to subject the use of these vehicles to tax at higher rates through excise on emission fuels.

The introduction of GST will result in the Indian manufacturing sector being globally competitive and will promote entrepreneurial initiatives and economic activity, on the whole. Most of the manufacturers have constructed regional warehouses of their own to avoid interstate taxes. But under GST, they can streamline their operations and outsource their operations to 3PLs to save up to 20%. This is also expected to encourage the construction of centralised warehouses at key strategic locations that can operate on the hub-and-spoke model, in turn outsourcing the logistics activity to the organised segment. However, tax rates

and structure are yet to be decided.

7.4 APPENDIX

10 respondents were working with Book my storage, 10 respondents were student of my college, 10 respondents were customer of book my storage and 20 respondents were digital media

S. No.	Features	No. of Respondents 50
1.	Book My storage	10
2.	Student	10
3	Customers	10
4	Use of digital media	20

Considerations to Determine the Location of a Warehouse Should Be

considerations to determine the location of a warehouse should be		
1.	Product storage	15
2.	volume of the products handled	10
3	market service area and the cost of distribution from the warehouse to the market service area	20
4	type of material handling equipment	5

What are the factors affecting the number of warehouses business?

S. No.	What Are the Factors Affecting the Number of Warehouses Business?	No. of Respondents 50	Percentage %
1.	capital expenditure for material handling equipment	22	42%
2.	warehousing costs	15	30%
3	packing costs	5	10%
4	procurement costs	8	16%

You view for Cross-docking requires

S. No.	Cross-docking requires	No. of Respondents 50
1.	more storage space	50
2.	less storage space	0
3	no storage space	0
4	none of the above	0

Which activity cost holds the major cost in warehousing activity?

S. No.	Which activity cost holds the major cost in warehousing activity	No. of Respondents 50
1.	Receiving	25
2.	Storage	15
3	Picking	10

Warehouses emphasize operation and their primary purpose is to maximize

S. No.	Warehouses emphasize operation and their primary purpose is to maximize	No. of Respondents 50
1.	product storage; throughput	20
2.	product storage; usage of available storage space	15
3	rapid movement of product; throughput	10
4	rapid movement of product; usage of available storage space	5

Reasons for coshing Book My Storage services?

S. No.	Reasons for coshing Book My Storage services?	No. of Respondents 50
1.	Warehousing space	27
2.	Services	13
3	Friendliness handling	10

Satisfaction of services at Book my storage

S. No.	Satisfaction of services at Book my Storage	No. of Respondents 50
1.	Satisfaction	32
2.	average	13
3	No comment	5

Recommendation of Book my storage to other

S. No.	Recommendation of Book my storage to other	No. of Respondents 50
1.	Yes	40
2.	no	3
3	No comment	7

7.5 BIBLIOGRAPHY

[1] Bartholdi III JJ, Hackman ST (2006), Warehouse and distribution science. www.warehouse-science.com

[2] Gong Y, De Koster MBM (2008), A polling-based dynamic order picking system for online retailers. IIE Transactions 40 pages:1070–1082

[3] Ghiani G, Laporte G, Musmanno R (2004), Introduction to Logistics Systems Planning and Control. John Wiley & Sons, England

[4] Frazelle E (2001), World-class warehouseing and material handling. McGraw-Hill, New York

[5] Tompkins JA, White JA, Bozer YA, Frazelle EH, Tanchoco JMA (2003), Facilities planning. John Wiley & Sons, NJ

[6] Faber, Nynke; De Koster, Rene B. M. (2002), Linking warehouse complexity to warehouse planning and control structure: An exploratory study of the use of warehouse management information systems. International Journal of Physical Distribution & Logistics Management [online]. vol. 32,(5), pages. 381 – 395

[7] Heung Suk Hwang, Gyu Sung Cho (2006), A performance evaluation model for order picking warehouse design, Computers & Industrial Engineering Vol. 51(2), pages: 335-342. [8] T.C. Poon, K.L. Choy, Harry K.H. Chow , Henry C.W. Lau, Felix T.S. Chan, K.C. Ho (2009), A RFID casebased logistics resource management system for managing order-picking operations in warehouses, Expert Systems with Applications, Vol. 36(4), pages 8277-8301

[9] Felix T.S. Chan, H.K. Chan (2011), Improving the productivity of order picking of a manual-pick and multilevel rack distribution warehouse through the implementation of class-based storage, Expert Systems with Applications, Vol. 38(3), pages 2686–2700.

[10] Jinxiang Gu, Marc Goetschalckx, Leon F. McGinnis (2007), Research on warehouse operation: A comprehensive review, European Journal of Operational Research, Vol. 177(1), pages 1–21.

[11] S.F. Wamba, T.R. Coltman, and K. Michael (2008). RFID-Enabled warehouse optimisation: Lessons from early adopters in the 3PL industry. ICIS Ancillary meeting, Paris, France, pages 1-12.

[12] J. Sounderpandian, R. V. Boppana, S. Chalasani, and A. M. Madni. (2007) Models for cost-benefit analysis of RFID implementations in retail stores. IEEE Systems Journal, Vol (1), pp105-114,.

[13] Chris Caplice and Yossi Sheffi (1995), A review and evaluation of logistics performance measurement systems, The International journal of Logistics Management, Vol. 6(1), pages 61-74. [14] John M Hill (2002), Justifying warehouse management systems, white paper, ESYN

National Skill Development Corporation (www.nsdcindia.org) McKinsey Quarterly – "Transforming India's Logistics infrastructure"

Department of Commerce Warehousing Development Regulatory Authority (WDRA)

Jones Lang LaSalle Meghraj – "The Transforming Landscape of Indian Warehousing"

Colliers – " Logic of Logistics, 2009"

World Bank

AT Kearney's report on retailing BMI India Retail report Society of Indian Automobile Manufacturers (SIAM) Journal Of Computing, Volume 2, Issue 5, May 2010, Issn 2151-9617

Financial Express (www.financialexpress.com/news/logistics-space-is-hotting-up/613895/0)

India Brand Equity Foundation (www.ibef.org/artdisplay.aspx?cat_id=109&art_id=25460)

Livemint (www.livemint.com)

India Private Equity (www.indiape.com)

VCCircle (www.vccircle.com)

Frost and Sullivan – “Strategic Analysis of Growth Opportunities in Indian Warehousing Market” DealCurry (www.dealcurry.com)

UNIVERSITY OF MUMBAI

PROJECT REPORT ON

"Effect of union budget 2020 -2021 on Income of salaried class"

T.Y.B.M.S. (SEMESTER VI)

ACADEMIC YEAR: 2019 – 2020

SUBMITTED BY

AGNEL JOSE

BACHELOR OF MANAGEMENT STUDIES

SEAT NO – 1162747

BGPS

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

2019-2020

2019-2020

A PROJECT REPORT ON

EFFECT ON UNION BUDGET 2020 – 2021 ON INCOME OF SALARIED CLASS

SUBMITTED

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE

BACHELOR OF MANAGEMENT STUDIES

By

Name: AGNEL JOSE

SEAT No – 1162747

T.Y.B.M.S. (SEMESTER VI)

BGPS

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

DECLARATION

I, AGNEL JOSE the student of T.Y.B.M.S. Semester VI (2019 – 2020) hereby declare that I have completed the project *on Effect of union budget 2020 -2021 on Income of salaried class” The* information submitted is true and original to the best of my knowledge.

SIGNATURE OF STUDENT

AGNEL JOSE

SEAT NO-1162747

BGPS,

\MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

CERTIFICATE

This is to certify that Mr. AGNEL JOSE

Seat no 1162747 of Third Year B.M.S., Semester VI (2019 – 2020) has successfully completed the project on "Effect of union budget 2020 -2021 on Income of salaried class" under the guidance of Assistant Prof. Roshelle salins

Ass. Prof. Roshelle salins

Project Guide **External Examiner**

Asst. Prof Draksha Khan Ma'am **Dr.Subhash Vadgule sir**

Course Coordinator **Principal**

BGPS,

\MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

ACKNOWLEDGEMENT

Thank you universe , for helping me see this obstacle as an opportunity
I take this opportunity to thank the University of Mumbai for giving me chance to do this project.

I would like to thank my Principal, Dr. Subhash Vadgule sir for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our Course Coordinator Asst. Prof. Draksha Khan,ma'am for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide Prof roshelle salins maam whose guidance and care made the project successful.

I would like to thank my College Library, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially who supported me throughout my project.

INDEX

Introduction:

According to Article 112 of the Indian Constitution, the Union Budget of a year, also referred to as the annual financial statement, is a statement of the estimated receipts and expenditure of the government for that particular year.

Description: Union Budget keeps the account of the government's finances for the fiscal year that runs from 1st April to 31st March. Union Budget is classified into Revenue Budget and Capital Budget.

Revenue budget includes the government's revenue receipts and expenditure. There are two kinds of revenue receipts - tax and non-tax revenue. Revenue expenditure is the expenditure incurred on day to day functioning of the government and on various services offered to citizens. If revenue expenditure exceeds revenue receipts, the government incurs a revenue deficit.

Capital Budget includes capital receipts and payments of the government. Loans from public, foreign governments and RBI form a major part of the government's capital receipts. Capital expenditure is the expenditure on development of machinery, equipment, building, health facilities, education etc. Fiscal deficit is incurred when the government's total expenditure exceeds its total revenue.

The **Union Budget of India for 2020–2021** (IAST: *2020 Ke Lie Bhārata Kā Kendrīya Bajaṭa*) was presented by the Finance Minister, Nirmala Sitharaman on 1 February 2020, as her second budget. This is the second budget of Narendra Modi led NDA government's second term.[1][2] The Economic Survey for 2019-2020 was released on 31 January 2020, a day before the budget.[3] Before the budget speech the report of the 15th Finance Commission was tabled by the Finance Minister.

Union Budget and the Finance Minister's speech and assesses the evolving content of these policy instruments in recent years. The analysis undertaken is based on a framework highlighting some inter-related objectives that government budget serves in public policy making. These objectives include the use of budget as a tool for implementing fiscal policy, as an accountability tool for government functioning, a planning tool to operationalize a multi-year plan perspective and as a tool for anchoring policy coherence and coordination. The paper identifies some assessment criteria implicit in these objectives for assessing the budget content and its preparatory process. It suggests several measures and some pending reforms in fiscal policy and the underlying budget processes to address the identified objectives more effectively and makes a case for speeding up their implementation.

CHAPTER NO: 2 RESEARCH AND METHODOLOGY

Objectives of study:

About Union Budget

The Union Budget contains details about the projected receivables and payables of the government for a particular fiscal year. This budget statement is divided into two major parts—capital budget and revenue budget.

- **Capital budget**

  Capital budget accounts for government-related capital payment and receipts. Capital receipts include loans from the public or that from the Reserve Bank of India (RBI), while capital payment includes expenses incurred towards health facilities, development and maintenance of equipment, as well as educational facilities.

- ***Revenue budget***

  As the name suggests, a revenue budget accounts for all the revenue expenditure and receipts. If the revenue expense is in excess of the receipts, the government suffers a revenue deficit.

Understanding the importance of a Union Budget

The general objective of the Union Budget is to bring about a rapid and balanced economic growth of our country coupled with social justice and equality. Following are the key objectives that highlight the importance of Union Budget in India.

1. **Ensure efficient allocation of resources**

   It is necessary to employ the available resources in the best interest of the country. Allocating resources optimally helps to achieve profit maximization for the government so as to foster public welfare.

2. **Reduce unemployment and poverty levels**

   Another objective of the Union Budget is to wipe out poverty and create more job opportunities. This will ensure that every citizen of the country is able to meet his/her basic needs of food, shelter, and clothing, along with facilities for health care and education.

3. ***Reduce wealth and income disparities***

   The budget aids in influencing the distribution of income through subsidies and taxes. It helps to ensure that a high rate of tax is levied on the rich class, thereby reducing their disposable income. On the other hand, a lower rate of tax is charged on the lower income group to ensure they have sufficient income in hand.

4. **Keep a check on prices**

The Union Budget aids in controlling the economic fluctuations as well. It ensures proper handling of inflation and deflation, thus bringing about economic stability. During inflation, surplus budget policies are implemented, while deficit budget policies are devised during deflation. This aids in maintaining a price stability in the economy.

5. **Change tax structure**

The Union Budget also dictates the possible changes in the direct and indirect taxes of the country. It brings about changes to income tax rates and tax brackets. For instance, the upcoming income tax slab F.Y. 2020-21 is part of this budget.

LIMITATION OF THE STUDY

The study is based on the Finance Bill, 2020 which is subject to change on the basis of suggestions received from the members of the parliament.

SCOPE OF THE STUDY

1. To study aims to create awareness among the people about various regulation under the union budget & various provision related to salary.

2. It helps to salaried class people to save their money and know the rules about saving schemes.

RESEARCH METHODOLOGY:

- **SOURCES OF DATA**

The study is based on Primary data as well as secondary data. The data is collected from the websites. To mentioned in Webliography

CHAPTER NO: 3

REVIEW OF LITERATURE:

Review of literature is an important exercise in research because it tells what has been developed in the subject of the study, how it has been done and what are the conclusions arrived at. Review of literature helps the researcher to find out the research gap. A number of research studies have been undertaken by different researchers in the field of gender budgeting at national and international level. Several research works are completed in India to strengthen gender budgeting in the country.
Senapaty (2000) analysed the union's budget 2000-01 and found that empowerment of women does find a special attention in this budget , but the economic role of women still low. The budget exclusively focused on women constituted only one percent of the total union budget.

Sen; k. And Seeta, P. (2001) –study examined the union budget 2001-02 and tried to find out the pattern of allocations into various women-specific scheme as well as schemes that are indirect benefit to women.

Lahiri, A. et al. (2003) The study showed a significant positive relationship between per capita public expenditure on health and education in India, while the impact of per capita expenditure on education on GDI was insignificant in India.

Banerjee, N. and Roy, P. (2003) This study identified the women-oriented programmes/schemes in West Bengal Budget (actual outlays in 1998-99) and compared the outlays for those with the total budget in order to assess the priorities for women in the state budget.

Chakarborty, L. (2004) highlighted the experiences on fiscal decentralization and local level gender responsive budgeting in India. The study selected three states Kerala, Karnataka and West Bengal. Parikh, A.; Acharya, S. and Krishnaraj, M. (2004) The study analysed the budget for the period 1998-2002 with the state five year plans and performance budget to analyse the state programmes and policies in agriculture.

Bhat,A,(2004) provided a comparative analysis of expenditure allocated for women specific schemes by selected department of Karnataka and found that the expenditure towards social services as compared to economic service increased in both the pre and post-reform period.

Mahadevia , D and Vimal K.(2005)found that about 0.35 percent of the total expenditure made thought budget was on wonen-specifics schemes in 2001-02 as comparison to 0.79 percent in the previous year in Gujarat state

Darshini, M. and Khawas, V. (2005) focused on budgetary allocation and select two programmes - Watershed Programme and Training for Women in

Agriculture (TWA) for detailed analysis of their impact on women in the context of overall macro policies.

Goyal, Anjali (2005) linked gender budgeting directly to the issue of women's empowerment. Acharya, M. (2006) summarized the experience of gender budgeting in selected South Asian countries especially India and Nepal.

Subrat and Mishra, Yamini (2006) The study showed that gender budgeting exercise based on numerous assumptions relating to the proportion of allocation under a scheme that directly benefits women. Stotsky, Janet G. (2006 The key findings of the study were measurement of inequality in key socio-economic and political indicators that women were disadvantaged relative to men.

Kotwal, V. (2007) made an attempt to trace the steps taken in the direction of institutionalization by analysing the pattern of resource allocation under gender budgeting. Patel, V. (2007)The study found that use of gender aware language in an official document like budget was quite heartening. Verma, R. (2007) made an attempt to analyse gender budgeting in Madhya Pradesh (MP). Government of MP introduced gender budgeting in the Annual Budget 2007-08 for 13 departments. . Hans, A.; Patel, A. M. and Agnihotri, S.B. (2008) The study found that total allocation made in the disability sector served a small percentage of the total population with disabilities.

.

Klatzer, Elisabeth (2008) showed ways on how to integrate gender equality objectives and gender budgeting into Performance Based Budgeting (PBB). Palharya, S. (2008) The study analysed public expenditure on social services as a whole and as a %age of gross state domestic product of the state for the period 2002-03 to 2006-07. Rajneesh, S. (2008) examined gender budgeting in Karnataka state for the year 2007-08. The study found that the state has undertaken earmarking resources for women in most sectors. Thorat, M. (2008) focused attention on gender budgeting in disaster management. It further focused sharply on the need to make a gender responsive activity during an emergency.

Mishra, Yamini and Jhamb, B. (2009) The study found that gender budgeting statement suffers from flaws in methodology and women are accorded low priority in government spending.

Jhamb, B. and Sinha, N. (2010) The study also made an assessment of the budgetaryexpenditure of Union Government towards achievement of the MDGs from the perspective of gender. Tripathi, P. S. and Nigam, R. (2010)The study also found that most of the central ministries/departments have not been collecting and reporting the gender–disaggregated information on their programmes/ schemes which are essential for undertaking gender budget analysis.

CHAPTER 4: DATA ANALYSIS AND INTERPERTATION.

Budget of salaried people in 2019-2020:

The salaried class people or those earning up to Rs 5 lakh are now not required to pay income tax. Also, they will be exempted from additional deductions of up to Rs 2 lakh on interest on homes loans, education loans, etc. The government has also increased TDS threshold on deduction of tax on rent, which will benefit the salaried people. The standard deduction limit has also been increased to Rs 50,000. The centre has also assured of GST benefit for home buyers in the coming year.

1. No tax for income up to Rs 5 lakh

The Finance Minister said individual taxpayers having taxable annual income up to Rs 5 lakh will get a full tax rebate. He added means those with gross income up to Rs 6.50 lakh may also not have to pay any income tax if they make investments in provident funds, specified savings, insurance etc. The existing income tax exemption limit is Rs 2.5 lakh, and including tax rebate, no tax is payable on income up to Rs 3 lakh. However, all these tax proposals will be presented in the regular budget, and will only be applicable from the financial year 2019-20.

"The mega tax relief is a noteworthy move as with this, the limit significantly increases from Rs. 2.5 lacs to Rs. 5 lacs. Also, no tax for people earning a gross income of up to Rs. 6.5 lakhs managed with the right kind of investments will give an impetus to life insurance industry as insurance is an important tax saving tool," said Ms. Saba Adil, Chief People and Operating Officer, Aegon Life Insurance

However, there has been no increase in the threshold limit of Rs 2.5 lakh. The government has announced a rebate under Section 87A of the Income Tax Act, which has been hiked to Rs 12,500 from the earlier rebate of Rs 2,500. The eligibility of the total income to avail the benefit has now been increased Rs 5 lakh from the earlier from Rs 3.5 lakh. So, only those whose total income does not exceed Rs 5 lakh will be eligible for the benefit.

2. Relief on home loans, education loans

The government has announced additional deductions such as interest on home loan up to Rs 2 lakh, interest on education loans, National Pension Scheme contributions, medical insurance, medical expenditure on senior citizens. This will provide a tax benefit of Rs 18,500 crore to over 3 crore middle-class taxpayers, including salaried class, self-employed, small businesses, small traders, pensioners and senior citizens, claimed the government.

3. TDS threshold of tax on rent increased

The government has increased the TDS threshold for deduction of tax on rent to Rs 2.4 lakh from the current Rs 1.8 lakh, which will provide a big relief to small taxpayers, including salaried class. Also, the benefit of rollover of capital gains under section 54 of the Income Tax Act will be increased from investment in one residential house to two residential houses for those having capital gains up to Rs 2 crore. This benefit, however, can be availed once in a lifetime. Also, the government has done away with 'notional rent' on a second self-occupied house, payable if one has more than one self-occupied house.

4. Standard deduction limit raised

For salaried persons, the standard deduction is being raised from the current Rs 40,000 to Rs 50,000, which will give additional tax benefit of Rs 4,700 crore to over 3 crore salary earners and pensioners.

5. GST cut for home buyers

Union Finance Piyush Goyal said the high taxation levied on multiple commodities in the pre-GST regime has been rationalised to a significant extent, which has provided relief of about Rs 80,000 crore annually to consumers, claimed Goyal. He said the government wants to reduce the GST burden for home buyers, and that it has appointed a group of ministers to examine this.

Tax Slab for Individuals below 60 Years of Age

Income range per annum	New Slabs for FY 2020-21, AY 2021-22	Old Slabs, mandatory upto FY 2019-20 and optional from FY2020-21
Up to Rs. 2.5 lakhs	No Tax	No tax
Above Rs. 2.5 lakhs to Rs. 5 lakhs	5%	5%
Above Rs. 5 lakhs to Rs. 7.5 lakhs	10%	20%
Above Rs. 7.5 lakhs to Rs. 10 lakhs	15%	20%
Above Rs. 10 lakhs to Rs. 12.5 lakhs	20%	30%
Above Rs. 12.5 lakhs to Rs. 15 lakhs	25%	30%
Above Rs. 15 lakhs	30%	30%
Rebate under section 87(A)	100% tax rebate subject to maximum of Rs. 2,500 available to resident individual whose total income does not exceed Rs. 3.5 lakhs	100% tax rebate subject to maximum of Rs. 2,500 available to resident individual whose total income does not exceed Rs. 3.5 lakhs

Cess at 4% of tax applicable in all cases. Surcharge at 10% for income above Rs. 50 lakhs and at 15% for income above Rs. 1 crore.
A rebate of Rs. 12,500 is available under the old income tax regime, whereas the same rebate is available in the new income tax regime if the annual taxable income does not exceed Rs. 5 lakhs.
The total reduction in tax liability will range from Rs. 25,000 for a person earning Rs. 7.5 lakhs per annum to Rs. 75,000 for a person earning Rs 15 lakhs or more per annum under the new tax slabs. However, the actual savings will be lower if one were to include the impact of fore-going exemptions under the new tax regime.

Tax Slab for Senior Citizens (age more than 60 years but less than 80 years)

Income range per annum	New Slab for FY 2020-21, AY 2020-21	Tax Rate FY 2019-20, AY 2020-21
Up to Rs. 3 lakhs	No Tax	No Tax
Above Rs. 3 lakh to Rs. 5 lakhs	5%	5%
Above Rs. 5 lakhs to Rs. 7.5 lakhs	10%	20%
Above Rs. 7.5 lakhs to Rs. 10 lakhs	15%	20%
Above Rs. 10 lakhs to Rs. 12.5 lakhs	20%	30%
Above Rs. 12.5 lakhs to Rs. 15 lakhs	25%	30%
Above Rs. 15 lakhs	30%	30%
Rebate under section 87(A)	100% tax rebate subject to maximum of Rs. 2,500 available to resident individual whose total income does not exceed Rs. 3.5 lakhs	100% tax rebate subject to maximum of Rs. 2,500 available to resident individual whose total income does not exceed Rs. 3.5 lakhs

Cess at 4% of tax applicable in all cases. Surcharge at 10% for income above Rs. 50 lakhs and at 15% for income above Rs. 1 crore.

The rebate of Rs. 12,500 is applicable for all income under the old income tax regime. Whereas, it is available only for the income upto Rs. 5 lakhs under the new income tax regime.

Tax slabs for Senior Citizens
(age more than 80 years)

Income range per annum	New Slab for FY 2020-21, AY 2021-22	Tax Rate FY 2019-20, AY 2020-21
Up to Rs. 2.5 lakhs per annum	No Tax	No Tax
Up to Rs. 5 lakhs per annum	No Tax	No Tax
Above Rs. 5 lakhs to Rs. 7.5 lakhs	10%	20%
Above Rs. 7.5 lakhs to Rs. 10 lakhs	15%	20%
Above Rs. 10 lakhs to Rs. 12.5 lakhs	20%	30%
Above Rs. 12.5 lakhs to Rs. 15 lakhs	25%	30%
Above Rs. 15 lakhs	30%	30%

Cess at 4% of tax applicable in all cases. Surcharge at 10% for income above Rs. 50 lakhs and at 15% for income above Rs. 1 crore.

The above table highlights the latest tax slabs for the firms and domestic companies. The tax treatment in both the cases differs from the tax treatment of individuals and HUFs.

New vs Old Income Tax Regime

Scenario -I: In case you are salaried and claiming deductions under

Section 80C, 80D, standard deduction and HRA exemption
The deductions and exemptions claimed would be Rs. 50,000 as the standard deduction, Rs. 1.5 lakh under section 80C, Rs. 25,000 under Section 80D, and HRA exemption which will vary at each income level.

At a gross salary of Rs. 7.5 lakhs, the HRA exemption would be Rs. 1.5 lakhs, at gross salary Rs. 10 lakh, the HRA exemption would be Rs. 2 lakhs, at gross salary Rs. 12.5 lakhs, the HRA exemption would be Rs. 2.5 lakhs, at gross salary Rs. 15 lakhs, the HRA exemption would be Rs. 3 lakh, and at gross salary Rs. 20 lakhs, the HRA exemption would be Rs. 4 lakh.

The tax benefit for each slab would be:

Gross Salary	**Tax Payable in Current IT Slab**	**Tax Payable in New IT Slab**	**Tax Saving (Payable)**
At 7.5 lakhs	-	39,000	(39,000)
At 10 lakhs	28,600	78,000	(49,400)
At 12.5 lakhs	70,200	1,30,000	(59,800)
At 15 lakhs	1,11,800	1,95,000	(83,200)
At 20 lakhs	2,34,000	3,51,000	(1,17,000)

Scenario -II: In case you are claiming the most common deductions i.e., deduction under Section 80C, 80D, and standard deduction

The standard deduction of Rs. 50,000, deduction under Section 80C of Rs. 1.5 lakhs, and deduction under Section 80D of Rs. 25,000 will together amount to Rs. 2.25 lakhs as total deduction claimed.

GROSS SALARY	TAX PAYABLE IN CURRENT IT SLAB	TAX PAYABLE IN NEW IT SLAB	TAX SAVING (PAYABLE)
AT 7.5 LAKHS	18,200	39,000	(20,800)
`AT 10 LAKHS	70,200	78,000	(7,800)
AT 12.5 LAKHS	1,24,800	1,30,000	(5,200)
AT 15 LAKHS	2,02,800	1,95,000	7,800
AT 20 LAKHS	3,58,800	3,51,000	7,800

Scenario -III: In case you are claiming only the standard deductions

The tax benefit under each slab when you claim only the standard deduction would be:

Gross Salary	Tax Payable in Current IT Slab	Tax Payable in New IT Slab	Tax Saving (Payable)
At 7.5 lakhs	54,600	39,000	15,600
At 10 lakhs	1,06,600	78,000	28,600
At 12.5 lakhs	1,79,400	1,30,000	49,400
At 15 lakhs	2,57,400	1,95,000	62,400
At 20 lakhs	4,13,400	3,51,000	62,400

The latest income tax slab for 2019-20 is as follows:

Income Slab	Tax for individual below 60 years of age
Upto Rs. 2,50,000	NIL
Rs. 2,50,001 to 5,00,000	5%
Rs. 5.00,001 to 10,00,0000	20%
Above Rs. 10,00,000	30%

What are the income tax slabs proposed in the new income tax regime?

In the new Income tax regime, the slabs are:

- Upto Rs. 2.5 lakh – NIL
- From Rs. 2.5 lakh to Rs. 5 lakh– 5%
- From Rs. 5 lakh to Rs. 7.5 lakh – 10%
- From Rs. 7.5 lakh to Rs. 10 lakh – 15%
- From Rs. 10 lakh to Rs. 12.5 lakh – 20%
- From Rs. 12.5 lakh to Rs. 15 lakh – 25%
- Above Rs. 15 lakh – 30%

Do I have to forgo all the tax exemptions and deductions as per the new income tax regime?
As per the new income tax regime proposed in the budget, you will have to forgo all the common income tax deductions and exemptions available such as deductions under section 80C, 80D, except for employer's contribution to NPS (80CCD (2)).

What is the senior citizen income tax Slab for 2019-20?

The income tax slab rates applicable to senior citizens for 2019-20 are:

Income Slab	Tax Rate FY 2019-20, AY 2020-21
Upto Rs. 3,00,000	No Tax
Rs. 3,00,001 to 5,00,000	5%
Rs. 5,00,001 to 10,00,000	20%
Above Rs. 10 lakhs	30%
Rebate under section 87(A)	100% tax rebate subject to maximum of Rs. 2,500 available to resident individual whose total income does not exceed Rs. 3.5 lakhs

Is there a choice between a new and old income tax regime?
Yes, you can choose between the new and old income tax regime in each financial year provided you don't have business income.

Is the tax rebate of Rs. 12,500 under section 87A available in new regime?
Yes, the taxpayer can still claim the tax rebate of Rs. 12,500 if the annual income does not exceed Rs. 5 lakh in a financial year.

Are cess and surcharge still payable under the new income tax regime?
Yes, 4% of cess and surcharge as pe your income is also applicable in the new income tax regime.

What is the income limit for income tax slab 2019-20?

The income limit as per tax slab 2019-20 to which no income tax is levied is Rs. 2.5 lakhs for individual below 60 years and Rs. 3 lakhs for senior citizens.

Standard Deduction – Interim Budget 2019

The Interim Budget presented on 1 February 2019 included numerous tax benefits for the salaried and the middle class. Among them, an additional amount of Rs. 10,000 to the Standard Deduction is a noteworthy move. With the Standard Deduction being Rs 50,000 now, it will help taxpayers immensely to reduce their tax outgo Let us understand this with a small example:

Particulars	Until AY 2018-19	From AY 2019-20	From AY 2020-21
Gross Salary (in Rs.)	8,00,000	8,00,000	8,00,000
(-) Transport Allowance	19,200	Not Applicable	Not Applicable
(-) Medical Allowance	15,000	Not Applicable	Not Applicable
(-) Standard Deduction	Not Applicable	40,000	50,000
Net Salary	**7,65,800**	**7,60,000**	**7,50,000**

From the above, it is evident that the taxable salary has come down on account of the standard deduction.

The Income Tax Act of 1961 has 298 Sections and XIV Schedules. Under the provisions of the Act, Indian citizens and companies can avail of the tax deductions under Section 80C, 80CCD, 80CCC, 80CCCE, to save tax by investing upto 1.5 lakh in different options. The different deductions all suit unique investment and tax savings needs. For your knowledge, you should also be aware of other deductions available like Medical insurance (Section 80D), Education Loan (Section 80E), Interest on Housing Loan (Section 24), Disability and Disease (Section 80U).

Section 80C

80C came into force with effect from 1st April, 2006. Section 80C provides deductions for savings for deduction under income tax and their limits. Section 80C enables tax payers to claim a deduction of Rs 1,50,000 from total income. Claimants can include individuals or a Hindu Undivided Family (HUF). For those who have paid excess taxes and made suitable investment in LIC, PPF, Mediclaim, and expenses incurred towards tuition fees etc., filing Income Tax Return will enable people to get a refund.

Section 80CCC

Section 80CCC of the Income Tax Act provides an **Income tax exemption** for payments and deposits made for any annuity plan of LIC or any other insurer. The plan must enable the insured to receive pension from a fund referred to in Section 10(23AAB), upon surrender of the annuity, including interest or bonus accrued on the annuity, taxable in the year of receipt.

Section 80CCD

Section 80CCD covers deduction for employee contribution to pension account. The maximum deduction that can be claimed under 80 CCD is 10 percent of salary (in case the taxpayer is an employee) or 10% of gross total income (for self employed taxpayers) or Rs 1, 50,000, whichever is less. Financial year 2017-18 onwards, self-employed individuals can claim a maximum deduction of 20% of gross salary instead of 10% (earlier subject to a maximum of Rs1, 50,000).

It must be noted that combined maximum limit for section 80C, 80CCC and sec 80CCD (1) deduction is Rs 1, 50,000. For self contribution, deduction for NPS – section 80CCD under a new section (1B) for an additional deduction of up to Rs 50,000 can be made for the amount deposited by a taxpayer towards NPS. Eligibility also extends to Atal Pension Yojana. There is also additional deduction for employer’s contribution to employee’s pension account (EPF) of up to 10% of the salary of the employee, without any monetary ceiling on this deduction.

Additionally, you can also claim tax benefits of donating to charity

Tax calculation – Resident		All figures in Rs. Per annum

Your taxable income can be calculated as (Total Income) minus (Donated Amount), generating a net income, on which the income tax is now calculated, based on the prevailing tax rate. However, while filing for donation tax return, you must be cognizant of the fact that many donations only permit 50% deduction on the donation made, and only donations under Section 80GGA or 35AC provide 100% rebate on the entire amount donated. These apply to sums up to 10% of your taxable income, after deductions, capital gains, income exempt from tax, and Section 10 deductions.

Going by the Budget 2019 proposals, a salaried individual with gross total income up to Rs 7.75 lakh can invest in various tax saving avenues and avail of different deductions to reduce taxable income to Rs 5 lakh and consequently pay no tax for FY2019-20. Such a person would be saving tax of Rs 15080 compared to tax payable in current FY 2018-19, according to EY analaysis. Here's how. Say your gross total income for FY 2019-20 is Rs 7.75 lakh.

First you can claim standard deduction of Rs 50,000 for FY 2019-20 as against Rs 40,000 available for current financial year as Budget 2019 proposes to hike this standard deduction by Rs 10,000.

You can invest Rs 1.5 lakh under section 80C in any of the eligible tax saving avenues of PPF, EPF etc or use tuition fees paid for children to claim a deduction of the same amount from the gross total income. This can can be claimed as a deduction from your gross income of Rs 7.75 lakh reducing it to Rs 6.25 lakh.

Particular	Existing	Post Budget
Gross Salary	7,75,000	7,75,000
Less: Standard deduction	(40,000)	(50,000)
Net Salary	7,35,000	7,25,000
Income from other sources	10,000	10,000
Gross Taxable Income	7,45,000	7,35,000
Deduction under Section 80C	(1,50,000)	(1,50,000)
Deduction under section 80CCD(1B)	(50,000)	(50,000)
Deduction under Section 80D	(25,000)	(25,000)
Deduction under Section 80TTA	(10,000)	(10,000)
Total Income	5,10,000	5,00,000
Income Tax	14,500	12,500
Less: Rebate under section 87A	-	(12,500)
Total tax payable after rebate	14,500	-
Surcharge @10% / 15%	-	-
Total tax payable after surcharge	14,500	-
Education cess @4%	580	-
Total tax, Surcharge and education cess	15,080	-
Difference extra tax payable	(15,080)	

Section 80C

Income tax section 80C replaced section 88 and became effective on 1st April, 2006. This section provides provisions on number of payments. The eligible taxpayers can claim deductions of maximum amount up to Rs. 1.5 lakh per year. Both individuals and HUFs are eligible for income tax deductions under 80C.

This section includes the following investments and expenses:

Investment in PPF: You can claim a deduction for investment made in PPF account. You can invest maximum of Rs. 1.5 lakh in a year. Receipts on maturity and withdrawal are tax free.

Investment in National savings certificate: National Savings Certificate are eligible for deductions in the year they are purchased. Interest accrued on such certificates is eligible for tax deductions each year under section 80C, but becomes taxable at the time of maturity.

Investment in fixed deposit: Interest earned on fixed deposits with tenure of not less than five years are eligible for tax deduction under section 80C. For senior citizens, tax exempted interest income on deposits with banks has been increased from Rs. 10,000 to Rs. 50,000. Further, TDS will not be required to be deducted under section 194A and it has been extended to all FD and RD schemes

Premium on life insurance policy: You can claim a deduction under section 80C for the premium paid for a life insurance policy as per the income tax act.

Contribution to employee provident fund: You can claim a tax deduction for the contribution made in employee provident fund under section 80C. Government to contribute 12% of EPF contribution for new employees (with less than 3 years of employment) in all sectors. New women employees (with less than 3 years of employment) to contribute only 8% of salary as EPF contribution as opposed to 12% earlier.

Equity oriented mutual funds: You can claim a tax deduction for investment made in any unit of mutual funds whether it is listed on stock exchange or not.

Repayment of principal on housing loan: you can claim a tax deduction on the principal amount paid for Home loan under section 80C.

Tuition Fees: You can claim a tax deduction for the tuition fees paid under section 80C. However, deduction will only be applicable in case the fees in paid by cheque.

Tax deductions under Section 80CCC and 80CCD for contribution to pension funds

You can claim a tax deduction under Section 80CCC and 80CCD for the contribution made to Pension Funds. If you have contributed any amount in any insurance scheme to receive pension, then you can claim a tax deduction under 80CCC. However, if you have contributed in any pension scheme initiated by central government, up to 10% of your salary such as National Pension Scheme than you can claim a tax deduction under section 80CCD. Note: As per Income Tax Act, the maximum limit of Rs. 1.5 lakh is an aggregate of deduction that may be claimed under section 80C, 80CCC and 80CCD. However, an exclusive tax benefit is available for NPS subscribers under section 80CCD. As per income tax act, Tier 1 account holder gets an additional deduction for investment up to Rs. 50, 000 in NPS. This deduction is over and above the deduction of Rs. 1.5 lakh available under section 80C of IT Act, 1961.

Section 80TTA: Deductions for interest on savings account

You can claim a tax deduction under section 80TTA for interest earned on bank savings account. The deduction is subject to maximum amount of Rs. 10,000. However, the income earned will be first added under the head of Income from other sources first and after that the deduction can be claimed.

Section 80CCF: Deduction for investment made in long term infrastructure bonds

You can claim a tax deduction under section 80CCF for an investment made in long term infrastructure bonds notified by government. You can claim a maximum deduction up to Rs. 20,000.

Section 80CCG: Deduction for investment made under an equity saving scheme

The deduction is also known as Rajiv Gandhi Equity Saving Scheme. You can claim a tax deduction for an investment made in listed shares or mutual funds. However, the maximum deduction allowed is Rs. 25,000.

Tax deduction under section 80D for payment of medical insurance premium and health check up

You can claim a tax deduction under this section for the payment of medical insurance premium for self, spouse or any child. In addition, any amount paid for health check up can also be claimed for tax deduction which shall not exceed to Rs. 5,000.

Section 80E: Income tax deduction for interest on Education Loan

You can claim a tax deduction under section 80E for interest paid on repayment of Education loan. The deduction can only be claimed on the interest paid on repayment of loan and not on the principal amount

Section 80EE: Deduction for interest payable on loan taken for acquisition of a residential house property

You can claim a tax deduction under section 80EE for an interest payable for loan taken for acquisition of a residential house property. The maximum deduction claimed is Rs. 50,000.

Tax deduction under section 80G, 80GGA, 80GGB and 80GGC for donations

You can claim a tax deduction under section 80G for a general donation made during a financial year. Deductions under section 80GGA can be claimed if donation is made for Scientific Research or Rural development. Deductions under section 80GGB and 80GGC can be claimed if donation is made to any political party.

Section 80GG: Tax deduction for rent paid for FY18

You can claim a tax deduction under section 80GG for the rent paid for house. However, you can claim deduction under this section only incase when you have not received house rent allowance. If you are receiving HRA then you are not entitled for deduction under this section. You can claim deduction under section 80GG when the rent paid by you is more than 10% of your total income subject to maximum of Rs. 5000 per month or 25% of total income whichever is less.

Income Tax Exemption

As per chapter III of Income Tax act, 1961, there exists a provision of income tax exemption. There are few types of specified incomes on which you can get an exemption from paying tax. this means at the time of calculating income tax certain incomes will not be added. The most common incomes that are exempted from income tax are listed below:

House Rent Allowance - HRA tax exemption

Salaried individuals receive house rent allowance (HRA) from their employer. An exemption against HRA under Chapter 10 of Income Tax Act is possible if the employee is living in a rented accommodation and pays rent to the owner. The HRA exemption can also be claimed by submitting proof of rent paid to the employer or at the time of filing ITR. The taxpayer just needs to find out how much exemption he can avail and then recalculate the total taxable income after adjusting the exemption.

HRA exemption is subject to the employee actually staying on rent. HRA exemption limit is the lower of:

- HRA received from employer
- Actual rent paid less 10% of basic monthly salary
- 40% of basic salary for those staying in any place except the metros cities of Delhi, Mumbai, Kolkata and Chennai. In case of people staying in these four cities, exemption can be upto 50% of basic salary Leave Travel Assistance - LTA tax exemption

Leave travel assistance (LTA) received from the employer towards cost of domestic travel to hometown or for vacation once in two years by rail or by air for self and family members can be claimed as exempt income.

This deduction can only be claimed by a person from the employer directly. LTA is allowed to claim twice in the block of four years. The current block is 2018-21. However, employees are now allowed to carry one unclaimed LTA to next year as well

Deductions under section 80C to 80U

Section	Permissible limit	Type of investment, expense or income	Eligible claimants
80C	Maximum Rs. 1,50,000 (aggregate of 80C, 80CCC and 80CCD)	PPF, EPF, Bank FD's, NSC, LIC premium, tuition fees	Individuals, HUFs
80CCC	Maximum Rs. 1,50,000 (aggregate of 80C, 80CCC and 80CCD)	Pension funds	Individuals
80CCD	Maximum Rs. 1,50,000 (aggregate of 80C, 80CCC and 80CCD)	Pension fund initiated by central government	Individuals
80TTA	Up to Rs. 10,000 per year	Interest on bank savings account	Individuals and HUFs
80CCG	50% of amount invested subject maximum of Rs. 25,000	Equity saving schemes	Individuals
80CCF	Up to Rs. 20, 000	Long term infrastructure bonds	Individuals and HUFs
80D	**For individual taxpayers-** Premium up to Rs. 25,000 in case of individuals and up to Rs. 30,000 for senior citizens **For HUFs-** Premium up to Rs. 25,000 and up to Rs. 30,000 in case	Medical insurance premium and Health check up	Individuals and HUFs

	the member insured is a senior citizen or super senior citizen		
80E	No limit defined	Interest on repayment of Education loan	Individuals
80EE	Maximum Rs. 50,000	Interest on loan payable for acquiring a residential house property	Individuals
80G	Differs with the amount of donation	General donations of any recognized society	Individuals, HUF's, Companies, Firms
80GGA	Depends on quantum of donation	Donations to Scientific Research or Rural development	Those who do not have income from business or profession
80GGB	Depends on quantum of donation	Donations to political parties	Indian companies
80GG	Rs. 5000 per month or 25% of total income whichever is less	Rent paid if HRA is not received	Individuals not receiving HRA

Tax planning is an important part of a financial plan. Whether you are a salaried individual, a professional or a businessman, you can save taxes to certain extent through proper tax planning.

The Indian Income Tax act allows for certain Tax Deductions / Tax Exemptions which can be claimed to save tax. You can subtract tax deductions from your Gross Income and your taxable income gets reduced to that extent.

In this post, let us go through the **Income Tax Deductions List FY 2019-20, best ways to save taxes and best tax saving options for FY 219-20 / AY 2020-21**. I hope you find this list useful and helps in planning your taxes well in advance.

Income Tax Deductions List FY 2019-20 / AY 2020-21
(Chapter VI-A deductions list)

Section 80c

The maximum tax exemption limit under Section 80C has been retained as Rs 1.5 Lakh only. The various investment avenues or expenses that can be claimed as tax deductions under section 80c are as below;

- PPF *(Public Provident Fund)*
- EPF *(Employees' Provident Fund)*
- Five year Bank or Post office Tax saving Deposits
- NSC *(National Savings Certificates)*
- ELSS Mutual Funds *(Equity Linked Saving Schemes)*
- Kid's Tuition Fees
- SCSS *(Post office Senior Citizen Savings Scheme)*
- Principal repayment of Home Loan
- NPS (National Pension System)
  - Income Tax benefits are currently available on Tier-1 deposits only *(FY 2018-19)*. The contributions by the government employees (only) under Tier-II of NPS will also be covered under Section 80C for deduction up to Rs 1.5 lakh for the purpose of income tax, with a three-year lock-in period. This is w.e.f April, 2019.
- Life Insurance Premium (**Read** : 'Best Term insurance plans')
- Sukanya Samriddhi Account Deposit Scheme

Section 80CCC

Contribution to annuity plan of LIC *(Life Insurance Corporation of India)* or any other Life Insurance Company for receiving pension from the fund is considered for tax benefit. The maximum allowable Tax deduction under this section is Rs 1.5 Lakh.

Section 80CCD

Employee can contribute to Government notified Pension Schemes *(like National Pension Scheme – NPS)*. The contributions can be upto 10% of the salary *(salaried individuals)* and Rs 50,000 additional tax benefit u/s 80CCD (1b) was proposed in Budget 2015.

As per the Budget 2017-18, the self-employed *(individual other than the salaried class)* can contribute up to 20% of their gross income and the same can be deducted from the taxable income under Section 80CCD (1) of the Income Tax Act, 1961.

To claim this deduction, the employee has to contribute to Govt recognized Pension schemes like NPS. The 10% of salary limit is applicable for salaried individuals only and Gross income is applicable for non-salaried. The definition of Salary is only 'Dearness Allowance.' If your employer also contributes to Pension Scheme, the whole contribution amount *(10% of salary)* can be claimed as tax deduction under Section 80CCD (2).

The Centre will now contribute 14% of basic salary to Govt employees' pension corpus, up from 10%. This is w.e.f April, 2019.

Kindly note that the Total Deduction under *section 80C*, 80CCC and *80CCD*(1) together cannot exceed Rs 1,50,000 for the financial year 2019-20. The additional tax deduction of Rs 50,000 u/s 80CCD (1b) is over and above this Rs 1.5 Lakh limit.

Contributions to 'Atal Pension Yojana' are eligible for Tax Deduction under section 80CCD.

Section 80D

In the union budget 2018, the government of India has proposed the below changes with respect to deductions available on Health Insurance and/or towards Medical treatment. The same provisions are applicable for FY 2019-20 as well;

- **Health Insurance & Senior Citizens**: In Budget 2018, it has been proposed to raise the maximum tax deduction limit for senior citizens under Section 80D of the Indian Income Tax Act 1961. The limit of tax deduction allowed for FY 2017-18 for senior citizens was Rs. 30,000 which was increased to Rs 50,000, from FY 2018-19 *(AY 2019-20)* onwards.
  - Under Section 80D an assessee, being an individual or a Hindu undivided family, can claim a deduction in respect of payments towards annual premium on health insurance policy, preventive health check-up or medical expenditure in respect of senior citizen *(above 60 years of age)*.
  - As of FY 2017-18, only Very Senior Citizens *(who are above 80 years of age)*, can claim a deduction of up to Rs 30,000 incurred towards medical expenditure, in case they don't have health insurance. The Budget 2018 has increased this to Rs 50,000 and also allowed the same flexibility to senior citizens. Even individuals who pay premiums for their dependent senior citizens parents can claim the additional deduction on health insurance premium (or) medical expenditure.

- **Single premium Health Insurance policy / Multi-year Mediclaim policy** :
    - In case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit.

The below limits are applicable for Financial Year 2019-2020 (or) Assessment Year (2020-2021) u/s 80D.

Health Insurance Policy Premium & Section 80D Tax benefits for FY 2019-20 / AY 2020-21			
Scenarios	Health insurance premium paid for & Maximum tax deduction limits		Total Deduction under Section 80D
	Self, Spouse & Dependent Children	Parents (whether dependent or not)	
No one in your family has attained 60 years of age	upto Rs 25,000	upto Rs 25,000	Rs 50,000
The eldest member in Your family (yourself,spouse and dedpendent children) is less than 60 years & Your Parents (either mother or father) are above 60 years of age)	upto Rs 25,000	upto Rs 50,000*	Rs 75,000
The eldest member in Your family (yourself,spouse and dedpendent children) has attained 60 years & Your Parents (either mother or father) are above 60 years of age)	upto Rs 50,000*	upto Rs 50,000*	Rs 1,00,000

*Nature of Amount spent can be towards Medical Expenditure as well   www.relakhs.com

Preventive health checkup *(Medical checkups)* expenses to the extent of Rs 5,000/- per family can be claimed as tax deductions. Remember, this is not over and above the individual limits as explained above. *(Family includes: Self, spouse, parents and dependent children).*
NRIs also can claim tax deduction u/s 80D.

Section 80DD

You can claim up to Rs 75,000 for spending on medical treatments of your dependents *(spouse, parents, kids or siblings)* who have 40% disability. The tax deduction limit of upto Rs 1.25 lakh in case of severe disability can be availed.To claim this deduction, you have to submit Form no 10-IA**.**

Section 80DDB

An individual *(less than 60 years of age)* can claim upto Rs 40,000 for the treatment of specified critical ailments. This can also be claimed on behalf of the dependents. **The tax deduction limit under this section for Senior Citizens and very Senior Citizens *(above 80 years)* has been revised to Rs 1,00,000 w.e.f FY 2018-19**.

To claim Tax deductions under Section 80DDB, it is mandatory for an individual to obtain 'Doctor Certificate' or 'Prescription' from a specialist working in a Govt or Private hospital. For the purposes of section 80DDB, the following shall be the eligible diseases or ailments:

- Neurological Diseases where the disability level has been certified to be of 40% and above;
  (a) Dementia
  (b) Dystonia Musculorum Deformans
  (c) Motor Neuron Disease
  (d) Ataxia
  (e) Chorea
  (f) Hemiballismus
  (g) Aphasia
  (h) Parkinson's Disease

- Malignant Cancers
- Full Blown Acquired Immuno-Deficiency Syndrome (AIDS) ;
- Chronic Renal failure
- Hematological disorders

1. Hemophilia
2. Thalassaemia

NRIs are not eligible for certain tax deductions, including medical treatment of disabled dependent *(under Sec 80DD),* treatment of family member suffering from specified diseases *(under Sec 80DDB),* disability of self or dependent *(under Sec 80U).*

Section 80CCG

Tax Benefits of Rajiv Gandhi Equity Savings Scheme *(RGESS)* under section 80CCG has been withdrawn. However, if an investor has invested in the *RGESS* scheme in *FY* 2016-17 (AY *2017*-18), they *can claim* deduction under this Section until AY 2019-20.

Section 24 (B) (Loss under the head Income from House Property)

- From FY 2017-18, the Tax benefit on loan repayment of second house is **restricted to Rs 2 lakh per annum** only *(even if you have multiple houses the limit is still going to be Rs 2 Lakh only and the ceiling limit is not per house property).*
- The unclaimed loss if any will be carried forward to be set off against house property income of subsequent 8 years. In most of the cases, this can be treated as '**dead loss**'.
- I believe that this is a major blow to the investors who have bought multiple houses on home loan(s) with an intention to save taxes alone.
- Until FY 2016-17, interest paid on your housing loan is eligible for the following tax benefits ;
  - Municipal taxes paid, 30% of the net annual income *(standard deduction)* and interest paid on the loan taken for that house are allowed as deductions.
  - After these deductions, your rental income can be **NIL** or **NEGATIVE** and is called 'loss from house property' in the latter case.
  - Such loss is currently allowed to be set off against other heads of income like Income from Salary or Business etc. which helps you to lower you tax liability substantially.

Computation of Income from House Property (Example) ReLakhs.com				
Particulars	**Amount (in Rs)**	**Total**	**Existing Rule: Loss from House Property that can be set-off**	**Budget 2017 Proposal : Loss from House Property that can be set-off**
Rental Income	2,40,000			
Less : Municipal Taxes	10,000			
Net Annual Value (Rs 2.4 Lakh - Rs 10k)		2,30,000		
Less : 30% Stanard deduction on NAV	69,000	1,61,000 (Rs 2,30,000 - 69,000)		
Less : Interest on Home Loan u/s 24	500000	Loss - Rs 3,39,000 (1,61,000 - 5,00,000)	**Rs 3,39,000**	**Rs 2,00,000** (Balance Rs 1,39,000 can be carried forward)

Currently (FY 2018-19), income tax on notional rent is payable if one has more than one self-occupied house. No tax on notional rent on **Second Self-occupied house** has been proposed. So, you can now hold 2 Self-occupied properties and don't have to show the rental income from second SoP as notional rent. This is with effective from FY 2019-20.

Section 80E

If you take any loan for higher studies *(after completing Senior Secondary Exam)*, tax deduction can be claimed under Section 80E for interest that you pay towards your Education Loan. This loan should have been taken for higher education for you, your spouse or your children or for a student for whom you are a legal guardian. Principal Repayment on educational loan cannot be claimed as tax deduction.

There is no limit on the amount of interest you can claim as deduction under section 80E. The deduction is available for a maximum of 8 years or till the interest is paid, whichever is earlier.

Section 80E is available to NRIs as well.

Section 80EE

This was a new proposal which had been made in Budget 2016-17. The same will be continued in AY 2020-21 too. First time Home Buyers can claim an additional Tax deduction of up to Rs 50,000 on home loan interest payments u/s 80EE. The below criteria has to be met for claiming tax deduction under section 80EE.

- The home loan should have been sanctioned during FY 2016-17.
- Loan amount should be less than Rs 35 Lakh.
- The value of the house should not be more than Rs 50 Lakh &
- The home buyer should not have any other existing residential house in his name.
- Such eligible home buyers can claim exemption of Rs. 50,000/- for interest on home loan under section 80EE from assessment year beginning from 1 st April 2017 and subsequent years, till loan closure.

NRIs can claim tax deduction u/s 80EE.

New Section 80EEA for FY 2019-20 or AY 2020-21

Besides the tax deductions under Section 80C and 24b, an individual can now claim up to Rs 1.5 lakh under Section 80EEA from FY 2019-20 or AY 2020-21 onwards, subject to below conditions;

- The home loan should have been sanctioned between 1st April, 2019 to 31st March 2020.
- The Stamp duty value of the property should not exceed 45 Lakhs.
- Taxpayer should not own any other residential property on the date of loan sanction.
- This tax benefit will be available from 1st April 2020 *(AY 2020-21)* and till the end of the home loan tenure *(closure)*.
- The total interest deduction is now Rs. 3.5 lakh *(Rs 2 Lakh + Rs 1.5 Lakh)*.

Kindly note that the deduction under Section 80EEA is available for home loans from banks and approved financial institutions only. Under Section 24, even interest paid on home loans from friends and relatives is eligible for tax benefit.

To claim tax benefit under Section 24, you should have received possession of your house *(interest paid before possession is eligible for deduction over the next 5 years in 5 equal installments)*. Section 80EE and 80EEA do not impose any requirement of possession or completion of construction.

Therefore, Section 80EEA provides you immediate tax relief even if you have purchased an under-construction property.
Both resident Indians and non-resident Indians (NRIs) can claim the deduction u.s 80EEA.

New Section 80EEB Income Tax Deduction of Rs 1.5 Lakh on Loan taken to purchase Electronic Vehicle

A new Tax deduction of up to Rs 1.5 lakh has been proposed on Interest paid on Loans taken to purchase Electronic Vehicles.

Section 80G

Contributions made to certain relief funds and charitable institutions can be claimed as a deduction under Section 80G of the Income Tax Act. This deduction can only be claimed when the contribution has been made via cheque or draft or in cash. In-kind contributions such as food material, clothes, medicines etc do not qualify for deduction under section 80G.
The donations made to any Political party can be claimed under section 80GGC.
W.e.f FY 2017-18, the limit of deduction under section 80G / 80GGC for donations made in cash is reduced from current Rs 10,000 to Rs 2,000 only.
If you want to donate some fund to a political party of your choice, you can do so in cash of up to Rs 2,000. Beyond that you can not donate the amount in cash mode. It can be done through Electoral Bonds.

Section 80GG

The Tax Deduction amount under 80GG is Rs 60,000 per annum. Section 80GG is applicable for all those individuals who do not own a residential house & do not receive HRA *(House Rent Allowance)*.
The extent of tax deduction will be limited to the least amount of the following;

- Rent paid minus 10 percent the adjusted total income.
- Rs 5,000 per month.
- 25 % of the total income.

*(If you are claiming **HRA** (House Rent Allowance) of more than Rs 50,000 per month (or) paying rent which is more than Rs 50,000 then the tenant has to deduct TDS @ 5%. It has been proposed that the tax could be deducted at the time of credit of rent for the last month of the tax year or last month of tenancy, as applicable.)*

Revised Rebate under Section 87A

Tax rebate of Rs 12,500 for individuals with **taxable income of up to Rs 5 Lakh** has been proposed in Interim-Budget 2019-20-18 / AY 2020-21 as well.

- Only Individual Assesses earning net taxable income up to Rs 5 lakhs are eligible to enjoy tax rebate u/s 87A.
- **For Example** : Suppose your yearly pay comes to Rs 6,50,000 and you claim Rs 1,50,000 u/s 80C. The total net income in your case comes to Rs 5,00,000 which makes you eligible to claim tax rebate of Rs 12,500.

- The amount of tax rebate u/s 87A is restricted to maximum of Rs 12,500. In case the computed tax payable is less than Rs 12,500, say Rs 10,000 the tax rebate shall be limited to that lower amount i.e. Rs 10,000 only.
- The Tax Assesse is first required to add all incomes i.e. salary, house income, capital gains, business or profession income and income from other sources and then deduct the eligible tax deduction amounts u/s 80C to 80U and under section 24(b) *(Home Loan Interest)* to come up with the net taxable income.
- If the above net taxable income happens to be less than Rs 5 lakhs then the tax rebate of Rs 12,500 comes in to the picture and should be deducted from the calculated total income tax payable.

Income Tax Liability Calculation with Revised Sec 87A limit - Illustration		
Particulars		
Salaried or Self-Employed?	Salaried	Self-Employed
Gross Income (in Rs)	600000	600000
Less		
Standard Deducction	50000	NA
Tax Deductions (80c, 80D etc.,)	150000	200000
Net Taxable Income (NTI)	400000	400000
Sec 87A Tax Rebate Applicable? (Applicable if NTI <= Rs 5 Lakh)	Yes	Yes
Tax Liability	Nil	Nil

ReLakhs.com

87A Limit for FY 2019-20 / AY 2020-21

Section 80 TTA & new Section 80TTB

For Senior Citizens, the Interest income earned on Fixed Deposits & Recurring Deposits *(Banks / Post office schemes)* will be exempt till Rs 50,000 *(FY 2017-18 limit was up to Rs 10,000)*. This deduction can be claimed under new Section 80TTB. However, no deductions under existing 80TTA can be claimed if 80TTB tax benefit has been claimed *(the limit for FY 2017-18 & FY 2018-19 u/s 80TTA is Rs 10,000)*.

Section 80TTA of Income Tax Act offers deductions on interest income earned from savings bank deposit of up to Rs 10,000. From FY 2018-19, this benefit will not be available for late Income Tax filers.

- Proposal has been made to not to deduct **TDS of up to Rs 40,000 on interest income** from Bank / Post office deposits *(the FY 2018-19 TDS threshold limit u/s 194A is Rs 10,000)*. Kindly note that no TDS does not mean no tax liability. Interest income on Deposits (FDs/RDs) is still a taxable income.

Interest income from deposits held with companies will not benefit under this section. This means, senior citizens will not get this benefit for interest income from corporate fixed deposits us/ 80TTB.

Section 80U

This is similar to Section 80DD. Tax deduction is allowed for the tax assessee who is physically and mentally challenged.

Standard Deduction of Rs 50,000 in-lieu of Medical Allowance – Budget 2018

Until FY 2017–18, the medical allowance of up to Rs 15,000 was exempted income from your Gross salary. To claim this, you had to submit medical bills to your employer and get the allowance benefit. The medical reimbursement allowance was exempted under Section 10 of the Income Tax Act.If you have submitted medical bills *(to your employer)* towards medical allowance and also paid premium towards your mediclaim *(health insurance)* then both of them will be listed in your Form-16 under different sections as shown below

From FY 2018-19, a **standard deduction of Rs 40,000** in lieu of travel, medical expense reimbursement and other allowances has been proposed for salaried employees and pensioners. To claim this standard deduction, there is no need to submit medical bills to your employer.

The current **Standard Deduction** of Rs 40,000 for FY 2018-19 is proposed to be increased to Rs 50,000 for FY 2019-20.

As per this new proposal, irrespective of amount of taxable salary the assessee will be entitled to get a deduction of Rs.50,000 or taxable salary, whichever is less. Thus suppose if a person has worked for few days *(or)* months and his salary was just Rs 50,000 for a previous year, then he will be entitled to deduction equal to salary being the same amount. If his salary is less, say Rs 30,000 the deduction shall be restricted to Rs 30,000. If salary exceeds amount of Rs 50,000, the deduction shall be restricted to Rs 50,000.

Section 54

The benefit of rollover of capital gains under section 54 of the Income Tax Act will be increased from investment in one residential house to two residential houses for a tax payer having capital gains up to Rs 2 crore. This benefit can be availed once in a life time.

Under Section 54GB(5) of the Income Tax Act, 1961, long term capital gains on the sale of residential property will be exempt if the sale proceeds are invested in a eligible startup, provided such transfer took place prior to March 31, 2019. This has now been extended to March 2021.

Conclusion

It is prudent to avoid last minute tax planning. Do not invest in low-yielding life insurance polices or in any other financial products just to save taxes. It is better you plan your taxes based on your financial goals at the beginning of the Financial Year itself. Plan your taxes from April 2019 itself, instead of waiting until late December 2019 (or) January 2020.

It is OK to pay some taxes when you can not save or cannot invest in right financial products. But, do not invest just to save TAXES. The cost of buying wrong financial products may outweigh the cost of taxes. Tax Planning is not a goal but a tool. Remember "Tax Planning alone is not Financial Planning.

Financial budget of 2020-2021.

Finance Minister Nirmala Sitharaman has announced "a new and simplified personal tax regime' with revised income tax slabs and tax rates. Those earning Rs 5-7.5 lakh will now pay just 10 per cent, while those earning up to Rs 5 lakh in a year will pay no tax. Income tax rates will be significantly reduced for those who forego deductions and exemptions, Sitharaman said.
While the government has announced changes in the tax slabs by raising income tax slabs, those availing these new slabs will not be eligible for rebates and exemptions. "In this new personal income tax regime, income tax rates will be significantly reduced for the individuals who forgo certain exemptions and deductions," the FM said.
This means that if anyone chooses to pay income tax via the new regime, they will not be able to claim "exemptions". If they choose to file income tax as per the old tax regime, they will be able to claim rebates but will have to pay more taxes.

Around 70 of more than 100 income tax deductions and exemptions have been removed, in order to simplify tax system and lower tax rates, the FM told Lok Sabha. For income between Rs 7.5 lakh and Rs 10 lakh per annum, income tax rate has been reduced to 15 per cent from the current 20 per cent. For income between Rs 10 lakh to Rs 12.5 lakh per annum, income tax has been reduced to 20 per cent from the current 30 per cent. For those earning between 12.5 lakh to Rs 15 lakh, income tax of 25 per cent will be imposed.

A person earning Rs 15 lakh per anum and not availing any deductions will pay Rs 1.95 lakh tax in place of Rs 2.73 lakh now, says the FM. The government will forego Rs 40,000 crore per annum revenue from new income tax rates for individuals, says the FM.
The most prominent demand ahead of the Budget was a rearrangement of the personal tax slabs. Earlier it was expected that the government might impose a flat rate of 10

per cent for taxpayers earning from Rs 2.5 lakh to Rs 10 lakh. Individuals earning between Rs 10-20 lakh and from Rs 20 lakh to 2 crore might be charged with 20 per cent and 30 per cent tax rates.


BusinessToday.In

INCOME TAX SLAB
(For residents below 60 years)

NEW	INCOME	OLD
10%	₹5-7.5 LAKH	20%
15%	₹7.5-10 LAKH	20%
20%	₹10-12.5 LAKH	30%
25%	₹12.5-15 LAKH	30%
30%	₹15 LAKH & ABOVE	30%

In India, income tax is levied on individual taxpayers on the basis of a slab system where different tax rates have been prescribed for different slabs and such tax rates keep increasing with an increase in the income slab.
Such tax slabs tend to undergo a change during every budget.
Further, Budget 2020 has announced a new income tax regime following which individuals will have the option to pay taxes as per new tax slabs from FY 2020-21 onwards
.
There are three categories of individual taxpayers:

- Individuals (below the age of 60 years) which includes residents as well as non-residents
- Resident Senior citizens (60 years and above but below 80 years of age)
- Resident Super senior citizens (above 80 years of age)

Income Tax Slabs for individuals below 60 years of age under new tax regime – Applicable to FY 2020-21 (AY 2021-22)

Income Tax Slab	Tax Rate
Up to Rs 2.5 lakh	NIL
Rs 2.5 lakh to Rs 5 lakh	5% (Tax rebate of Rs 12,500 available under section 87A)
Rs 5 lakh to Rs 7.5 lakh	10%
Rs 7.5 lakh to Rs 10 lakh	15%
Rs 10 lakh to Rs 12.5 lakh	20%

Rs 12.5 lakh to Rs 15 lakh	25%
Rs 15 lakh and above	30%

- The tax calculated on the basis of such rates will be subject to health and education cess of 4%.
- Any individual opting to be taxed under the new tax regime from FY 2020-21 onwards will have to give up certain exemptions and deductions.
- Here is the list of exemptions and deductions that a taxpayer will have to give up while choosing the new tax regime.

1. Leave Travel Allowance (LTA)
2. House Rent Allowance (HRA)
3. Conveyance
4. Daily expenses in the course of employment
5. Relocation allowance
6. Helper allowance
7. Children education allowance
8. Other special allowances [Section 10(14)]
9. Standard deduction
10. Professional tax
11. Interest on housing loan (Section 24)
12. Chapter VI-A deduction (80C,80D, 80E and so on) (Except Section 80CCD(2) and 80JJA)

Points to remember while opting for the new tax regime:

13. Option to be exercised on or before the due date of filing return of income for AY 2021-22
14. In case of a taxpayer having business income, the option once exercised can be withdrawn only once. Further, if the taxpayer withdraws the option, he will never be able to opt-in the option again.

According to the current income tax laws in India, the income tax rate on resident individuals varies based on their age. There are different tax slabs applicable to the individuals for the financial year 2018-19 and 2019-20. For instance, a resident individual, aged below 60 years, with an income less than Rs 2.5 lacs is exempt from paying income tax.

What is the new regime of income tax?

In Budget 2020 the tax department has introduced the concept of new tax regime by way of insertion of new section 115BAC. From FY 2020-21(AY 2021-22) onwards the individual and HUF will have an option to choose between the new and old tax regime. Both regimes have separate tax slabs and rates along with separate deductions/exemptions. For the understanding of users, we have given a comparative chart of the income tax slab under the new and old regime on this page.

Income Tax Slab for Resident Individuals aged less than 60 Years(Both Male & Female)

Budget 2020 has given the individuals options to choose from FY 2020-21 onwards. Either to opt for the same tax rates which were applicable in last year or the new tax regime.

OPTION 1		OPTION 2	
Old Income Tax Slab		**New Tax Regime**	
Upto Rs 2,50,000	NIL	Upto Rs 2,50,000	NIL
Rs 2,50,001 - Rs 5,00,000	5%	Rs 2,50,001 - Rs 5,00,000	5%
Rs 5,00,001 - Rs 10,00,000	20%	Rs 5,00,001 - Rs 7,50,000	10%
		Rs 7,50,001 - Rs 10,00,000	15%
Above Rs 10,00,000	30%	Rs 10,00,001 - Rs 12,50,000	20%
		Rs 12,50,001 - Rs 15,00,000	25%
		Above Rs 15,00,000	30%

Notes:
1. There is no change introduced in the OLD and NEW tax regime in
- Rates of Surcharge
- Health & Education Cess @4%
- Rebate u/s 87A (no tax will be payable on total income upto Rs.5 lakh in both regimes)

2. Certain income tax exemptions and deductions like section 80C, 80D, HRA etc will not be available under the new tax regime.

Income Tax Slab for Individuals more than or equal to 60 years but less than 80 years known as Senior Citizens (Both Male& Female)

The resident senior citizens will have an option to choose an income tax slab for the FY 2020-21(AY 2021-22) amongst

OPTION 1		OPTION 2	
Old Income Tax Slab		**New Tax Regime**	
Upto Rs 3,00,000	NIL	Upto Rs 2,50,000	NIL
Rs 3,00,001 - Rs 5,00,000	5%	Rs 2,50,001 - Rs 5,00,000	5%
Rs 5,00,001 - Rs 10,00,000	20%	Rs 5,00,001 - Rs 7,50,000	10%
		Rs 7,50,001 - Rs 10,00,000	15%
Above Rs 10,00,000	30%	Rs 10,00,001 - Rs 12,50,000	20%
		Rs 12,50,001 - Rs 15,00,000	25%
		Above Rs 15,00,000	30%

Note:
1. There is no change introduced in the OLD and NEW tax regime in
- Rates of Surcharge
- Health & Education Cess @4%
- Rebate u/s 87A(no tax will be payable on total income upto Rs.5 lakh in both regimes)
2. Certain income tax exemptions and deductions like section 80C, 80D,80TTB, HRA etc will not be available under the new tax regime.

3. Basic exemption under the new regime is 2.5 lakhs against 3 lakhs in old regime.

Income Tax Slab for Individuals more than or equal to 80 years known as Super Senior Citizens (Both Male and Female)

The resident super senior citizens will have an option to choose an income tax slab for the FY 2020-21(AY 2021-22) amongst

OPTION 1		OPTION 2	
Old Income Tax Slab		**New Tax Regime**	
Upto Rs 5,00,000	NIL	Upto Rs 2,50,000	NIL
		Rs 2,50,001 - Rs 5,00,000	5%
Rs 5,00,001 - Rs 10,00,000	20%	Rs 5,00,001 - Rs 7,50,000	10%
		Rs 7,50,001 - Rs 10,00,000	15%
Above Rs 10,00,000	30%	Rs 10,00,001 - Rs 12,50,000	20%
		Rs 12,50,001 - Rs 15,00,000	25%
		Above Rs 15,00,000	30%

Note:
1. There is no change introduced in the OLD and NEW tax regime in
- Rates of Surcharge
- Health & Education Cess @4%
- Rebate u/s 87A (no tax will be payable on total income upto Rs.5 lakh in both regimes)
2. Certain income tax exemptions and deductions like section 80C, 80D,80TTB, HRA etc will not be available under the new tax regime.
3. Basic exemption under the new regime is 2.5 lakhs against 5 lakhs in old regime.

Income Tax Slab for Non-Resident Individuals (For Male & Female both)

The non-resident will have an option to choose an income tax slab for the FY 2020-21(AY 2021-22) amongst

OPTION 1		OPTION 2	
Old Income Tax Slab		**New Tax Regime**	
Upto Rs 2,50,000	NIL	Upto Rs 2,50,000	NIL
Rs 2,50,001 - Rs 5,00,000	5%	Rs 2,50,001 - Rs 5,00,000	5%
Rs 5,00,001 - Rs 10,00,000	20%	Rs 5,00,001 - Rs 7,50,000	10%
		Rs 7,50,001 - Rs 10,00,000	15%
Above Rs 10,00,000	30%	Rs 10,00,001 - Rs 12,50,000	20%
		Rs 12,50,001 - Rs 15,00,000	25%
		Above Rs 15,00,000	30%
Note: **1. There is no change introduced in the OLD and NEW tax regime in** **- Rates of Surcharge** **- Health & Education Cess @4%**			

2. Certain income tax exemptions and deductions will not be available under the new tax regime.

OPTION 1		OPTION 2	
Old Income Tax Slab		**New Tax Regime**	
Upto Rs 2,50,000	NIL	Upto Rs 2,50,000	NIL
Rs 2,50,001 - Rs 5,00,000	5%	Rs 2,50,001 - Rs 5,00,000	5%
Rs 5,00,001 - Rs 10,00,000	20%	Rs 5,00,001 - Rs 7,50,000	10%
		Rs 7,50,001 - Rs 10,00,000	15%
Above Rs 10,00,000	30%	Rs 10,00,001 - Rs 12,50,000	20%
		Rs 12,50,001 - Rs 15,00,000	25%
		Above Rs 15,00,000	30%

Note:
1. There is no change introduced in the OLD and NEW tax regime in
- Rates of Surcharge
- Health & Education Cess @4%
2. Certain income tax exemptions and deductions will not be available under the new tax regime.

Income Tax Slab for Hindu Undivided Family (HUF)

The Hindu Undivided Family (HUF) will have an option to choose an income tax slab for the FY 2020-21(AY 2021-22) amongst

1. Do I have to forgo all the tax exemptions and deductions if I opt for the new tax structure?
As per the budget proposal, a taxpayer opting for the new tax regime will have to forgo all the commonly available tax-breaks such as those available under sections 80C, 80D etc except for section 80CCD (2), i.e., employer's contribution to NPS.

2. Can I choose between new and old tax regime every year?
Yes, you can choose between new and old tax regime in every financial year provided you do not have business income.

3. Is cess and surcharge still payable in the new tax regime?
Yes, cess at the rate of 4 per cent and surcharge, applicable as per your income level, is still payable in the new tax regime.

4. Can I still claim tax rebate of Rs 12,500 under section 87A in the new tax regime?
Yes, as per the budget proposals, a taxpayer can still claim tax rebate of Rs 12,500 if his/her net taxable income does not exceed Rs 5 lakh in a financial year.

Income tax calendar for the year 2020

If you are a tax payer, you might have received an email from the income tax department with a calendar containing important income tax-related dates. It would bode well for you if you create an alert for these dates or mark them on your personal calendar. Doing so may help you avoid penal consequences of late filing of income tax returns (ITR) or tax deducted at source (TDS) returns and also help remind you to collect your TDS or tax collected at source (TCS) certificates.

What is more, from September 1, 2019, individuals have to deduct tax on the payments made to professionals, contractors and so on. Further, those paying monthly rent of Rs 50,000 or more are required to deduct tax, as per income tax laws. These dates will also help you keep a check on whether the TDS that has been cut from your income (salary or interest etc.) has been deposited against your PAN with the government. The deductor has to issue a TDS certificate within the specified time periods.

According to the income tax department's calendar, here are the major tax-related dates in all the months you should be mindful of in 2020.

January

- January 15: Is the deadline to file quarterly statement of TCS for the third quarter of FY 2019-20.
- January 30: Is the deadline to issue TCS certificate to the person from whom tax has been collected.
- January 31: Is the deadline of filing TDS returns for the tax deposited with the government in the quarter ending December 31, 2019.

FEBURARY: February 15: Quarterly TDS certificate has to issued with respect to tax deducted on income other than salaries for the quarter ending December 31, 2019.

Important tax dates in the year 2020

Jan-15	Quarterly statement of TCS deposited for quarter ending December 31, 2019
Jan-30	Issue of Quarterly TCS certificate in respect of tax collected for the quarter ending December 31, 2019
Jan-31	Quarterly statement of TDS deposited for the quarter ending December 31, 2019
Feb-15	Issue of Quarterly TDS certificate for payments other than salaries for quarter ending December 31, 2019
Mar-15	Fourth instalment of advance tax for FY 2019-20

Mar-31	Last date of filing belated/revised ITR for FY 2018-19
May-15	Quarterly filing of statement of TCS deposited for quarter ending March 31, 2020
May-31	Quarterly filing of TDS return for TDS deposits made for quarter ending March 31, 2020
Jun-15	First instalment of advance tax for FY 2020-21
Jun-15	Date for issuing of Form 16 to employees by the employer. Quarterly TDS certificates from income other than salaries (Form 16A)
Jul-15	Quarterly TCS statement filing for quarter ending June 30,2020
Jul-30	Issue of quarterly TCS certificate in respect of tax collection for quarter ending June 30, 2020
Jul-31	Filing quarterly statement of TDS deposited for quarter ending June 30, 2020
Jul-31	ITR filing deadline for individuals, HUFs and other assessees whose account books are not required to be audited
Aug-15	Issue of quarterly TDS certificate for incomes other than salaries.
Sep-15	Payment of second instalment of advance tax for FY 2020-21
Sep-30	ITR filing by those assessees whose account books are required to be audited
Oct-15	Filing quarterly statement of TCS deposited for quarter ending September 30, 2020
Oct-30	Issue of quarterly TCS certificate in respect of tax collected
Oct-31	Filing quarterly statement of TDS deposited for quarter ending September 30, 2020
Nov-15	TDS certificate to be issued for incomes other than salaries
Nov-30	ITR filing for assessees with audited books and international transactions
Dec-15	Third advance tax instalment for FY 2020-21

Allowances and deductions available to a salaried person & documents they need to submit to avail them:

Salaried taxpayers primarily earn their income from salary. The salaried are normally offered a salary package or CTC (cost to company). The taxability of the salary income is determined by the employer. The employer also deducts a tax (TDS) on the salary paid to them. Thus, the monthly salary receipts would be credited after the tax deduction.

The salary package consists of various components. Many employers offer the option to structure the salary components to their employees. While certain components are fixed, employees can claim tax benefits on other components included in the salary package. Salaried employees can claim the benefit of the components by submitting proofs to their employer.

Typically, a salary package would look like:

1. Basic salary
2. House rent allowance (HRA)
3. Leave travel allowance (LTA)
4. Telephone reimbursement
5. Books and periodicals
6. Meal coupons

The basic salary of every employee is fixed and credited to the account of the employee subject to a tax deduction. Meal coupons are provided by the employer on an amount calculated for two meals per working day. The annual allowance for meal coupons works out to be Rs 26,400 and is tax-exempt in the hands of the employee.

With respect to the other components, the employee has to submit proof of incurring the corresponding expense to the employer. Upon submission of the proof, the employer calculates the tax exemption on the allowance. The balance of the component (non-exempt portion) is taxed along with the basic salary of the employee.

Let us have a look at the various proofs to be submitted to claim the tax-exemptions:

Salary component	Expense reimbursed	Proof submitted
House rent allowance	Rent paid for residential accommodation	Rent receipts including PAN of employer (PAN is compulsory for rental payment above Rs 1 lakh annually)
Leave travel allowance	Travelling cost to any place in India e.g. air-fare, rail fare	Air tickets, train tickets, bus or taxi bills
Telephone reimbursement	Landline including broadband and mobile phone	Telephone bill or broadband bill
Books and periodicals	Cost of books and periodicals purchased	Bills or invoices for the books and periodicals

b) There are certain other tax benefits or tax deductions that you can claim beyond the salary.

 Life insurance premium (LIC premium), children's tuition fee, housing loan repayments.
 Investments in Public Provident Fund (PPF), National Savings Certificate (NSC), mutual fund Equity-Linked Savings Scheme (ELSS), tax saver fixed deposits.
 Contributions made to National Pension Scheme (NPS), Sukanya Samriddhi Yojana (SSY).
 Interest on home loans.
 Medical insurance premium.
 Donations.
 Interest on loan taken for higher studies.

The proofs that can be submitted for claiming the tax benefits or tax deductions are:

Investment or payment	Allowed as deduction	Proof submitted
Allowed as a deduction under section 80C against aggregate income (gross total income)		
a. LIC premium	Deduction under section 80C against aggregate income (gross total income)	LIC premium paid receipts
b. Children's tuition fee	Deduction under section 80C against aggregate income (gross total income)	Tuition fee receipts
c. Housing loan repayments	Deduction under section 80C against aggregate income (gross total income)	Interest or EMI schedule from bank or financial institution
d. PPF	Deduction under section 80C against aggregate income (gross total income)	PPF passbook or statement
e. NSC	Deduction under section 80C against aggregate income (gross total income)	NSC photocopies
f. Mutual fund ELSS	Deduction under section 80C against aggregate income (gross total income)	Mutual fund statement
g. Tax saver fixed deposits	Deduction under section 80C against aggregate income (gross total income)	Fixed deposit receipts
h. National Pension Scheme (NPS)	Deduction under section 80C and 80CCD(2) against aggregate income (gross total income)	NPS account statement
i. Sukanya Samriddhi Yojana	Deduction under section 80C against aggregate income (gross	SSY account statement

	total income)	
j. Contribution to Employee Provident Fund (EPF)	Deduction under section 80C against aggregate income (gross total income)	No proof is required to be submitted. The employer makes a contribution on behalf of the employee.
Interest on home loan	Taken under ‘income from house property’ and reduced from aggregate salary	Interest or EMI schedule from bank or financial institution
Medical insurance premium	Deduction under section 80D against aggregate income (gross total income)	Medical insurance premium receipt
Donations	Deduction under section 80G against aggregate income (gross total income)	Donation receipts
Interest on loan taken for higher studies	Deduction under section 80E against aggregate income (gross total income)	Interest schedule from bank or financial institution

c. Standard deduction and staff benefits from employer:
Apart from the above tax exemptions and deductions claimed by an employee, the employer also allows a standard deduction to every employee.
The standard deduction is Rs 50,000 for the financial year 2019-20 (AY 2020-21). Separately, employers can gift to their employees or provide them with gift vouchers. Such gifts are tax-exempt up to Rs 5,000 annually. In respect of gifts and any other staff welfare payments made by the employer, the employee is not required to submit any proof to the employer.
d. Income-tax exemptions claimed in specific cases:
The employer calculates the tax exemption on the retirement and resignation benefits mentioned below. The balance of the component (non-exempt portion) is taxed along with the basic salary of the employee.

Income component	Criteria for exemption	Exemption allowed

Gratuity	Allowed on retirement or resignation or death or disablement	Least of the following: • Last salary (basic + dearness allowance)* number of years of employment* 15/26; • Rs 20 lakh (which has been hiked from Rs 10 lakh as per the amendment); • Gratuity actually received
Pension	Commuted value of the pension allowed at the time of retirement	• If the employee receives gratuity, then one-third of the amount of pension • If only pension received, one-half of the pension
Leave encashment	Allowed at the time of retirement or resignation	Least of the following: • Average salary drawn for the last 10 months; • Salary per day* unutilised leave (considering maximum 30 days leave per year) for every year of completed service • Leave encashment received (i) Leave encashment received by Central or State government employee at the time of retirement or resignation is fully exempt; (ii) Leave encashment received by legal heirs of deceased employees is fully exempt

Important Deductions available for Assessment Year 2020-21

Standard deductions ;- Flat Deduction of Rs.50k is available for A.Y 2020-2021 to every employee.
Interest on Home loan deduction- upto Rs. 2 lac u/s 24(b) (under income from house property head)

House Rent Allowance
HRA should be received from the employer and Employees should be living in rented house.
Deduction:- least of the following:-
a) Actual HRA received
b) Actual Rent Paid – 10% of (Basic salary +DA)
c) 50% of (Basic+DA) Metro and 40% of (Basic + DA) Non Metro
If you are not getting HRA but if you are paying rent then you can get deduction u/s 80GG which is upto Rs.60000/-
Deduction Under Section 80C (Maximum Deduction Allowed Rs.1.5 lac)

1. For the FY 2019-20 i.e AY 2020-21 you need to invest in the specified options under section 80C between 1st April 2019 to 31st March 2020. The benefit for which will be claimed at the time of filing your income tax return in July 2020.
2. Sec 80C includes PF, PPF, LIC premium, Housing Loan Principal, Stamp duty and registration charges on house loan, Fixed Deposit, Mutual Fund ELSS, Tution fee of school for the children upto two children, Govt specified Infrastructure Bond.

3. PPF (Public Provident Fund) is risk free, tax free return and long-term investment tool for tax saving.. Resident Indian individual can apply for PPF account..NRI are not allowed..It can be opened in Bank or post office..It is secured investment plan in which you get monthly compounding rate.. Minimum Rs. 500 to Rs. 1.5 lac per year can be deposited in PPf account..Lock in period full 15 F.Y..Partial withdrawal or loan can be possible on PPf account after certain year of investment..Debt liability cannot attached to PPF account..

4. Mutual funds ELSS Scheme- Diversify long-term investment with high return upto 15%..3 year lock in period..

5. Fixed Deposits-
Low Risk with high liquidity..5 year lock in period with 5% to 6% return. Its interest is taxable. According to current income tax laws, under Section 80C of the Income Tax Act, you can claim deduction for investments up to Rs 1.5 lakh in a financial year in tax-saving fixed deposits (FDs). The amount so invested is to be deducted from gross total income to arrive at the net taxable income. Below are a few important points you should be aware of before investing in tax saving FDs.

1. Only Individuals and Hindu Undivided Families (HUFs) can invest in tax saving FD scheme.
2. The FD can be placed with a minimum amount which varies from bank to bank.
3.A person can invest in these FD's through any public or private sector bank except for co-operative and rural banks.
4. Investment in Post Office Time Deposit of 5 years also qualifies for deduction under section 80 (C) of the Income Tax Act, 1961.
5.The interest earned is taxable as per the investor's tax bracket and therefore, TDS is applicable. The interest on deposits is payable on either monthly/quarterly basis or can be reinvested. A person can avoid TDS deduction on the interest earned by submitting Form 15G (or Form 15H for senior citizens) to the bank. Senior citizens can claim deduction of Rs 50,000 on the interest earned from deposits as per the section 80TTB.

6. National Savings Certificate (NSC)- The National Savings Certificate is a fixed income investment scheme that you can open with any post office. A Government of India initiative, it is a savings bond that encourages subscribers – mainly small to mid-income investors – to invest while saving on income tax. A fixed-income instrument like Public Provident Fund and Post Office FDs, this scheme too is a secure and low-risk product. You can buy it from the nearest post office in your name, for a minor or with another adult as a joint account. They come with two fixed maturity periods – five years and ten years. There is no maximum limit on the purchase of NSCs, but only investments of up to Rs.1.5 lakh can earn you a tax break under Section 80C of the Income Tax Act. The certificates earn a fixed interest, which is currently at a rate of 8% per annum.

Deduction U/S 80CCD National Pension Scheme (NPS)

The NPS, which is a voluntary, defined contribution retirement savings scheme, offers two types of accounts to its subscribers. The Tier 1 account is non-withdrawable till the subscriber reaches the age of 60. Partial withdrawal before that is allowed in specific cases. The Tier 2 account is a voluntary savings account and subscribers can withdraw their money from it whenever they want.

Investment of up to Rs. 50,000 in the National Pension Scheme or NPS for all subscribers, whether salaried or self-employed, qualifies for additional tax deduction of Rs. 50000/- under Section 80CCD (1B) of the Income Tax Act. This deduction is in addition to the ₹ 1.5 lakh allowed under Section 80C. only Tier 1 accounts of the NPS are eligible for the additional ₹ 50,000 deduction under Section 80CCD (1B). Tier 2 NPS investments do not qualify for Section 80CCD (1B) income-tax benefits.

NPS Return 8% to 14% Return with high risk.

Deduction under Section 80D

- In case of the individual, Rs. 25,000 for himself and his family
- If individual or spouse is 60 years old or more the deduction available is Rs 50,000
- An additional deduction for insurance of parents (father or mother or both, whether dependent or not) is available to the extent of Rs. 25,000 if less than 60 years old and Rs 50,000 if parents are 60 years old or more.
- For uninsured super senior citizens (80 years old or more) medical expenditure incurred up to Rs 50,000 shall be allowed
- A deduction of Rs. 5000 will be allowed under this section for payment of preventive health check-up of either the individual himself or his family members which includes spouse, parents and dependent children. This deduction is **NOT** in addition to the deduction of Rs.25000/50000 stated above, but is included in the above deduction

Deduction u/s 80DD

Treatment for specified illness:-

You can claim up to Rs 75,000 for spending on medical treatments of your dependents (spouse, parents, kids or siblings) who have 40% disability. The tax deduction limit of upto Rs 1.25 lakh in case of severe disability (i.e. disability of 80% or above) can be availed.

To claim this deduction, you have to submit Form no 10-IA.

Disability of the dependent should not less than 40%. The taxpayer has incurred expenses for medical treatment (including nursing), training and Rehabilitation of the differently abled dependant.

Deduction under Section 80DDB Medical Treatment

Medical treatment of spouse, children, parents and siblings and not for himself. Medical expenses incurred for critical disease like Cancer, Neuron Disease, Renal Failure, AIDS. Complete list is given in Rule 11DD) Medical Certificate from Neurologist or Civil Surgeon or CMO of govt hospital.

Deduction upto 40k and senior citizen upto One lac.

Deduction under Section 80E

Educational loan for Higher Studies.

Loan for higher studies in India or Outside India from bank or Financial Institution for himself, spouse, children.

Deduction can be claimed on Interest portion and not on principal..Any amount of interest can be claimed as deduction without limit.. Deduction is available for maximum 8 years or till the interest is paid whichever is earlier. It is advisable to take loan which ends upto 8 years.

Deduction u/s 80EE (Home loan interest for the first time buyers)

The existing provisions of section 80EE provide a deduction in respect of interest up to Rs 50,000 on loan taken for residential house property from any financial institution subject to the following conditions:

1. He has taken loan for acquisition of Residential House Propety.
2. Purchaser should be first time buyer. i.e. he has never purchased any house and now he is going to purchase a house.

   iii. Value of the residential house property should not more than 50 lakh.

1. Loan taken by Individual for the residential house property should not be more than 35 lakh.
2. On the date of sanction of loan individual does not own any residential house property.
3. Loan for this purpose taken by individual should be from the Bank or Housing Finance Company.

   vii. For this purpose, loan should be sanctioned between 01.04.16 to 31.03.17.

Deduction u/s 80EEA

The existing provisions of section 80EEA provide a deduction in respect of interest up to Rs 1.5 Lakhs on loan taken for residential house property from any financial institution subject to the following conditions:

1. Loan Sanctioned between 1.4.2019 to 31.3.2020 from financial institution /HFC
2. Stamp Duty Value of House Property (HP) not exceed Rs.45 Lakh
3. Not own any residential HP on the date of sanction of loan i.e. 1st time buyer
4. when deduction is allowed under Section 80EEA , not allowable in other section
5. Only to Individual (not for HUF, AOP etc)
6. Rs.1.50 Lakh is over and above Rs.2 Lakh u/s 24, hence total Rs. 3.50 Lakh

7. Carpet area of HP not exceed 60 sqmtr (645 sq ft) in metropolitan cities including Delhi NCR & carpet area not exceed 90 sqmtr (968 sq ft) in any other cities
8. if a person jointly owns HP with spouse and they both paying the installments of the loan, then both of them can claim this deduction
9. Section 80EEA Interest deduction is available from FY 2019-20 (AY 2020-21) Period of sanctioning of loan by the financial institution is proposed to be extended to 31st March, 2021.

Deduction u/s 80G

Donation to Relief fund or approved charitable institutions. 100% or 50% deduction to prescribed funds.. Maximum 10% of Income for certain donations.

Deduction u/s 80TTA (Interest on saving bank account)

This deduction in respect of interest on deposits in the savings which is available for Resident Individual or HUF (other than those assessee who has covered in Section 80TTB) and Maximum deduction of Rs. 10,000/- will be allowed under this section

Deduction u/s 80TTB (Interest on saving bank account for Senior Citizen)

This deduction in respect of interest on deposits in case of senior citizens (a r**esident** individual who is of the age of sixty years or more at any time during the relevant previous year) and Maximum deduction of Rs. 50,000/- will be allowed under this section

Deduction u/s 80GG (Deduction for Rent Paid)

Section 80GG allows the Individuals to a deduction in respect of house rent paid by him for his own residence. Such deduction is permissible subject to the following conditions :-

(*a*) the Individual has not been in receipt of any House Rent Allowance from his employer specifically granted to him which qualifies for exemption under section 10(13A) of the Act;

(*b*) the Individual files the declaration in Form No. 10BA.

(*c*) The employee does not own any residential accommodation himself or by his spouse or minor child or where such Individual is a member of a **Hindu Undivided Family**, by such family, at the place where he ordinarily resides or performs duties of his office or carries on his business or profession; or

Quantum of deduction is as under:

Lower of:

1) Rent paid minus 10 percent the adjusted total income.
2) Rs 5,000 per month
3) 25 percent of the adjusted total income.

Deduction u/s 80U – Tax deduction for disabled Individual

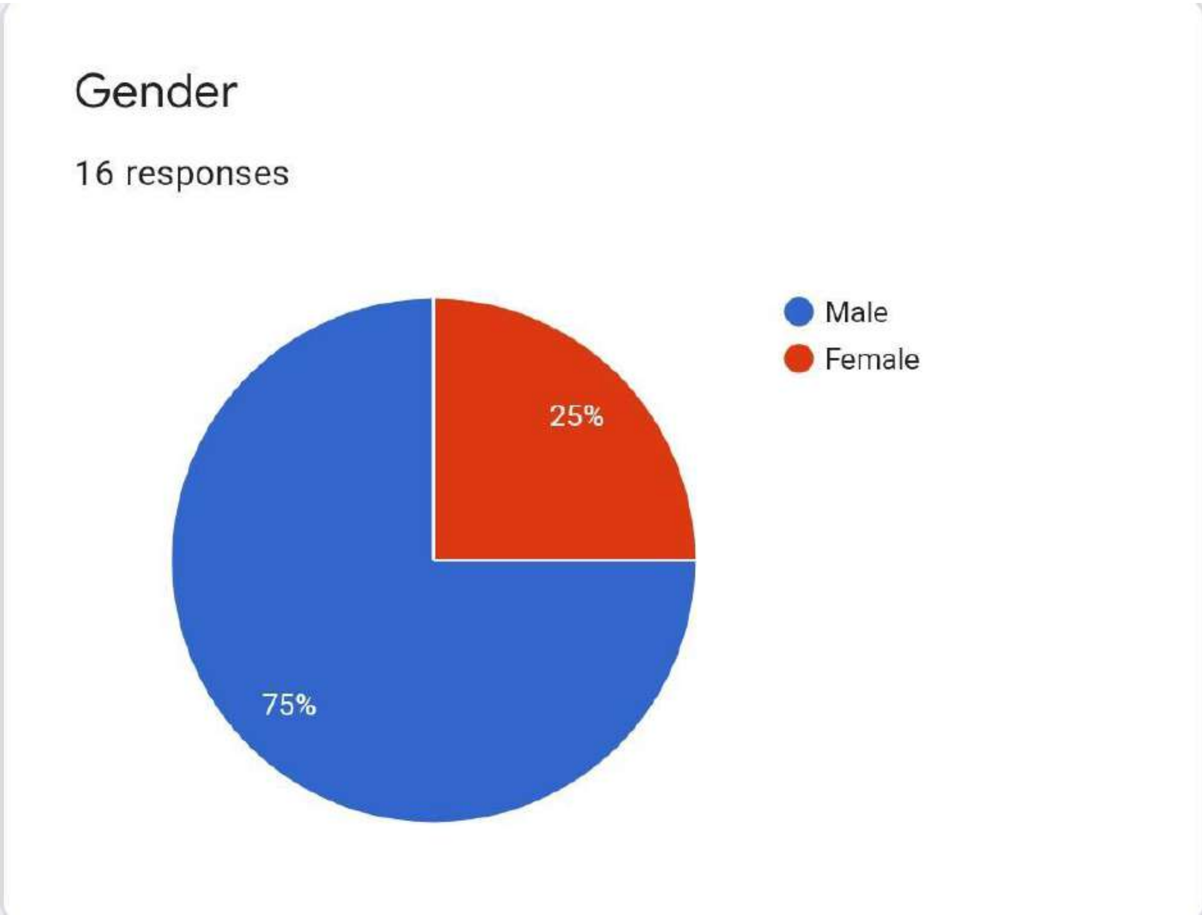
Deduction under section 80U is available to a resident Individual who is certified by the medical authority to be a person with a disability.
For this section Disability means Low vision, Mental illness, Blindness, Loco motor disability, Mental retardation, Hearing impairment, Leprosy cured, Multiple disabilities, Cerebral Palsy and Autism.
The maximum amount of deduction available under **section 80U** differs between 'person with disability' and 'person with severe disability', and the same is tabulated here under –

Type of person	**Maximum amount of deduction available under section 80U**
Person with disability (40% of any disabilities)	INR 75,000
Person with severe disability (80% or more of any disabilities)	INR 1,25,000

DATA ANALAYSIS BASED ON PRIMARY DATA:

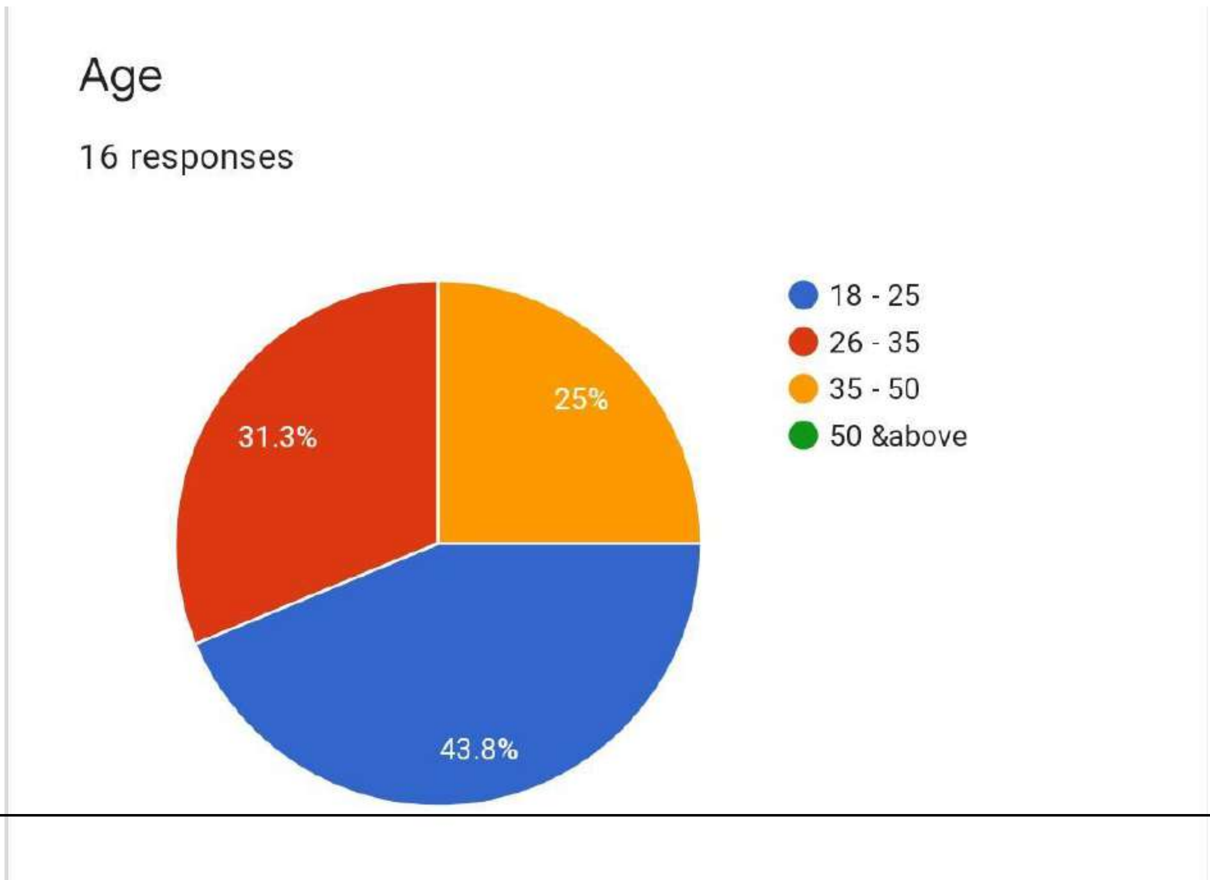
1) Gender Response:

GENDER	FEMALE	MALE
No. of responses	4	12
%	25%	75%



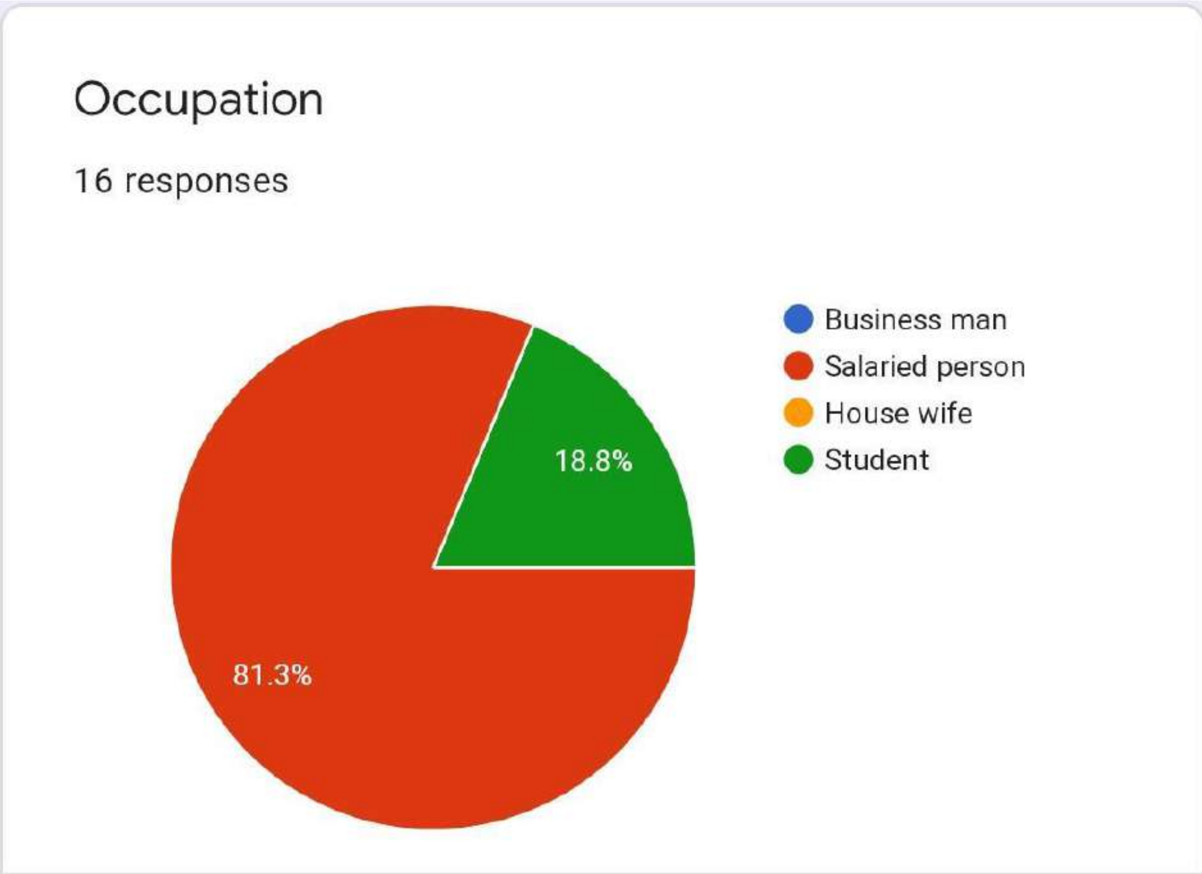
Age group	18 - 25	26 – 30	35 - 50	50 & above
No. of respondents	7	5	4	-

2) Age Response:



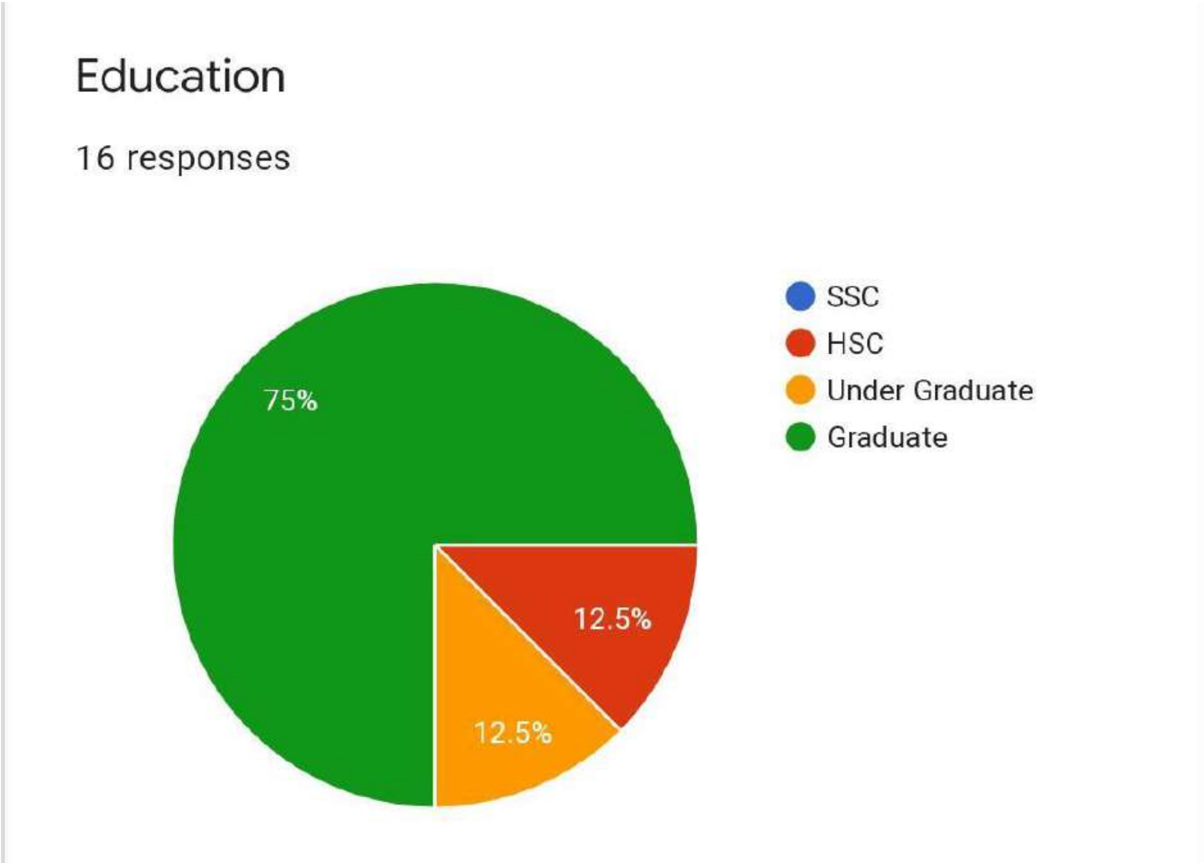
3) Occupation responses:

Occupation	Business men	Salaried person	Housewife	Students
No. of respondents	-	13	_	3
%	-	81.3%	_	18.3%

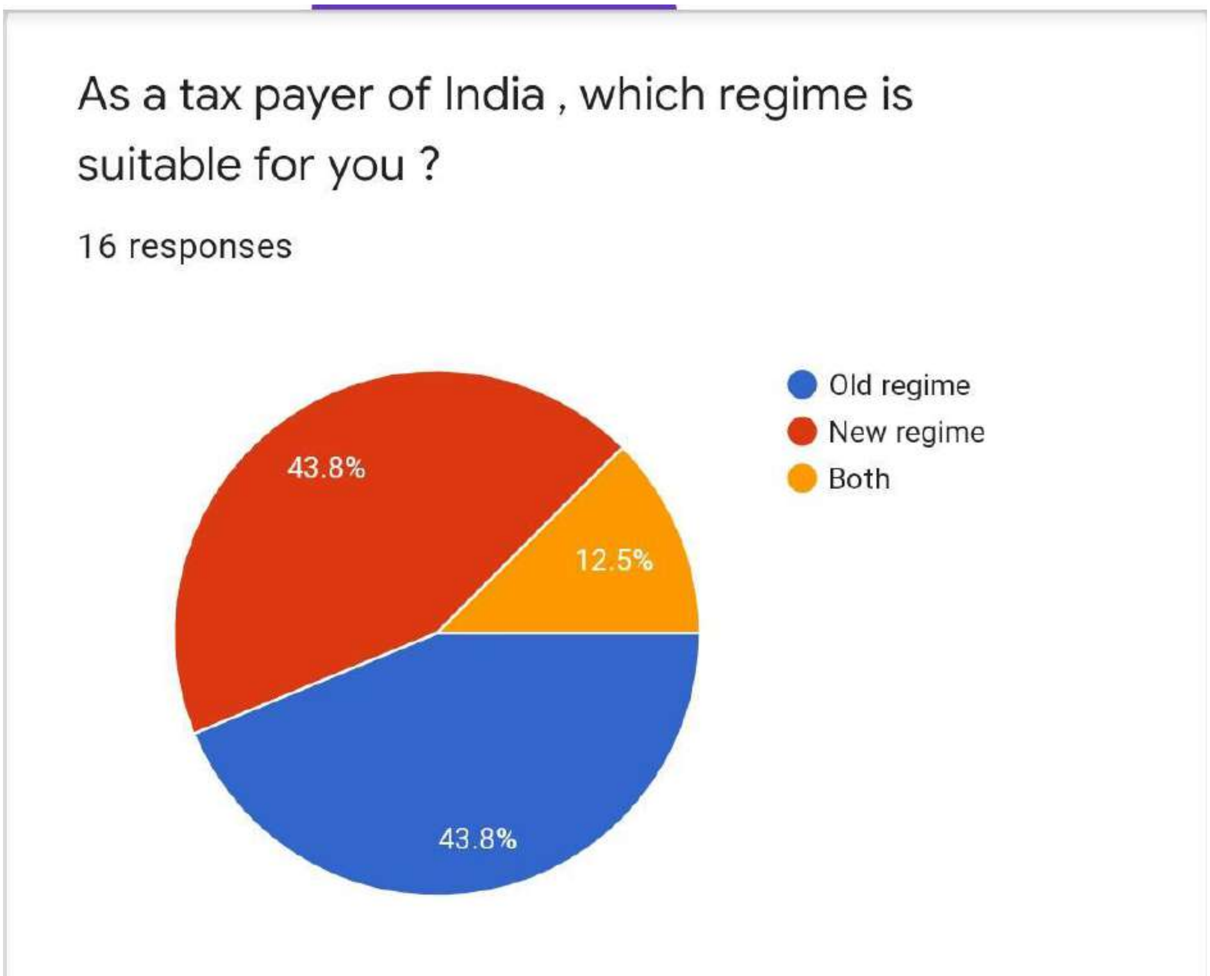


4) Education responses:

Education	S.S.C.	H.S.C.	Graduation	Under Graduation
No. of respondent	-	2	2	12
%	-	12.5%	12.5%	75%



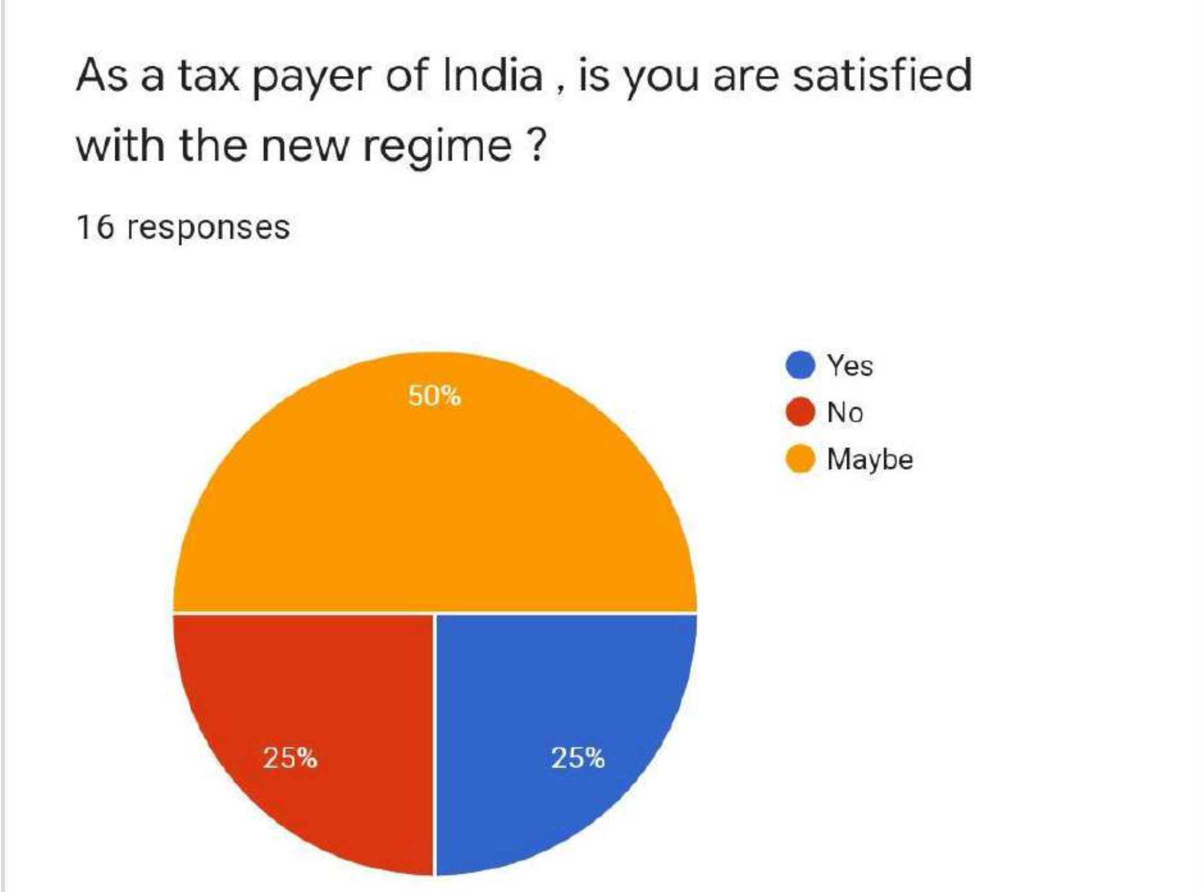
5) As a taxpayer of India, Which regime is suitable for you?



According to my survey report there are almost 43.8% that means almost 7 people are agreed for them new regime is suitable. And are also 43.8% people are agreed with the old Regime. And the reaming 12.5% that means 2 people are agreed with both the old & new regime

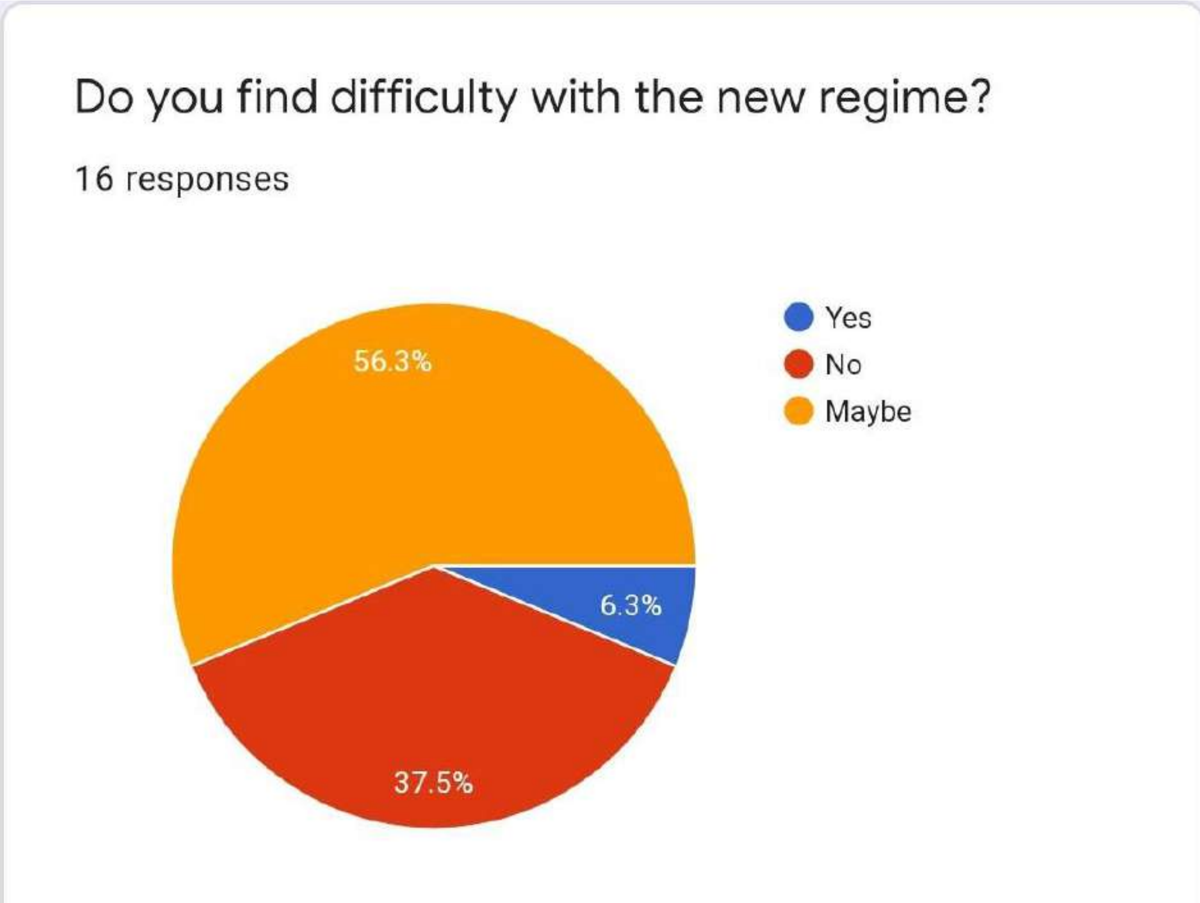
.

6) As a tax payer of India, Is you are satisfied with the new regime?

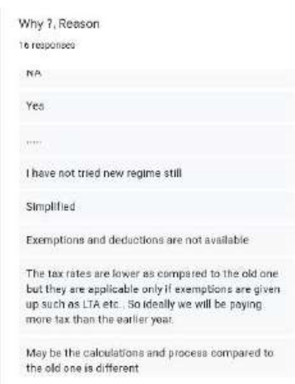


So as per the survey for the above question almost 25% of people are satisfied with the new regime that means almost 4 people are satisfied. Same almost 25% of people are not satisfied with the new regime which means almost 4 people are not satisfied. But there are 50% of people who are agreed with the new regime is satisfied which means almost 8 people thinks that new regime would be satisfied to them.

7) Do you any difficulty with the new regime?



So as per the above question almost 6.3% of people are facing difficulty with new regime that means among the 16 responses 1 person is facing difficulty with the new regime. And there are almost 37.5% are not facing difficulty with the new regime that means almost 6 person are no facing any difficulty with the new regime. Alomost 56.3% may be face difficulty with the new regime likely 9 people are told that they may be face difficulty with the new regime. And there are replies from the respondents that in which way they are finding difficulties in new regime.



Why ?, Reason
16 responses

NA

Yes

.....

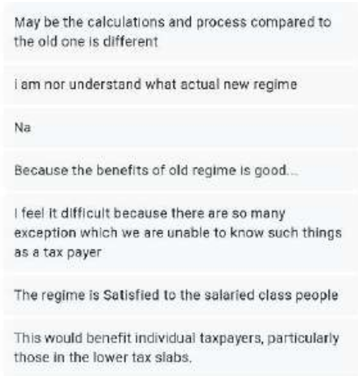
I have not tried new regime still

Simplified

Exemptions and deductions are not available

The tax rates are lower as compared to the old one but they are applicable only if exemptions are given up such as LTA etc.. So ideally we will be paying more tax than the earlier year.

May be the calculations and process compared to the old one is different



May be the calculations and process compared to the old one is different

I am nor understand what actual new regime

Na

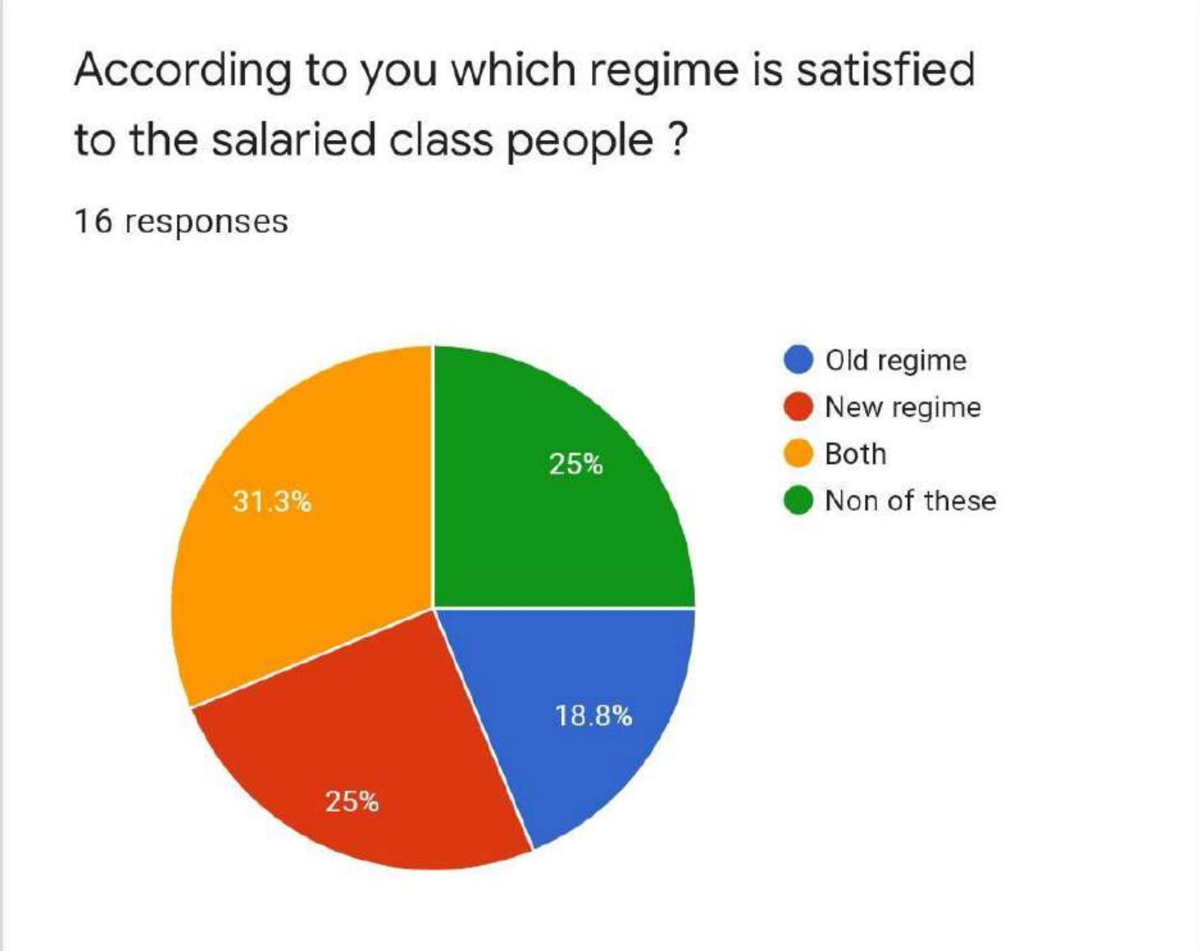
Because the benefits of old regime is good...

I feel it difficult because there are so many exception which we are unable to know such things as a tax payer

The regime is Satisfied to the salaried class people

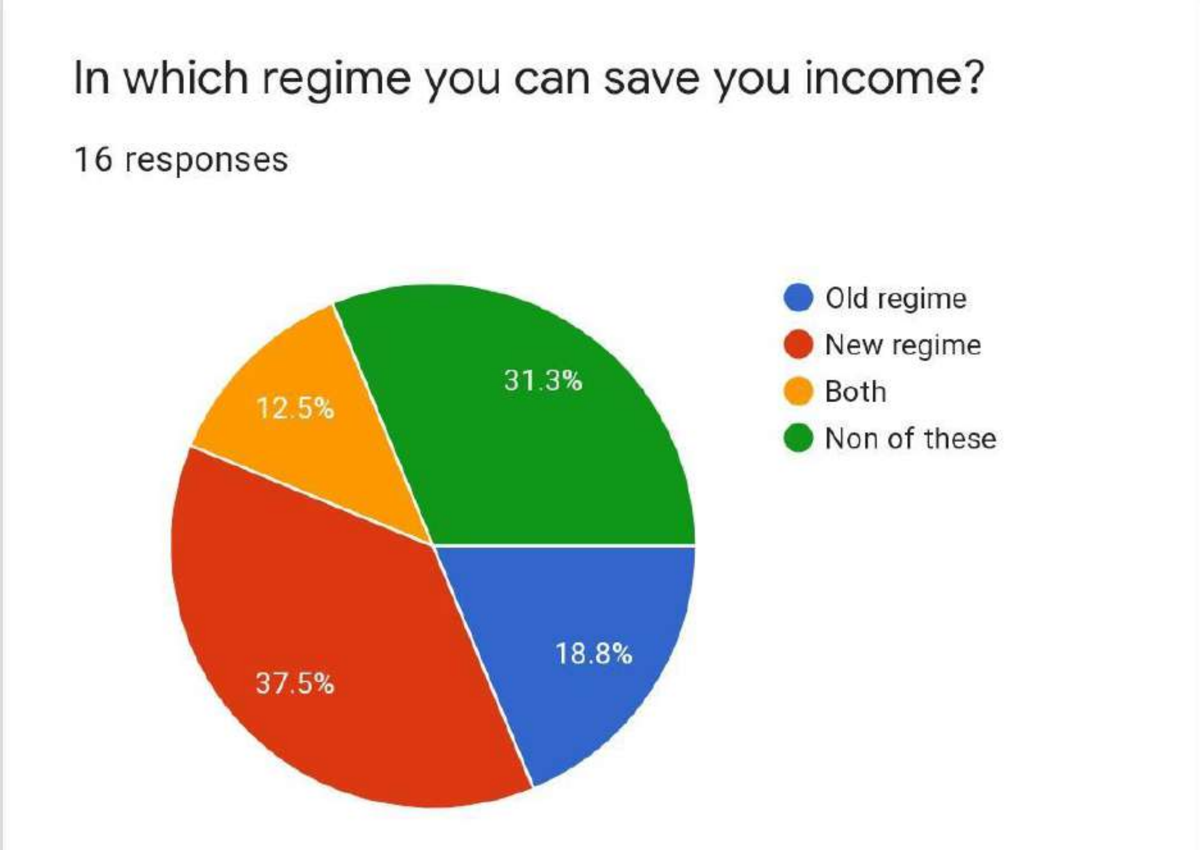
This would benefit individual taxpayers, particularly those in the lower tax slabs.

8) According to you which regime is satisfied to the salaried class people?



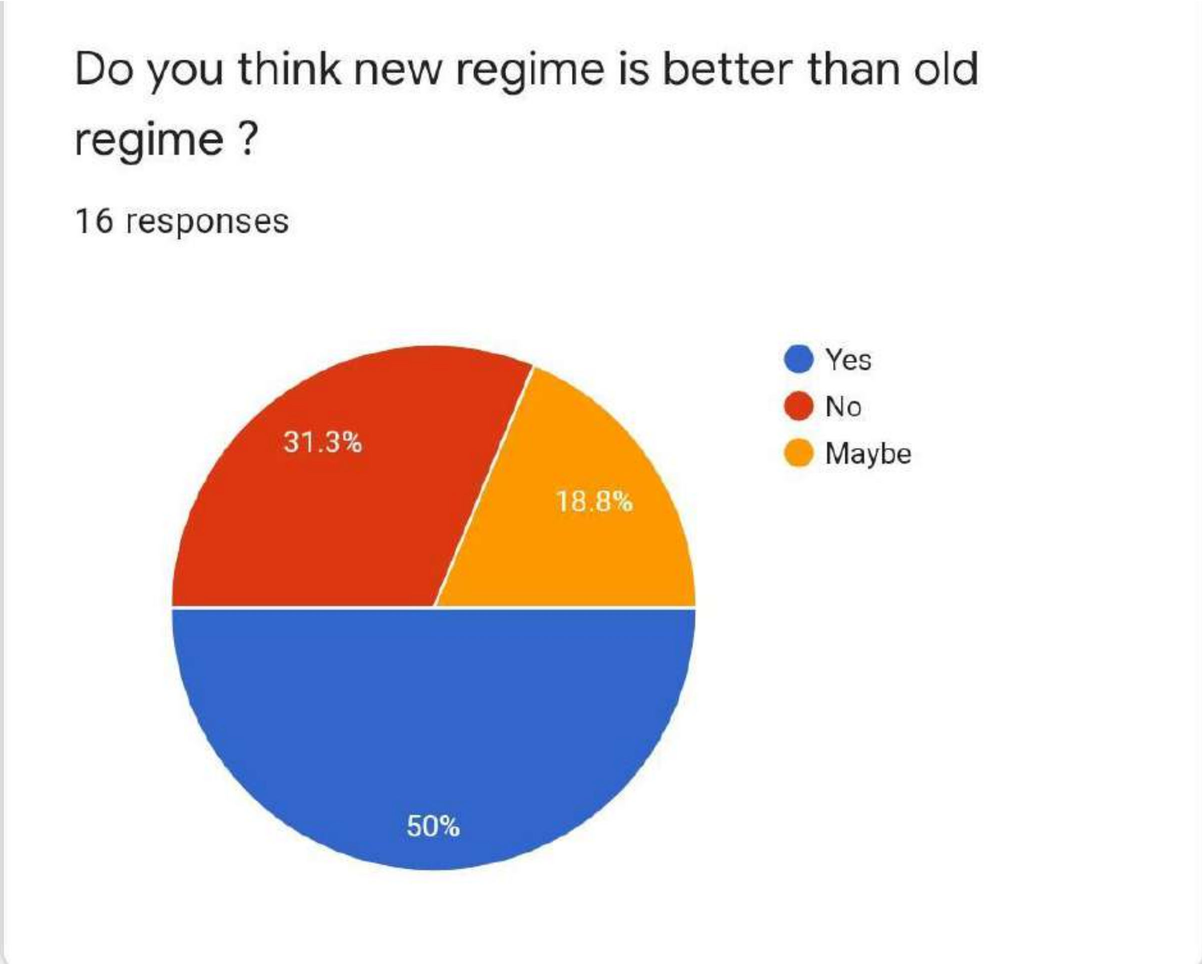
So according to the respondent almost 25% of people are satisfied with the new regime which is 4 people are satisfied with the new regime. And 18.8% of people are not satisfied with the old regime almost 3 people are agreed with the old regime. And more over 31.3% of people are saying both the regime is good for the salaried class person which is almost 5 people are satisfied with both the regime. And the remaining 25% of people are saying that non of these regime are suitable for the salaried class people which means almost 4 people are responded that non of these regime is suitable or satisfied for the salaried class person.

9) In which regime you can save your income?



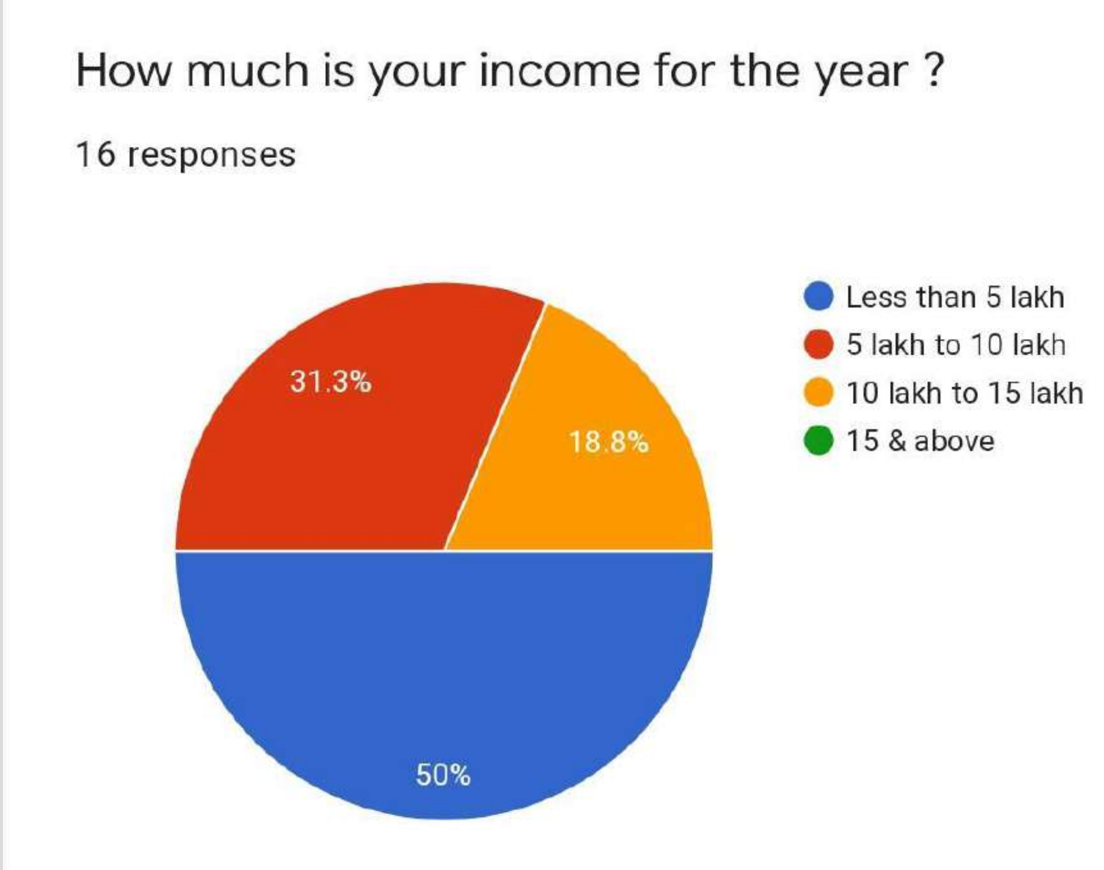
According to the above question there almost 18.8% of people are saying that they can save their income in the old regime almost 3 people are respondent that with help of old regime they can save their income in old regime. Yea 37.5% of people are respondent that they can save their income with the help of new regime almost 6 people. Some of the people are responding almost with using the both regime they can save their income almost 12.5% of people are respondent that means 2 people think that with both regime they can save their income. And almost 31.3% of people suggest that non of these regime can save their income almost 5 people respondent that non od these regime can save their income.

10) Do you think new regime is better than old regime?



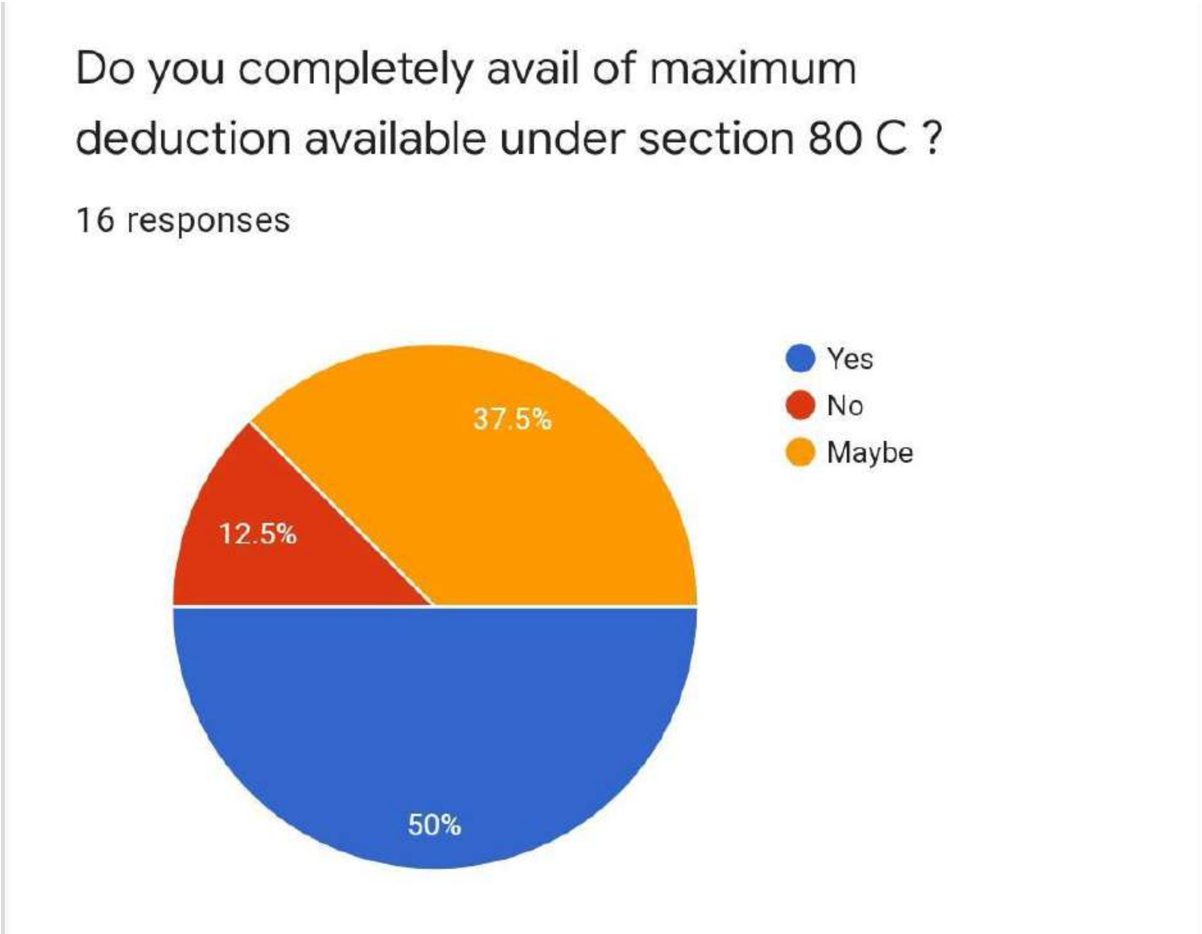
According to the survey almost 50% of people are thinking that the new regime is better than the old regime which means almost 8 people thought this. Same 31.3% of people think that no new regime is not better than old regime almost 5 people think that old regime is better than new regime. And there are 18.8% of people think that new regime may be better than the old regime almost 3 people thought it may be better than old regime.

11) How much is your income for the year?



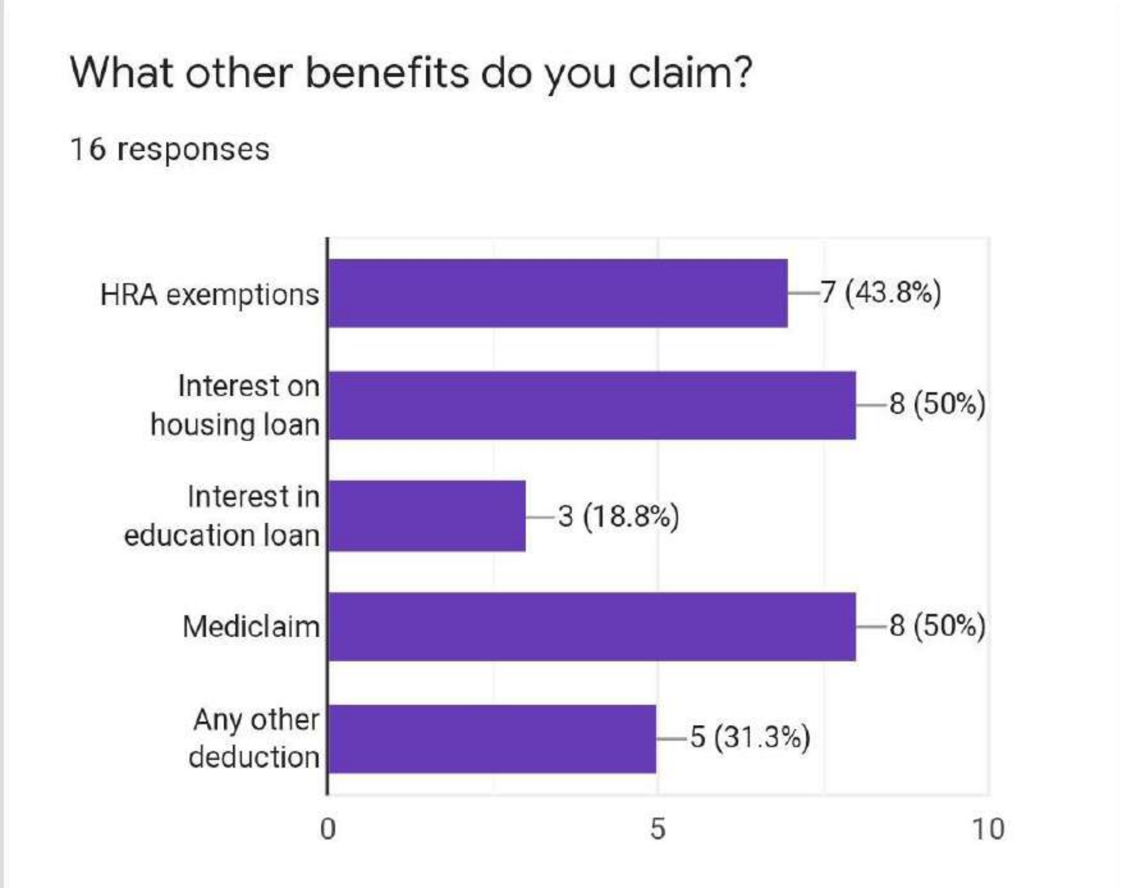
According to the survey normally there are 50% of people which is 8 people their income is less than 5 lakhs. And 31.3% of people almost 5 people their income between 5 lakhs to 10 lakhs. And almost 18.8% of people which is 3 people their income is almost between 10lakhs to 15 lakhs.

12) Do you completely avail of maximum deduction available under section 80C?



According to the survey there are almost 50% of people which is 8 people know about deduction under section 80c. And 12.5% of people which is 2 people are not aware of deduction under section 80c. And 37.5% of people which is 6 people are may be aware or avail of deduction under section 80c.

13) What other benefits do you claim?



So as per the survey there are almost 43.8% of people which is 7 people they claim HRA exemptions, 50% of people which is 8 people they claim benefits in interest on housing loan, almost 18.8% of people which is 3 people are claiming the benefits in interest on education loan, almost 50% of people which is almost 8 people claiming their benefits in medical and there are 31.3% of people which is 5 people are claiming any other deduction.

14) If answer to pervious question is yes mention approximate amount of aggregate deduction/ exemptions claim?

If answer to previous questions is yes ,mention approximate amount of aggregate deduction / exemptions claim

16 responses

NA

No

....

Yes

100000

250000

Approx. 3 lakhs

1,50,000

no

Na

We can claim deduction for medical needs as per new regime

Around 5% of amt

No idea

sufficient amounts of Deduction and the exemption should claim

15) Suggest your idea about new regime?

Suggest your idea about new regime 16 responses please make this new regime better for middle class people that helps them to effective use of there money.. Good regime for people who earn less than 5lacs According to the new regime the tax deduction is statisfied to the salaried class people but now also if we old regime if we are business men the old regime is the best Cancel the new and make the new regime No idea No idea about regime	The new tax regime will put greater liquidity in the hands of taxpayers. To avail of deductions under the old regime, taxpayers had to submit proof of investment and expenses (in the case of reimbursements). They will be saved from all that trouble under the new regime.

CONCLUSION:

- So as per my point of view the old regime is better than the new regime because the Government of India has made a hook on the new regime if any salaried class people want to choose the new regime they cannot claim tax exemption. If the salaried class people use or choose the old regime they can claim the tax exemption. So my point of view is old regime if better than the new regime.

Benefits of union budget in the year 2019 – 2020

- Increasing exemption limit for investment under section 80C to Rs. 2.5lakhs from 1.5lakhs.
- Increase medical insurance premium & preventive health checkup under section 80D to Rs.40,000.
- Hike standard deduction from current Rs. 40000
- Tax benefits for woman professionals such as deduction for day care, crèche facility, hiring domestic help etc.
- Benefits of 50% House rents allowance be extended to cities like Hyderabad, Bengaluru, Gurugram & Pune
- Increase deduction on home loan interest from current Rs. 2lakhs
- Hike Rs.2 lakhs CAP on loss from house property
- Increase in children education & Hostel allowance to Rs. 2000 & Rs. 5000 month respectively

Benefits of union Budget 2020 -2021.

Income tax slabs	New tax rate	Earlier tax rate
0-₹2.5 lakh	Exempt	Exempt
₹2.5 lakh-₹5 lakh	5%	5%
₹5 lakh-₹7.5 lakh	10%	20%
₹7.5 lakh-₹10 lakh	15%	20%
₹10 lakh-₹12.5 lakh	20%	30%
₹12.5 lakh-₹15 lakh	25%	30%
₹15 lakh and above	30% (No change)	30%

BIBLOGRAPHY:

1. Webliography.

- https//:www.hdfcline.com
- https//:www.ris.org.in
- https//:www.Thehindubusinessline.com
- https//:www.Enterprenuer.com
- https//:www.cleartax.com
- http//:www.taxguru.com
- http//:www.theeconomicstime.com
- https//:www.finanicalexpress.com

Appendix:

1. Gender

- Male
- Female

2. Age

- 18 – 25
- 26 – 35
- 35 – 50
- 50 & above

3. Occupation

- Business man
- Salaried person
- House wife
- Student

4. Education

- SSC
- HSC
- Under Graduate
- Graduate

5. As a taxpayer of India, which regime is suitable for you?

- Old regime
- New regime
- Both

6. As a tax payer of India, is you are satisfied with the new regime?

- Yes
- No
- May be

7. Do you find difficulty with the new regime?

- Yes
- No
- May be

8. According to you which regime is satisfied to the salaried class people?

- Old regime
- New regime
- Both
- Non of these

9. In which regime you can save your income?

- Old regime
- New regime
- Both
- Non of these

10. Do you think new regime is better than old regime?

- Yes
- No
- May be

11. How much is your income for the year?

- Less than 5 lakhs
- 5 lakhs to 10 lakhs
- 10 lakhs to 15 lakhs
- 15 lakhs & above

12. Do you completely avail of maximum deduction available under section 80c?

- Yes
- No
- May be

13. What other benefits do you claim?

- HRA exemptions
- Interest on housing loan
- Interest in education loan
- Mediclaim
- Any other deduction

14. If answer to pervious question is yes mention approximate amount of aggregate deduction/ exemptions claim?

15. Suggest your idea about new regime?

UNIVERSITY OF MUMBAI

PROJECT REPORT
ON
““Human Resource Management in Banking Sector – State Bank of India””

T.Y.B.M.S. (SEMESTER VI)

ACADEMIC YEAR:
2019 – 2020

SUBMITTED
BY

SELVA JERRO

BACHELOR OF MANAGEMENT STUDIES

SEAT NO– 1162801

BGPS
MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE
J.K.JADHAV Knowledge Centre, Nadkarni Park,
Wadala (E), Mumbai – 400037.

2019-2020

A PROJECT REPORT ON

"Human Resource Management in Banking Sector –

State Bank of India

SUBMITTED

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE

BACHELOR OF MANAGEMENT STUDIES

By

Name: SELVA JERRO

SEAT No – 1162801

T.Y.B.M.S. (SEMESTER VI)

BGPS

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

DECLARATION

I the undersigned **MR. SELVA JERRO** the student of T.Y.B.M.S. hereby declare that the work embodied in this project work "**Human Resource Management in Banking Sector - State Bank of India**", forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DRAKSHA KHAN.**

Is a result of my own research work and has not been previously submitted to any other university for any other degree/ diploma to this or any other university.

Wherever references has been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Sjerro

Place: Mumbai **SELVA JERRO**

Date: Seat number : **1162801**

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI: - 400037

CERTIFICATE

This is to certify that Mr SELVA JERRO Seat no: _ 1162801 of T. Y. B.M.S., Semester VI (2019 – 2020) has successfullycompleted the project on Human Resource Management in Banking Sector - State Bank of India under the guidance of Assistant Prof. Draksha Khan Ma'am

Ass. Prof Draksha Khan Ma'am
Project Guide

External Examiner

Asst. Prof Draksha Khan Ma'am
Course Coordinator

Dr.Subhash Vadgule
Principal

ACKNOWLEDGEMENT

Thank you universe , for helping me see this obstacle as an opportunity
I take this opportunity to thank the University of Mumbai for giving me chance to do this project.

I would like to thank my Principal, Dr. Subhash Vadgule sir for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our Course Coordinator
Asst. Prof. Draksha Khan,ma'am for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide
Prof Draksha Khan Ma'am whose guidance and care made the project successful.

I would like to thank my College Library, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially who supported me throughout my project.

TABLE OF CONTENTS

<u>DECLARATION</u>

I, <u>SELVA JERRO</u> the student of T.Y.B.M.S. Semester VI (2019 – 2020) hereby declare that I have completed the project on <u>Human Resource Management in Banking Sector State Bank of India</u> __The information submitted is true and original to the best of my knowledge.

SIGNATURE OF STUDENT

SELVA JERRO

SEAT NO-

BGPS, MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

CHAPTER-1

1.0 HUMAN RESOURCE MANAGEMENT

Human Resource Management or Personnel management is the activity of managing personnel, usually employees.

In any organization, managing personnel is the process of making sure the employees (not the customers) are as productive as they can be. This can include hiring, firing, or transferring people to/from jobs they can do most productively.

This subject is a major at many universities, or a minor in the business school. It is also known as personnel administration, which is functionally an equivalent term.

1.1 Meaning of Human Resource Management:

A business unit needs employees to look after different activities. This is called manpower or human resource. Such human resource needs to be developed fully so that it will make positive contribution for the progress and prosperity of a business unit. For this systematic development and management of human resources is necessary. Human Resource Management (HRM) deals with:

(a) Training

(b) Self-development

(c) Promotions

(d) Performance appraisal of manpower recruited in an organization.

HRM is an organized learning experience aimed at matching the organizational need for career growth and development. It is a process involving series of learning activities designed to acquire desired level of competence among employees. HRM is a continuous process and it needs money. Such investment creates a team of efficient, skilled and trained manpower which brings success and stability to a business unit. HRM programmes offer long term benefits to an organization.

1.2 Characteristics of Human Resource Management:

(1). Upgrading Manpower:

HRM is basically concerned with the upgrading of manpower working in an organization. This leads to improvement in the individual performance of an employee and also corresponding improvement in the organizational performance.

(2). Stress on Training:

HRM includes various schemes arranged for providing education, guidance, training and opportunities to learn and develop employees of all categories and working in different departments. There is an integrated use of sub-systems (training, career developments, organizational development) in the HRM programme.

(3). Attention to learning and career development:

Learning, self-development, career developments are possible through HRM programmes. These are the core areas of HRM. Career development is possible through joining training courses, reading books and periodicals. Learning and career development raise the capacity of employees to work at highest levels. They are given higher positions with monetary benefits.

(4). Organizational Development:

HRM includes organizational development, which includes effective communication within the organization, coordination of different activities elimination of conflicts of different types and creation of orderly atmosphere in the whole organization.

(5). Team Spirit:

HRM is basically for developing team spirit in the whole organization. For this, departments and levels of management are properly integrated. Team spirit facilitates orderly growth of the organization in the right direction.

(6). Huge spending by Management:

All companies invest huge money on HRM activities but such expenditure is absolutely essential for survival in the present competitive business world. HRM programmes create matured, skilled and efficient manpower, which is a valuable asset of a business unit.

(7). Termination of Employment:

Termination is an unpleasant part of any manager‘s job. Employees occasionally must be terminated for breaking rules of failing to perform adequately.

(8). Continuous Activity:

HRM is rightly treated as a continuous activity due to new developments taking place regularly in the business world. For this, on the job and off the job training programmes are introduced from time-to-time.

(9). Wide Scope:

The scope of HRM programmes is very vast. It is multi-disciplinary in character. Training and guidance are given on different aspects of business management to enable managers to deal with complex managerial problems and challenges.

1.3 Need and Importance of Human Resource Management:

(1). To create stable labor force:

HRM programmes are needed in order to create stable, efficient, skilled and matured manpower required by an enterprise for the present and future period.

(2). To update the quality of manpower:

HRM activities are needed for updating the quality of manpower as per the growing and changing needs of an enterprise. This avoids managerial obsolescence. Even the vacancies at higher levels can be filled in internally due to HRM programmes as they provide training and opportunities of self-development to employees working at lower levels.

(3). To develop strength for survival:

HRM programmes are necessary for survival in the present competitive marketing environment. An enterprise can face market competition only by improving quality, reducing costs and avoiding wastages. All this is possible through HRM.

(4). To face challenges of technological changes:

Technological changes are taking place rapidly in every area of business. HRM programmes are needed in order to absorb technological changes taking place with speed. In fact, introduction of new technology, computers, automation, etc. will not be possible unless training is provided to the manpower.

(5). To satisfy the demand of self-development of employees:

HRM is needed to meet the needs of employees in regard to self-development and career development aspirations. Employees demand, training facilities, refresher courses, promotions and transfers, career guidance, etc. for their self-development. HRM programmes are needed to fulfill self-development and career development of employees.

(6). To meet future manpower needs:

HRM is needed to meet the future manpower needs of the organization. Executives, managers, supervisors leave the job or retire due to age factor. Competent juniors must take their positions. HRM is needed in order to keep ready a team of competent managers as a second line of defence.

(7). To facilitate expansion and diversification:

HRM activities are needed to meet the manpower requirements resulting from expansion and diversification programmes undertaken at the enterprise level. Attention should be given to HRM much before the introduction of expansion programme.

(8). To utilize production capacity fully:

HRM is needed in order to use the available production capacity to the optimum level. It provides skilled manpower for this purpose.

CHAPTER-2

2.0 HUMAN RESOURCE MANAGEMENT IN BANKING

2.1 What is a Bank?

The word bank is derived from the Italian banca, which is derived from German language and means bench. The terms bankrupt and "broke" are similarly derived from banca rotta, which refers to an out of business bank, having its bench physically broken. Money lenders in Northern Italy originally did business in open areas, or big open rooms, with each lender working from his own bench or table.

The essential function of a bank is to provide services related to the storing of deposits and the extending of credit. The evolution of banking dates back to the earliest writing, and continues in the present where a bank is a financial institution that provides banking and other financial services. Currently the term bank is generally understood as an institution that holds a banking license. Banking licenses are granted by financial supervision authorities and provide rights to conduct the most fundamental banking services such as accepting deposits and making loans. There are also financial institutions that provide certain banking services without meeting the legal definition of a bank, a so called non-bank. Banks are a subset of the financial services industry.

Human resource management (HRM) has long been overlooked in the corporate sector in the country where a small section, comprising mostly the multi-national companies was practicing the same. With the growing realization of proper HRM in the corporate sector, it has grown into an important activity. Now the head of HRM is an important member of the senior teams of any thriving business.

Although the idea is new for many local businesses where entrepreneurs are at the beginning of the learning curve yet in reality the theme is getting support from the organized entrepreneurs.

The banking sector has grown from a few institutions primarily involved in deposit acceptance and trade finance into a complex multi-player markets where large number of commercial banks, financial institutions and specialized banks are operating with various products and activities.

2.2 HRM Background and Practices

The banking has become a complex activity within the financial market linked directly and indirectly with an over-all national growth and its impact as an integral part of regional segment of a global banking environment. Almost every bank and financial institution is involved in various functions in a day's job and thus requires a highly effective team and appropriate manpower to run the show. Corporate goals are translated into viable realities and profits only with human element that play their due role in achieving the desired results.

Thus even the high automation would require proper man behind the machine to make things happen. This idea has been realized by top management in progressive banks. Like many other organized sectors, banking requires multi-layer manpower for its various requirements of professionals and support staff. The range may require reasonably educated security guards on the one end and a highly educated and trained professional as head of corporate finance at the other. With liberalization of activities within the banking sector, for example, more emphasis on consumer and house finance and personal loans, etc. banking has turned itself into a more market-based business where banks have expanded their reach more to customers' door steps in a big way making banking more practical. This has further highlighted the need for proper deployment of man-power to run banks efficiently. For many years, HRM banks like other institutions have been handling this sensitive activity through respective personnel departments. This means human resources were managed like other physical assets e.g. pieces of furniture, calculators, equipment and appliances.

Personnel departments were primarily engaged in approval of leaves, handling of staff loans, issuance of show cause, conducting disciplinary enquiries and termination from service. Recruitment was a routine function and was done in a mechanical way to hire people with specific educational background irrespective of their real value to the institution.

Success stories of large banking companies have been evident of the fact that HRM is quite different from management of physical assets. Human brain has its own peculiar chemistry.

Its strong sensory and decision-making capacity has to be greatly emphasized by the employers. The work force constituting all levels of employees is constantly thinking in many dimensions.

On the one hand it is the assigned duty and task they are to perform and for which they are paid by their employer, on the other they think of their long run goals and objectives.

By no means, their brains can be controlled to think beyond the current situation of employment. Managing this educated, skillful and trustworthy work force is not an easy job. A few of the current challenges faced by the banking industry in terms of human resource management may be the following:

To make the Indian Banking System stronger, efficient and low-cost, the creation of fundamentals must include in the bank‘s operations, strategies and processes: strengthening the prudential norms and market discipline; adoption of international benchmarks; management of organizational change and consolidation within the financial system; upgrading the technological infrastructure of the financial system; and human resource development as the catalyst of the transformation (2002).

The Human Resource field in the Banking Industry is considered as one of the process of discovery and transformation. The field of Human Resource can be described as emergent and dynamic within the cultural business aspect in a Banking Industry. The success of today‘s banking business will sparsely depends on the human resources of the organization, in which plays a crucial role in providing the services needed.

The evolution of banking system in India affected the human resource practices, recruitment and selection practices, and training system. It is very important that the details of human resource are discussed along with the employees, to build their own career planning, perceptions and development.

The primary strength of the industry is the human resource that is why the efforts to develop the skills and management are the main subject placed before the human resource. A major challenge for many banks will be to develop the special competencies and skills for credit appraisal and risk management. Putting the information technology is a key contributed in human resource development. Therefore, the HR model of the future will require professionals to be both driving and anticipating change, understanding the complexities of the new business environment and forces shaping it.

2.3 HR Practices and Methods

A key focus of the human resource management is highlighted in the role of staffing, performance management, training and development, and compensation that plays indifferent types of business strategies. With the acquisition and preparation of human resources, including planning, recruitment, selection, and training can affect the whole organizational performance.

The HR planning, the start of the strategy, illustrates the process of developing human resource plan. The strengths and weaknesses of staffing options such as outsourcing, use of contingent workers, and downsizing are involved in planning.

The recruitment process is done strategically to determine the talented employee fit for the position. The selection process emphasizes the ways in minimizing errors in employee selection and placement to improve the company‘s competitive position. The selection method standards such as validity and reliability are utilized.

An effective training systems of the manager‘s role in determining employees‘ readiness for training, creating a positive learning environment, and ensuring the training is used on the job.

Beyond the human resource strategies are the rewarding and compensating that can strengthen or weaken the employee effectiveness. In order to give recognition and increase motivational levels amongst the employees, some Banks linked the individual performance in an incentive scheme – or for some rewards that may come into any form .In summary, all of the HRM strategies and function should be aligned to help the company meet its objectives – as well as focusing on their customers .

The best practice approach assert that certain HR practices are found to consistently lead to higher organizational performance, independent of an organization‘s stated strategy. The high performance HR practices foster innovation through the development of innovation values, encouraging of information sharing, goal setting and appropriate training and development.

CHAPTER-3

3.0 Job analysis, Job design and Job evolution

A job is defined as a collection of duties and responsibilities which are given together to an individual employee. Job analysis is the process of studying and collecting information relating to operations and responsibilities of a specific job. It can be explained with the help of the following diagram

3.1. Job analysis

Job description Job specification

Job title/ name of the job Qualification

Working hours Qualities

Duties and responsibilities Experience

Working conditions Family background

Salary and incentives Training

Machines to be handled on the job Interpersonal skills

As mentioned in the above table job analysis is divided into 2 parts

a) **Job description**
Where the details regarding the job are given.

b) **Job specification**
Where we explain the qualities required by people applying for the job.

Need/importance/purpose/benefits of job analysis

Def.: - A job is defined as a collection of duties and responsibilities which are given together to an individual employee. Job analysis is the process of studying and collecting information relating to operations and responsibilities of a specific job.

The following are the benefits of job analysis.

1. Organizational structure and design:-

Job analysis helps the organization to make suitable changes in the organizational structure, so that it matches the needs and requirements of the organization. Duties are either added or deleted from the job.

2. Recruitment and selection:-

Job analysis helps to plan for the future human resource. It helps to recruit and select the right kind of people. It provides information necessary to select the right person.

3. Performance appraisal and training/development:-

Based on the job requirements identified in the job analysis, the company decides a training program. Training is given in those areas which will help to improve the performance on the job.

Similarly when appraisal is conducted we check whether the employee is able to work in a manner in which we require him to do the job.

4. Job evaluation:-

Job evaluation refers to studying in detail the job performance by all individual. The difficulty levels, skills required and on that basis the salary is fixed. Information regarding qualities required, skilled levels, difficulty levels is obtained from job analysis.

5. Promotions and transfer:-

When we give a promotion to an employee we need to promote him on the basis of the skill and talent required for the future job. Similarly when we transfer an employee to another branch the job must be very similar to what he has done before. To take these decisions we collect information from job analysis.

6. Career path planning:-

Many companies have not taken up career planning for their employees. This is done to prevent the employee from leaving the company. When we plan the future career of the employee, information will be collected from job analysis. Hence job analysis becomes important or advantageous.

7. Labour relations:-

When companies plan to add extra duties or delete certain duties from a job, they require the help of job analysis, when this activity is systematically done using job analysis the number of problems with union members reduce and labour relations improve.

8. Health and safety:-

Most companies prepare their own health and safety, plans and programs based on job analysis. From the job Analysis Company identifies the risk factor on the job and based on the risk factor safety equipment's are provided.

9. Acceptance of job offer:-

When a person is given an offer/appointment letter the duties to be performed by him are clearly mentioned in it, this information is collected from job analysis, which is why job analysis becomes important.

Methods of job analysis

Def: - A job is defined as a collection of duties and responsibilities which are given together to an individual employee. Job analysis is the process of studying and collecting information relating to operations and responsibilities of a specific job.

There are different methods used by organization to collect information and conduct the job analysis. These methods are

1. Personal observation:-

In this method the observer actually observes the concerned worker. He makes a list of all the duties performed by the worker and the qualities required to perform those duties based on the information collected, job analysis is prepared.

2. Actual performance of the job:-

In this method the observer who is in charge of preparing the job analysis actually does the work himself. This gives him an idea of the skill required, the difficulty level of the job, the efforts required etc.

3. Interview method:-

In this method an interview of the employee is conducted. A group of experts conduct the interview. They ask questions about the job, skilled levels, and difficulty levels. They question and cross question and collect information and based on this information job analysis is prepared.

4. Critical incident method:-

In this method the employee is asked to write one or more critical incident that has taken place on the job. The incident will give an idea about the problem, how it was handled, qualities required and difficulty levels etc. critical incident method gives an idea about the job and its importance. (A critical means important and incident means anything which takes place in the job)

5. Questioner method: -

In this method a questioner is provided to the employee and they are asked to answer the questions in it. The questions may be multiple choice questions or open ended questions. The questions decide how exactly the job analysis will be done. The method is effective because people would think twice before putting anything in writing.

6. Log records:-

Companies can ask employees to maintain log records and job analysis can be done on the basis of information collected from the log record. A log record is a book in which employee‘s record /writes all the activities performed by them on the job. The records are extensive as well as exhausted in nature and provide a fair idea about the duties and responsibilities in any job.

7. HRD records: -

Records of every employee are maintained by HR department. The record contain details about educational qualification, name of the job, number of years of experience, duties handled, any mistakes committed in the past and actions taken, number of promotions received, area of work, core competency area, etc. based on these records job analysis can be done.

3.2 .Job design

Definitions: -

Job design is the process of

a) Deciding the contents of the job.

b) Deciding methods to carry out the job.

c) Deciding the relationship which exists in the organization.

Job analysis helps to develop job design and job design matches the requirements of the job with the human qualities required to do the job.

Factors affecting job design: - There are various factors which affect job design in the company.

Factors affecting job design

1. Organizational factors

2. Environmental factors

3. Behavioural factors

I] Organizational factors:-

Organizational factors to refer to factors inside the organization which affect job design they are

a) Task characteristics:-

Task characteristics refer to features of the job that is depending on the type of job and the duties involved in it the organization will decide, how the job design must be done. In case the company is not in a position to appoint many people; a single job may have many duties and vice versa.

b) The process or flow of work in the organization:-

There is a certain order in which jobs are performed in the company. In case the company wishes it could combine similar job and give it to one person this can be done if all the jobs come one after the other in a sequence.

c) Ergonomics:-

Ergonomics refers to matching the job with physical ability and characteristics of the individual and in providing an office environment which will help the person to complete the jobs faster and in a comfortable manner.

d) Work practices:-

Every organization has different work practices. Although the job may be the same the method of doing the job differs from company to company. This is called work practice and it affects job design.

II] Environmental factors:-

Environmental factors which affect job design are as follows

a) **Employee availability and ability:-**
Certain countries face the problem of lack of skilled labour. They are not able to get employees with specific education levels for jobs and have to depend on other countries due to this job design gets affected.

b) **Social and cultural expectations :-**
The social and cultural conditions of every country is different so when an MNC appoints an Indian it has to take into account like festivals, auspicious time, inauspicious time, etc. to suit the Indian conditions. This applies to every country and therefore job design will change accordingly.

III] Behavioral factors:-

Job design is affected by behavioral factors also. These factors are

a) **Feedback: -**
Job design is normally prepared on the basis of job analysis and job analysis requires employee feedback based on this employee feedback all other activities take place. Many

employees are however not interested in providing a true feedback because of fear and insecurity. This in turn affects job deign.

b) **Autonomy:-**
Every worker desires a certain level of freedom to his job effectively. This is called autonomy. Thus when we prepare a job design we must see to it that certain amount of autonomy is provided to the worker so that he carries his job effectively.

c) **Variety:-**
When the same job is repeated again and again it leads to burden and monotony. This leads to lack of interest and carelessness on the job. Therefore, while preparing job design certain amount of variety must be provided to keep the person interested in the job.

Methods of job design

There are various methods in which job design can be carried out. These methods help to analysis the job, to design the contents of the and to decide how the job must be carried out .these methods are as follows: -

I. Job rotation

II. Job enlargement

III. Job enrichment

I. Job Rotation: -

Job rotation involves shifting a person from one job to another, so that he is able to understand and learn what each job involves. The company tracks his performance on every job and decides whether he can perform the job in an ideal manner. Based on this he is finally given a particular posting.

Job rotation is done to decide the final posting for the employee e.g. Mr. A is assigned to the marketing department whole he learns all the jobs to be performed for marketing at his level in the organization .after this he is shifted to the sales department and to the finance department and so on. He is finally placed in the department in which he shows the best performance Job rotation gives an idea about the jobs to be performed at every level. Once a person is able to understand this he is in a better understanding of the working of organization

Advantages of job rotation

i. **Avoids monopoly:-**Job rotation helps to avoid monopoly of job and enable the employee to learn new things and therefore enjoy his job

ii. **Provides an opportunity to broaden one's knowledge :-**Due to job rotation the person is able to learn different job in the organization this broadens his knowledge

iii. **Avoiding fraudulent practice:-**In an organization like bank jobs rotation is undertaken to prevent employees from doing any kind of fraud i.e. if a person is handling a particular job for a very long time he will be able to find loopholes in the system and use them for his benefit and indulge (participate) in fraudulent practices job rotation avoids this.

Disadvantages of Job Rotation

i. Frequent interruption:-

Job rotation result in frequent interruption of work .A person who is doing a particular job and gets it comfortable suddenly finds himself shifted to another job or department .this interrupts the work in both the departments

ii. Reduces uniformity in quality :-

Quality of work done by a trained worker is different from that of a new worker .when a new worker I shifted or rotated in the department, he takes time to learn the new job, makes mistakes in the process and affects the quality of the job.

iii. Misunderstanding with the union member:-

Sometimes job rotation may lead to misunderstanding with members of the union. The union might think that employees are being harassed and more work is being taken from them. In reality this is not the case.

II. Job enlargement: -

Job enlargement is another method of job design when any organization wishes to adopt proper job design it can opt for job enlargement. Job enlargement involves combining various activities at the same level in the organization and adding them to the existing job. It increases the scope of the job.

It is also called the horizontal expansion of job activities.

Jon enlargement can be explained with the help of the following example - If Mr. A is working as an executive with a company and is currently performing 3 activities on his job after job enlargement or through job enlargement we add 4 more activities to the existing job so now Mr. A performs 7 activities on the job.

It must be noted that the new activities which have been added should belong to the same hierarchy level in the organization. By job enlargement we provide a greater variety of activities to the individual so that we are in a position to increase the interest of the job and make maximum use of employee‘s skill. Job enlargement is also essential when policies like VRS are implemented in the company.

Advantages of job enlargement

1. Variety of skills:-

Job enlargement helps the organization to improve and increase the skills of the employee due to organization as well as the individual benefit.

2. Improves earning capacity:-

Due to job enlargement the person learns many new activities. When such people apply for jobs to other companies they can bargain for more salary.

3. Wide range of activities:-

Job enlargement provides wide range of activities for employees. Since a single employee handles multiple activities the company can try and reduce the number of employee‘s. This reduces the salary bill for the company.

Disadvantages of job enlargement

1. Increases work burden:-

Job enlargement increases the work of the employee and not every company provides incentives and extra salary for extra work. Therefore the efforts of the individual may remain unrecognized.

2. Increasing frustration of the employee:-

In many cases employees end up being frustrated because increased activities do not result in increased salaries.

3. Problem with union members:-

Many union members may misunderstand job enlargement as exploitation of worker and may take objection to it.

III. Job enrichment: -

Job enrichment is a term given by Fedric Herzberg. According to him a few motivators are added to a job to make it more rewarding, challenging and interesting. According to Hertzberg the motivating factors enrich the job and improve performance.

In other words we can say that job enrichment is a method of adding some motivating factors to an existing job to make it more interesting.

The motivating factors can be

a. Giving more freedom.
b. Encouraging participation.
c. Giving employees the freedom to select the method of working.
d. Allowing employees to select the place at which they would like to work.
e. Allowing workers to select the tools that they require on the job.
f. Allowing workers to decide the layout of plant or office.

Job enrichment gives lot of freedom to the employee but at the same time increases the responsibility. Some workers are power and responsibility hungry. Job enrichment satisfies the needs of the employees.

Advantages of job enrichment

1. Interesting and challenging job:-

When a certain amount of power is given to employees it makes the job more challenging for them, we can say that job enrichment is a method of employee empowerment.

2. Improves decision making:-

Through job enrichment we can improve the decision making ability of the employee by asking him to decide on factory layout, method and style of working.

3. Identifies future managerial caliber: -

When we provide decision making opportunities to employees, we can identify which employee is better that other in decision making and mark employees for future promotion.

4. Identifies higher order needs of employees:-

This method identifies higher order needs of the employee. Abraham Maslow‘s theory of motivation speaks of these higher order needs e.g. ego and esteemed needs, self-actualization etc. These needs can be achieved through job enrichment.

5. Reduces work load of superiors:-

Job enrichment reduces the work load of senior staff. When decisions are taken by juniors the seniors work load is reduced.

Disadvantages of job enrichment

1. Job enrichment is based on the assumptions that workers have complete knowledge to take decisions and they have the right attitude. In reality this might not be the case due to which there can be problems in working.

2. Job enrichment has negative implications i.e. Along with usual work decision making work is also given to the employees and not many may be comfortable with this.

3. Superiors may feel that power is being taken away from them and given to the junior‘s. This might lead to ego problems.

4. This method will only work in certain situations. Some jobs already give a lot of freedom and responsibility; this method will not work for such jobs.

5. Some people are internally dissatisfied with the organization. For such people no amount of job enrichment can solve the problem

CHAPTER-4

4.0 Human Resource Planning

This is the process which assures the organization that it will have adequate number of qualified persons, at requisite times, performing in a way to satisfy the needs of the organization & also provide satisfaction to the individual employee, so employed.

The process involves:

a) Estimating the present & future requirements of human resources based on objectives & long range plans of the organization.
b) Calculation of net human resource requirements based on the present availability of human resources.
c) Taking suitable steps to identify, mould, change & develop the strength of existing employees so as to meet the future requirements.
d) Preparation of action plans to acquire the balance human resources from outside the organization & to develop the existing employees.

4.1. Recruitment:

It is the process of searching for future employees (requirement) & ensuring they apply for jobs in the organization.

It involves:

a) Identification of existing sources of candidates & developing them.
b) Seeking out & identifying new sources of applicants.
c) Motivating the right type of candidates to apply for jobs in the organization.
d) Ensuring a healthy balance between internal & external sources.

4.2. Selection:

It is the process of ascertaining the qualifications, experience, skill, Knowledge, etc. of an applicant to ascertain his/her suitability for the job applied.

This includes:

a) Developing application blanks.
b) Creating & developing valid & reliable testing techniques.
c) Formulating interviewing techniques.
d) Checking of references.
e) Setting up for medical examination policy & procedure.
f) Line Managers to be involved in the decision making.
g) Sending letters of appointment.
h) Employing the selected candidates, when he reports for duty.

4.3. Placement:

It is a process of allotting to the selected candidate the most suitable job, as per the job requirements & employee specifications.

This function includes:

a) Counseling the concerned managers regarding the placements.
a) Overseeing the follow-up studies, employee performance appraisal to monitor employee adjustment to the job, in the coming days.
b) Correcting wrong/misjudged placements, if any.

4.4. Induction & Orientation:

These are procedures by which a new employee is rehabilitated in the new surroundings & introduced to the practices, procedures, policies, people, etc. of the organization.

It includes:

a) Familiarizing the employee with company philosophy, objectives, policies, career planning & development, company product, market share, history, culture, etc.
b) Introduce new employee to the people—his colleagues, supervisors & subordinates.
c) Mould the employees by orientation methods to the new working conditions.

CHAPTER-5

5.0 Human Resource Development

This process involves improving, moulding, & developing the skills, knowledge, creativity, attitude, aptitude, values, commitment, etc. based on the present & future job & company requirements.

1. Performance Appraisal:

It is the continuous & systematic evaluation of individual employees with respect to their performance & their potential for future development.

It includes:

a) Enunciating policies, procedures & techniques.
b) Assisting functional managers.
c) Reviewing & summarizing reports.
d) Evaluating the effectiveness of various programmes.

2. Training:

It is the process of transmitting the employees the technical & operating skills and knowledge.

It includes

a) Identification of training needs of the individuals & for the organization.
b) Developing appropriate training programmers.
c) Assisting & advising the management in the conduct of training programmes.
d) Transmitting requisite job skills & job knowledge to the employees.
e) Asses the effectiveness of the training programmes.

5.1 Management Development:

It is the process of designing & conducting appropriate executive development programmes so as to develop the managerial & human relations skills of the employees.

It includes:

- a) Identification of the areas in which management development is needed.
- Conducting development programmers.
- Motivating executives/managers.
- d) Designing special development programmers/ assessment procedures for promotions.
- Utilizing the services of specialists-both internal & external for development &/or Institutional (external) development programmes.
- Evaluating the effectiveness of executive development programmes.

5.2. Career Planning & Development:

It is the planning of one's career & implementation of career plans by means of education, training, job search & acquiring of work experience.

It includes:

A. Internal mobility-

Vertical, horizontal transfers, promotions and demotion.

B. Transfer-

Process of placing employees in the same level jobs where they can be utilized more effectively as per the needs of the organization. This also means developing transfer policies, offering assistance & guidance to employees under transfer orders & evaluating transfer policy periodically.

C. Promotion-

It deals with the upward assignment of employees to occupy higher positions (with better status & pay) in consonance with resources of employees & job requirement. The department must ensure that:

- Equitable, fair & consistent promotions are formulated & administered.
- Managers & employees are given assistance & guidance on the subject of promotion.
- Executions of promotional policies are as per policies & procedures.

D. Demotion-

It is the downward assignment of an employee in an organization. The department must ensure that:

- Equitable, fair & consistent demotion policies are drawn up.
- Assisting & advising employees regarding demotions.
- Ensure fair implementation of demotion Policies & Procedures.

5.3. Organizational Development:

The planned process drawn up to improve organizational effectiveness through changes in individual & group behavior, culture & systems of the organization—drawing models from applied behavioral science.

CHAPTER-6

6.0 Compensations Management

6.1. Compensation

Compensation includes all the extrinsic rewards that an employee receives during and after the course of his sob. For his contributions to the organization. The principles of compensation payment are that it has to be adequate, equitable and fair to the employees. Compensation encompasses base salary, incentives, bonus and benefits and is based on job evaluation.

Job evaluation- It is a systematic determination of the value of each job in relation to other jobs in the organization, in the industry and in the market. In other words, job evaluation involves classifying a job based on its importance and its contribution to the organization and its requirements.

It involves

- Identifying/designing suitable job evaluation techniques;
- Evaluating various jobs;
- Ascertaining the relative worth of jobs in various categories.

Wage and salary administration - The process of formulating and operating a suitable wage and salary program is known as wage and salary administration.

It includes:

- Conducting wage and salary survey in the market and in the industry;
- Determining wage and salary rates on the basis of various factors like law, equity, fairness and performance;

- Implementing wage and salary administration programs;

Incentives- Incentives are the rewards an employee earns in addition to regular wages or salary based on the performance of the individual, the team or the organization.

> **Bonus —** Bonus is primarily a share in the surplus or bounty and is directly related to the organization's performance. In India, the payment of bonus is a very popular means of rewarding employees and is governed by The Payment of Bonus Act 1965.
>
> **Fringe benefits —** Fringe benefits are those monetary and non-monetary benefits given to employees during their employment, and sometimes, in the post-employment period also. These benefits are connected to employment with the organization and are not related to the employee's performance.

These benefits provide a sense of security to the employee and keep them committed to the organization. Some of the marginal benefits include;

- Disablement benefits
- Housing facilities
- Canteen facilities
- Conveyance facilities
- Educational facilities for employees and their children
- Credit facilities
- Recreational facilities
- Medical and welfare facilities
- Post-retirement benefits
- Company stores
- Legal aid

6.2. Compensations and Benefits:

Bank provide compensations to its employees in shape of Cost of any medical Treatment, Cancelled Holidays fees, Repair of vehicle, any injury while doing job tasks and some other. Employees can claim their compensation if any above case occurs. Benefits which are provided by Banks are Paid time off, Retirement, Disability Insurance, Education and training programs.

In Paid time off benefits the employee is paid for the time he don‘t worked duo to vacation, holiday pay and sick pay. Retirement benefits are in shape of pension, gratuity, provident fund and superannuation fund. In disability insurance bank provides financial support when an employee becomes injured or ill and is unable to do his/her job and in education & training programs bank provide different education & training to their employees to furbish their skill.

CHAPTER-7

7.0 Human Relations

Administering various human resources policies like employment development & compensation & interactions among the employees on one hand & employees & the management on the other, create a sense of working relationships between workers & management & trade unions.

Basically they are all interactions between human beings. Human relations, is therefore, is an important area in management which integrates people into work situations in a way that motivates people to work together with economic, psychological & social satisfaction thereby increasing their productivity. Hence Human Resources Management functions will center on:

1. Understanding perception, personality, learning, intra & inter personal relations, inter & intra group relations.
2. Motivating all employees.
3. Promoting employee morale.
4. Developing communication skills.
5. Developing leadership skills.
6. Redressing satisfactorily through a well-defined grievance procedure.
7. Handling disciplinary cases by established disciplinary procedures & in all fairness.
8. Providing adequate counseling to solve employees‘ personal, work & family problems, thereby releasing their stress & strain.

CHAPTER-8

8.0 HUMAN RESOURCE MANAGEMENT IN BANKS

The classification of the Indian banks into broad groups such as public sector, old private sector, new private sector, foreign, regional rural banks & cooperatives are largely on the basis of ownership pattern. It is also well known that the business mix, delivery channels & IT strategies of these organizations vary substantially. What is little known but of greater importance is that each of these banks follows very distinct HR practices which have contributed, substantially, to the business processes.

8.1. HRM in Cooperative Banks

It is sad that the HR policies of cooperative banks are totally dominated by the Registrar of Cooperatives. This is, perhaps, one reason why the cooperatives are unable to improve themselves.

8.2. HRM in Regional Rural Banks (RRBs)

As regards RRBs, most of them adopt the HR policies of sponsor banks, which are not appropriate for their special nature.

8.3. HRM in Public Sector Banks

In the recent times, the contours of HR function in public sector banks are slowly but definitely changing. One could say that these banks are discovering the HR function & it is hoped that these banks will fast catch up with others. It may be recalled that, in a controlled environment & to meet with the rapid branch expansion- since 70s- Public Sector Banks (PSBs) have adopted

HRM practices similar to that of Government departments. Herein HRM did not have a direct role in business development but was more concerned with centralized recruitment to staff & providing them across the country.

8.4. HRM in Private Banks & Foreign Banks

The HR function as practiced by private & foreign banks is effectively involved in the identification of specific skills that each job warrants & recruiting suitable staff by every way possible. In these banks, recruitment is a continuous process with a strong focus on getting the right person for the right job by offering appropriate compensation, incentives & designations. There is a great energy spent in keeping the turnover low & offering appropriate training inputs. Possibly there are as many pay structures as there are employees. More importantly, HRM has a role in monitoring & mentoring the employee. There are no routine transfers. Rather people are recruited in different geographical locations & different levels. Technology has helped in centralizing the back office & other functions such that service can be provided from a distance.

These institutions adopt a proactive performance appraisal system but still short of 360 Degree appraisals. Their training process is concerned with both skill building & motivating. It should, however be said that the demand for professionals on account of growth of Indian Business is such that the efforts of HRM have not helped it from completely staving off staff turnover in the ranks.

8.5. HRM in Public Sector Unit Banks (PSU Banks)

In the case4 of PSU Banks the recruitment process is annual & large scale. People are recruited at the lowest grade & promoted I due course. This makes the career path of each employee the responsibility of the organization. This also underlies a belief that anyone can occupy any desk. In such a system specialization is the loser. Recruitment at higher levels is a recent phenomenon & more an exception than rule. Pay packets are uniform for a grade/level with annual increments & uniform perquisites. Increments are earned automatically. Transfers are not driven by business requirements but a matter of routine. Vacancies get created as & when people move up. It is not uncommon to see new department‘s spring up just to allow promotions. In a way such a move is justified as salary is linked to grades & not performance. The concept of job rotation is practiced with great conviction. As regard leave it is seen that modern business organizations, driven by work life balance issues & _operational risk‘ ensure that certain annual leave is mandatory.

In the case of PSU Banks, the –compulsory leave system‖ has not yet taken root. In the circumstances an important task at hand is training the staff member, who, on account of age profile is not comfortable working in an IT environment. HRM should also take immediate steps to improve productivity. There is a simultaneous need to balance the demand of IT savvy youngsters joining the organization who ask for high salaries.

PSU Banks are not able to offer market driven salary. Given that banking business & the business of Government are distinct, there is, in the case of PSU Banks, an urgent need that salaries are not limited by what is paid in the ministry but unshackled. Till that happens, HRM should, innovatively tackle the issue.

CHAPTER-9

9.0 Responsibilities of the Human Resource Management Department in Banks

9.1. Role:

The role of the Human Resource Department is to create the climate & conditions in which management throughout the Bank will be enabled to optimise the individual & collective contribution of all employees to the short & long-term success of the Bank.

9.2. Responsibilities:

- To be the principal sponsor & –guardian‖ of HR policies in the Bank.
- To propose & obtain agreement on changes to these policies from time to time & to ensure that policies which have been agreed are being implemented throughout the Bank.
- To contribute fully to the task of meeting the business challenges which the bank has to face by supporting Branch/Unit Managers in continuously developing the potential of employees & in creating conditions in which all the employees are motivated to meet the objectives of the Bank.
- To continuously monitor the Bank‘s strategies to ensure that HR policies are appropriate & that employee numbers & skills are fully supportive of such strategies.
- To deliver a full range of personnel services in support of line management. These services include manpower planning, recruitment/transfer, remuneration, and training & employee welfare.
- To support line management in their day-to-day management of the workforce by providing advice & consultancy on personnel & performance management issues.

CHAPTER-10

10.0 EMPLOYEE RELATIONS IN BANKS

The banking sector has been characterized by apparently harmonious industrial relations & has not suffered from the ―British Diseases‖ of industrial action & demarcation issues associated with parts of manufacturing industry (e.g. Batstone, 1984). Banks have promoted unitarism (Fox, 1966) encouraging an ethos of teamwork, shared interest & loyalty, wanting commitment beyond the cash nexus. While banks are generally seen as having a passive approach to employee relations, paternalism did underpin the system & particularly important was the system of internal promotion supported by an unwritten agreement between the major UK Banks on no poaching. The internal labour market created two categories of employees: career & non-career which equated to a male/female divide. Retail banking is a highly labour intensive industry with labour costs forming 70%of total operating expenditure & ―involvement in fund transmissions meant that a majority of clerical staff have not been used as a means of marketing the bank‘s products nor directly for increasing business but to process existing accounts. They have been regarded as an overhead rather than a resource.‖

Until the 1980s, competition between the Banks has been limited, banks operating as an oligopoly& Government‘s concern with maintaining economic stability with limits to lending, & control over interest rates facilitated this. The oligopoly fed through to the management of staff as national wage bargaining minimized competition for labour. However deregulation led to the collapse of the national system & a questioning of the old employment practices.

CHAPTER-11

11.0 CURRENT CHALLENGES FACED BY BANKS IN HRM

Effective work force:

A time-consuming & hectic job is to hunt the right talent. Higher the professional value of the vacancy, tougher is the search. Identifying the right stuff followed by negotiation is the element which makes the job tough for the employer. Banks are keenly interested to fill up two types of breeds of professionals. Ones who are outstanding professionals with high job hopping attitude—these are those who come in-work for some tome & then leave for better prospects. Others are those who are keenly picked-up, trained & are somehow retained to be developed as future management within the bank.

Management trainees are a growing popular phenomenon where freshly qualified business graduates are engaged by banks & a certain percentage of these well-equipped professionals stay back within the organization to grow into the footsteps of senior managers.

Banking jobs being apparently lucrative for many attract a large number of candidates against advertised vacancies in media creating a large database management problem.

This has been facilitated by specialized hiring agencies who may take up the job of hiring in case of large number of vacancies.

Right People:

The most difficult agenda of HRM across the banking sector is to retain the right people. Sudden growth of retail banking & other services has put pressure on HR Managers in banks to engage more professionals within shorter span of time thereby attracting manpower in other banks on attractive packages has made the job market very competing. A bank in a normal course invests time & money to hire & train the appropriate workforce for its own operations. This readymade force is often identified & subsequently picked-up on better terms by others.

Compensation:

How much to pay the right employee & how much to the outstanding performer. Banks have traditionally followed pay scales with predetermined increments, salary slabs, bonuses & time based fringe benefits like car & house advance, gratuity, pensions, etc. The situation is not the same anymore. An increment of Rs.500-800 per annum is no more a source of attraction for a professional anymore. A basic pay with traditional formulas of linkage with medical & other facilities has no soothing today.

A promise of future growth, learning culture & corporate loyalty is out of dictionary & does not mean anything to this energetic & competent performer today. A waiting period of 3-4 years in each cadre haunts the incumbents who strongly believe in immediate compensation.

A freshly hired professional requires a brand new car or car loan n resuming office quite contrary to his previous breed of bankers who would wait for the job seniority to qualify for a car loan.

Job Satisfaction:

Everybody in the bank wants to work in the preferential department, preferential location, city of his own choice & boss of his liking. An administrative deviation from any of these results in lowered job satisfaction. Although hiring is normally based on regional requirement matching the area of activity with that of employee‘s nativity yet other elements like appointment in the department of choice & preference makes the job of HR manager quite challenging.

What the HR manager cannot afford is the dissatisfied employee who not only disrupts the smooth working him, but also spreads the negativity to others by his de-motivated attitude.

Morale Boosting:

What has long been overlooked is the morale boosting of the employees by the organizations. Human beings even if satisfied of material wellbeing need to be appraised & encouraged constantly.

Smart banks have realized this need & have taken steps to keep their work force motivated through proper encouragement like man of the mouth awards, repeat get-togethers, conferences, sports events, dinners, company sponsored travel, reunions, etc. This is the way employees create a feeling of belongingness.

CHAPTER-12

12.0 DEVELOPMENT IN BANKS

The banks must emphasis on human resource development as one of the critical areas of its operations. It should redraw its training & development schedules to suit the requirements of the current emerging scenario. Requisite training should be imparted to various branch level functionaries as also administrative staff. Besides in-house training the reputed external agencies should be utilized for human resource development with a view to updating their knowledge & to keep them abreast of the current banking scenario for meeting the challenges ahead. The concept of segment specialization may be resorted to in respect of the personnel selected therefore. It is now thought expedient to plan & strengthen the squad of skilled officers in various segments as IT, marketing management, risk management, risk based supervisors, law, security, etc.The lead bank must play an effective role in improving the work environment & pursuing staff welfare measures in the form of whole range of financial assistance with reference to various loans of sorts.

Human resource skills are other areas of challenge. Because of modernization & technological advancement rigorous training & man power planning are required.

In the market scenario characterized by heightened competition, growing customer needs & technological up gradation, the bank fine tunes its HT policy to meet its corporate objectives.

New training systems have been developed to impart competencies & a broad range of skills among the employees to deliver faster & superior service that can delight the customers. The Industrial Relations in the banks have been harmonious & cordial.

12.1 TRAINING & DEVELOPMENT

Meaning & Definition:

Training:

Organization & individual should develop & progress simultaneously for their survival & attainment of mutual goals. So every modern management has to develop the organization through human resource development. Employee training is the important sub system of human resource management. Employee training is a specialized function & is one of the fundamental operative functions for human resources management.

After an employee is selected, placed & introduced he or she must be provided with training facilities. Training is the act of increasing the knowledge & skill of an employee for ding a particular job. Dale S. Beach defines the training as ―the organized procedure by which people learn knowledge & skill for a definite purpose.‖ The training system in the banking industry has a strong structural base.

However, in the past the training activities have been more ritualistic due to absence of a strategic link between training & human resources development. Today, it is important that the training function is made an effective organizational intervention by establishing a clear policy of training & development within the framework of total human resource development. The training establishments need to be actively involved in the total training process starting from the identification of the training needs, evaluation of training effectiveness & the benefits of training to the end users viz. the internal & external customers. The need for training & development is determined by the employee‘s performance deficiency, computed as follows:

Training & Development Need = Standard Performance – Actual Performance.

We can make a distinction among training, education & development. Training, as was started earlier, refers to the process of imparting specific skills. Education, on the other hand, is confined to theoretical learning in the classrooms. Training & Education Differentiated:

TRAINING	EDUCATION
Application oriented	Theoretical oriented
Job experience	Classroom learning
Specific tasks	General concepts
Narrow perspective	Broad perspective

Development:

–Give a man a fish, & you give him meal. Teach man to fish, & you give him a livelihood.‖

This ancient Chinese proverb seems to describe the underlying rational of all raining & development programs. No banking organization can long ignore the training & development needs of its employees without seriously inhabiting the performance. Even the most careful selection does not eliminate the needs for training, since people are not molded to specifications & rarely meet the demands of their jobs adequately.

This HRM function deals with the overall development of the employees. This includes their professional & well as their personal development. It is a part of HRM function to identify opportunities for enhancing the skills of the resources. Promotion is regarded as one of the ways of recognizing development undertaken by an employee. Development is also largely dependant on training. Generally people think that training & development are one & the same, but there are many differences between them.

THE TRAINING PROCESS

12.2. RECRUITMENTs

Meaning and definition:

The human resources are the most important assets of an organization. The success or failure of an organization is largely dependent on the caliber of the people working therein. Without positive and creative contributions from people, organizations cannot progress and prosper. In order to achieve the goals or the activities of an organization, therefore, they need to recruit people with requisite skills, qualifications and experience. While doing so, they have to keep the present as well as future requirements of the organization in mind. Once the required number and kind of human resources are determined, the management has to find places where the required human resources are/will be available and also find means of attracting them towards the organization before selecting suitable candidates for jobs.

Recruitment is defined as, ― A process to discover the sources of man power to meet the requirements of the staffing schedule and to employ effective measures for attracting that man power in adequate numbers to facilitate effective selection of an efficient work force.

Objectives of recruitment

Some of the objectives of recruitment are:

- To attract people with multi-dimensional skills and experiences that suits the present and future organizational strategies.
- To induct outsiders with a new perspective to lead the company.
- To infuse fresh blood at all levels of the organization.
- To devise methodologies for assessing psychological traits.

Process of Recruitment:

Recruitment refers the process of identifying and attracting job seekers so as to build a pool of qualifies applicants. This process comprises of five interrelated stages, viz,

- Planning
- Strategy development
- Searching
- Evaluation and control

The ideal recruitment process is the one which attracts relatively larger number of qualified applicants who will survive the screening process and accept positions with the organization, when offered to approach the ideal people, individuals responsible for recruitment process must know how many types of employees are needed, where and how to look for individuals with appropriate qualifications and interests, what inducements to use for various types of applicants group, how to distinguish applicants who are unqualified from those who have a reasonable chance of success, and how to evaluate their work.

12.3. SELECTION

Definition

Selection is defined as the process of differentiating applicants in order to identify and hire those with a greater likelihood of success in a job. The objective of selection decision is basically picking an applicant from a pool of applicants who has the appropriate qualifications and competency to do the job. The selection procedure cannot be effective until and unless-

- Requirements of the job to be filled have been clearly specified.
- Employee specifications (physical, mental, social, behavioral etc) have been clearly specified.
- Candidates for screening have been attracted.

Selection process is preferable because:

- It is easier for applicant as they can send their applications to a single centralized department/agency.
- It facilitates contacts with applicants because issues pertaining to employment can be cleared through one central location.

- It helps operating managers to concentrate on their operating responsibilities. This is helpful during peak operating period.
- It can provide for better selection because hiring is done by specialist trained in staffing techniques.
- The applicant is better assured of consideration for a greater variety of jobs.
- Hiring cost may be cut because duplication of efforts is minimized.

Selection Process:

The selection process consists of the following steps:

1. **Application form:** Many companies formulate their own style of application form depending upon the size and nature of business carried on, type and level of the job etc. Information is generally required on the following items in the form: personal background, educational attainments, work experience references etc.

2. **Written test** : Written test is conducted for the qualified candidates after they are screened on the basis of application form to measure the candidates ability towards the job, his aptitude reasoning, knowledge in various disciplines, English language etc.

3. **Preliminary Interview:** The next step that tag along the selection procedure is a preliminary interview wherein the applications are scrutinized so as to eliminate unqualified applications. Preliminary Interviews are short. This interview thus provides information about the candidate related to the job or personal specifications.

4. **Selection Test:** After passing through the interview the next stage that applicant has to prove himself on are the selection tests. There are different types of selection tests for different levels of the organization and that too is further differentiated within different types of organizations. Some of the most common and well-known tests that an applicant has to go through are;

a) **Aptitude test**

b) **Personality tests:** This is common mostly for the higher levels of management are given to measure a prospective employee‘s motivation to function in a particular working environment.

c) **Internal test:** To measure an individual‘s activity preferences.

d) **Graphology Test:** is an art wherein the individual‘s handwriting is seen and accordingly his personality traits are derived by the way he writes.

e) **Polygraph Test:** Are designed to ensure accuracy of the information given in the applications.

f) **Medical Tests:** Reveal physical fitness of the candidate.

g) **Drug test:** Help to ensure the presence of illegal or Performance- affecting drugs.

1. **References and background checks:** Many employer request names, address, and telephone numbers or references for the purpose of verifying information and, perhaps, gaining additional background information on an applicant.

2. **Selection Decision:** After collecting data from all the preceding steps, this is the most crucial step in the entire selection process. The main difference between the preceding stages and this is that former is used to short list the number of candidates and later one is to make a final decision from the pool of individuals who pass the tests, interviews and reference checks. The view of line manager will be generally considered in the final selection because it is he/she who is responsible for the performance of the new employee. The HR manager plays a crucial role in the final decision.

3. **Physical Examination:** After the selection decision and before the job offer is made, the candidate is required to undergo a physical fitness test. The result of the medical fitness test is recorded in a statement and is preserved in the personal records. The main objectives of this test are as follows:

- To detect if the individual carries any infectious diseases.
- To determine whether an applicant is physically fit to perform the work.
- It helps to determine if there are any physical capabilities which differentiate successful and less successful employees.

- Medical checkup protects applicants with health defects from undertaking work that could be detrimental to them or might otherwise endanger the employer's property.
- Last, but not the least such examination will protect the employer from workers compensation claims that are not valid because the injuries or illness was present when the employee was hired.

1. Job offer: The next step is selection process is Job offer for those applicants who had passed the previous stage. Job offer is made through a letter of appointment. Such a letter usually contains the date by which the appointee must report on duty.

Appointee must be given a reasonable time for reporting because it may be quite possible that the appointee is employed in some other company or must be residing in some other city and for such other reasons. Company may also want the appointee to delay in joining the job because the job may require undergoing some training program. Decency demands that rejected applicants must be informed about their non-selection. These applicants' data must be used for future references.

2. Contract of employment: After the job offer is made and the candidates accept the offer, certain documents need to be executed by the employer and the candidate. One such document is Attestation form. This form contains vital details about the candidate, which are authenticated and attested by him/her, which could be used for future reference. Another document is contract of employment. This document contains the terms and conditions of employment like designation, perks, term of job and so on. The information written in the contract may vary according to the level of the job. The main drawback of the contract is that it is difficult to enforce them.

3. Concluding the selection process: The selection process will not end with executing the employment contract. The step is reassuring the candidates who have not been selected. Such candidates must be told that they were not selected, not because of any serious deficiencies in their personalities, but because their profiles did not match the requirements of the organization.

4. Evaluation of selection process: The broad test if the effectiveness of the selection process is the quality of the personnel is hired. An organization must have competent and committed personnel. The selection process, if properly done, will ensure availability of such employees. Audit must be conducted by the people who work independent of the HR department.

New methods of selection:

1.360 degree selection or participative selection:

Normally supervisors administer the selection test and interview. They judge the fit between the job and the candidate. But the employee skills, knowledge and performance affect not only superiors but also subordinates and the employees of the same level. Hence the organization started involving the subordinates and the employees of the same level in administrating the employment tests and interviews. This type of selection program is called 360 degree program.

2. Employee leasing:

The client company leases employees from a third party, not on temporary basis but on a full time basis and for long help. An interesting feature is that the client company need not perform personnel activities such as hiring compensation or record keeping. Employees working elsewhere are leased. They are not directly employed by the company where they are working. Employees not recruited by one client are sent to another.

3. Selection by invitation:

Management observes the performance of the key executives of competitors. If the performance of the key executives is excellent or the key executives are the change agents, the management invites them to join the organization by offering attractive salary and benefits. Thus, the significant performance of the executives forms basis for selecting them by invitation.

CHAPTER-13

13.0 HRM ISSUES IN PUBLIC SECTOR BANKS

Background:

Among the 12 services classified under the services definition of GATS, banking is one of the prominent one. Banking industry in India is one of the most diversified and heterogeneous in terms of ownership; co-existence of private and public sector is one of the best examples of peaceful co-existence of two entirely different cultural systems in the services sector. Coupled with that, the country has a large number of foreign banks with altogether a different work culture and climate. The simultaneous existence of so many types of work ethos, systems and processes are truly symbolic of the great Indian unity amongst diversity. Notwithstanding the fact that lots of efforts have gone into bringing technological & process congruence, it is really unfortunate that very little has been done on the human resource front in this regard.

Unfortunately, public sector banking has been the biggest victim, being governed by outdated & prohibitive sets of government guidelines. The Management often complains lack of adequate power and flexibility; the Trade Unions often look at any directional change with a sense of suspicion; majority of the workforce remains in dream-world of the pre-liberalized scenario of work security. The result is that public sector banks are least concerned about human resource management and reforms thereto and consequently remain under-productive.

Though renaming of Personnel departments to HR departments took place quite a few years ago in some of the public sector banks, the work processes & culture in many of them till today remain outdated and are not in a position to meet changing expectations of the human talent within.

The scope of this is limited to address some of the fundamental issues in areas of human resource management front in the public sector banking in India.

CHAPTER-14

14.0ORGANIZATIONAL PROFILE OF STATE BANK OF INDIA

State Bank of India is the largest and one of the oldest commercial bank in India, in existence for more than 200 years. The bank provides a full range of corporate, commercial and retail banking services in India. Indian central bank namely Reserve Bank of India (RBI) is the major shareholder of the bank with 59.7% stake. The bank Total is capitalized to the 359.237 billion with the public holding (other than promoters) at 40.3%. SBI has the largest branch and ATM Network spread across every corner of India.

The bank has a branch network of over 15004 branches (including subsidiaries). including 157 foreign offices in 41 countries around the world making it The Largest Banking and Financial Services Company in India, correspondent relationship with 520 International banks in 123 countries. In recent past, SBI has acquired banks in Mauritius, Kenya and Indonesia. The bank had total staff strength of 292,215 as on 31st January, 2013. Of this, 29.51% are officers, 45.19% clerical staff and the remaining 25.30% were sub-staff. The bank is listed on the Bombay Stock Exchange, National Stock Exchange, Kolkata Stock Exchange, Chennai Stock Exchange and Ahmedabad Stock Exchange while its GDRs are listed on the London Stock Exchange. SBI group accounts for around 25% of the total business of the banking industry while it accounts for 35% of the total foreign exchange in India. With this type of strong base, SBI has displayed a continued performance in the last few years in scaling up its efficiency levels. Net Interest Income of the bank has witnessed a CAGR of 13.3% during the last five years. During the same period, net interest margin (NIM) of the bank has gone up from as low as 2.9% in FY02 to 3.40% in FY06 and currently is at 3.32%.

State Bank of India		
Year	Imperial Bank of India 1900	Mumbai, Maharashtra, India 1 July 1995
Workers	19000 in 2006	292215 in 2012
Branch	12000 in 2006	15004 in 2012
Asset	274 billion	359.237 billion
Establishments	2 June 1806	1969 nationalized
Government of India		

State Bank of India

Overview

State Bank of India is a largest commercial Bank in India entity on the corporate scene having diversified business interests that include Financial Institution.

The State Bank of India, the largest public sector bank of India, offered voluntary scheme (VRS) to trim its workforce as recommended that the banking industry was overstaffed. SBI implemented a VRS or the ―Golden Handshake‖ system. The vast workforce that was once regarded as one of SBI‘s strongest assets became a liability following the computerization of the bank. The introduction of this scheme leads to strong protests and SBI faced with a prospect of losing its talented employees and be left with less efficient employees (2012).

Quality is our essence and we, at State Bank of India, have always stressed on the Qualitative aspect. Consequently in this run for quality, quantity has always pursued us. We look forward to reaching the zenith and reaffirm our commitment to the process of sound nation-building.

CORE COMMITMENTS - OUR STRENGTH

- Emotion
- Discipline
- Duty
- No discrimination
- Quality
- Give respect
- Self-respect
- Truth
- Collective Materialism
- Religion
- Absolute Honesty

What

A commitment of State Bank of India to the genuine needs and rights of anybody & everybody - Be it to a depositor, Share Holder, consumer. ... all business associates and Sahara India Family Members.

Need

India needs effective consumer protection and protection of workers' genuine rights. There are various agencies, promising protection & action. But no external body can provide justice unless the company becomes 'QUALITY CONSCIOUS' WITH STRICTLY NO DISCRIMINATION POLICY AND JUSTICE CONSCIOUSNESS as its very dominating nature.

Motto

We not only believe but practice NO DISCRIMINATION, JUSTICE & HIGH QUALITY - means enthusiastic, productive performance of duty "KARTAVYA' towards the consumer', workers' genuine satisfaction.

Aim

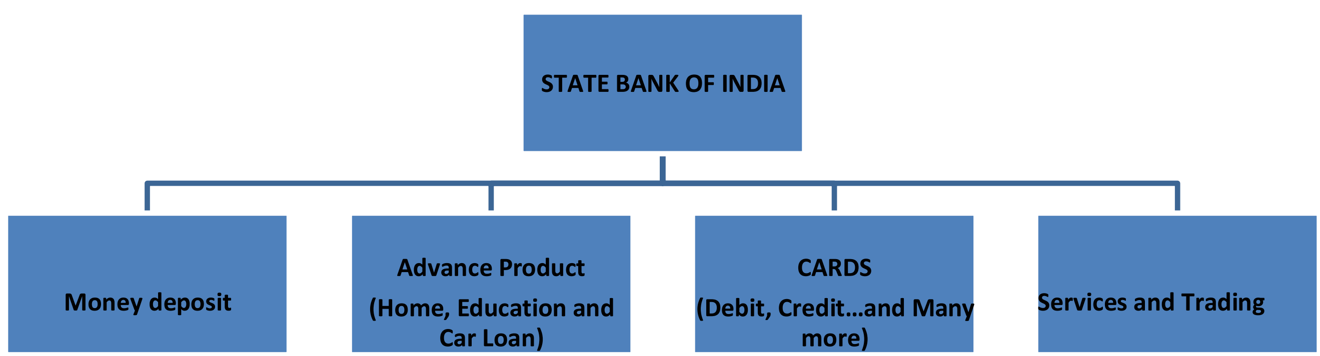
To provide justice - be it a matter of the tiniest imperfection or injustice in our COMMITMENT - products or services. Direct or indirect, short term or long term.

Where

Kindly rush your grievances/suggestions or any queries related to State Bank of India Services to the nearest S.B.I Branch establishment and/or to:

—Response Will Never Be Delayed and Justice Will Never Be Denied‖

BUSINESS ENTITIES



CHAPTER-15

DATA ANALYSIS AND INTERPRETATION

15.0 ANALYSIS OF SECONDARY DATA

Training and Development Function in Banking Sector

TEAM-HEAD

- TNI
- Training calander
- Training budget
- Training feedback
- Training manuals
- Approvals/concept paper

TEAM MEMBER 1

- IT support
- Project/Summer training
- Induction manual/ppt
- Training feedback or evaluation
- Admin task
- Database management
- MIS-T&D

TEAM MEMBER 2

- Module design
- Module development
  - Internal TNI
  - External TNI
- Product/Process Training

  Project/Summer training
- HRIS support
- Best HR practices

TEAM MEMBER3

- Training initiative
  - Internal
  - External
- Concept Development
- Write-ups& Briefing
- Training Evaluation
- PD e-manual
- Project/summe

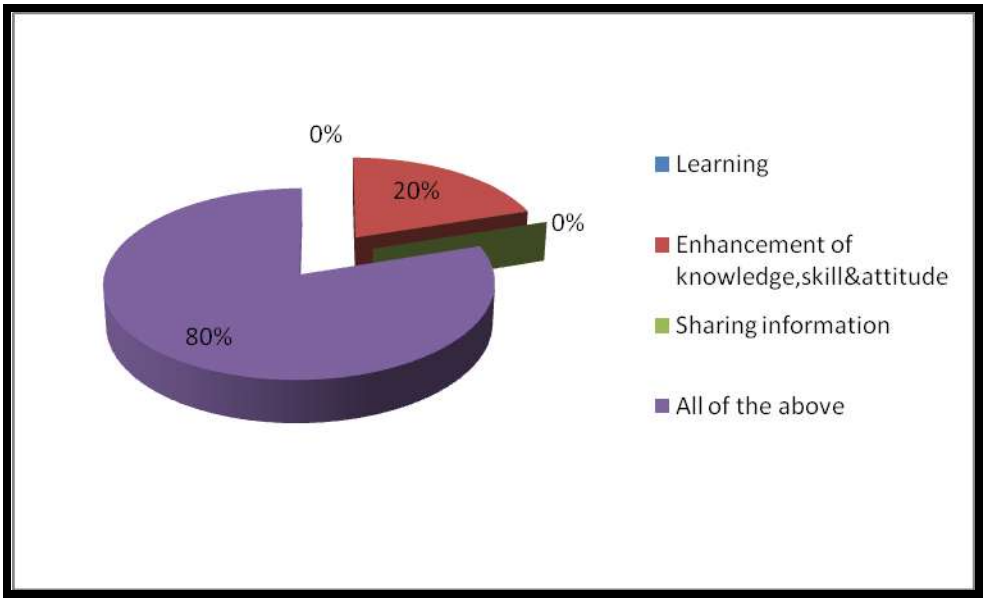
TEAM MEMBER4

- Library mgmt
  - Books
  - Journal
  - Newspaper
- Dak(In/out) database
- Record Maintenance
- Admin follow Up
- Bulletin/Board management

15.1 ANALYSIS OF PRIMARY DATA

What do you understand by training?

Learning	0
Enhancement of knowledge, skill &attitude	4
Sharing information	0
All of the above	16

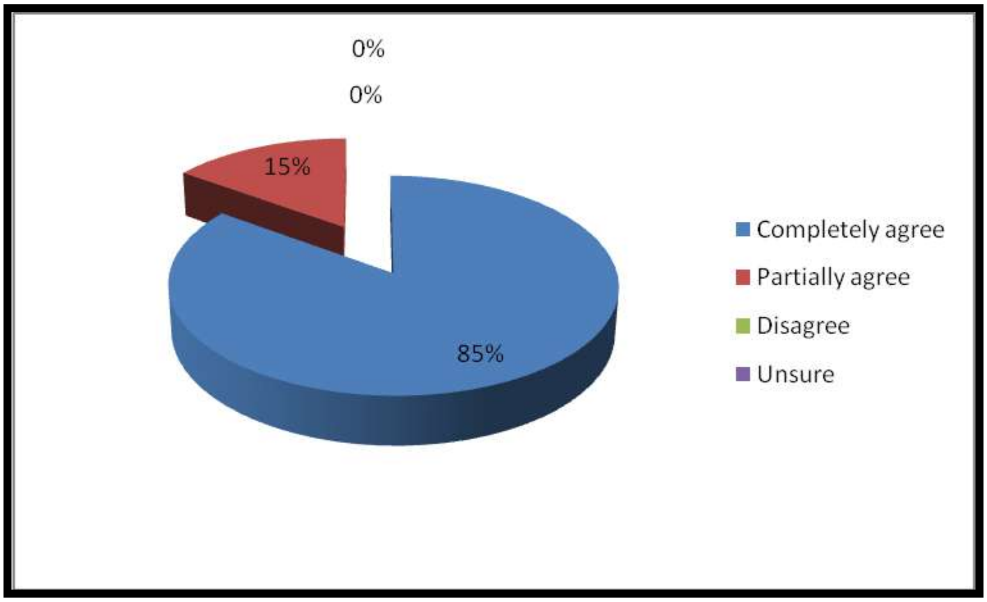


ANALYSIS

The above result shows that most of the State Banks of India Employees are well aware of the definition, inputs and purpose of the training program. They are self-motivated to attend such training program as it will result in their skill enhancement & improving their interpersonal skill.

2. Training is must for enhancing productivity and performance.

Completely agree	17
Partially agree	3
Disagree	0
Unsure	0

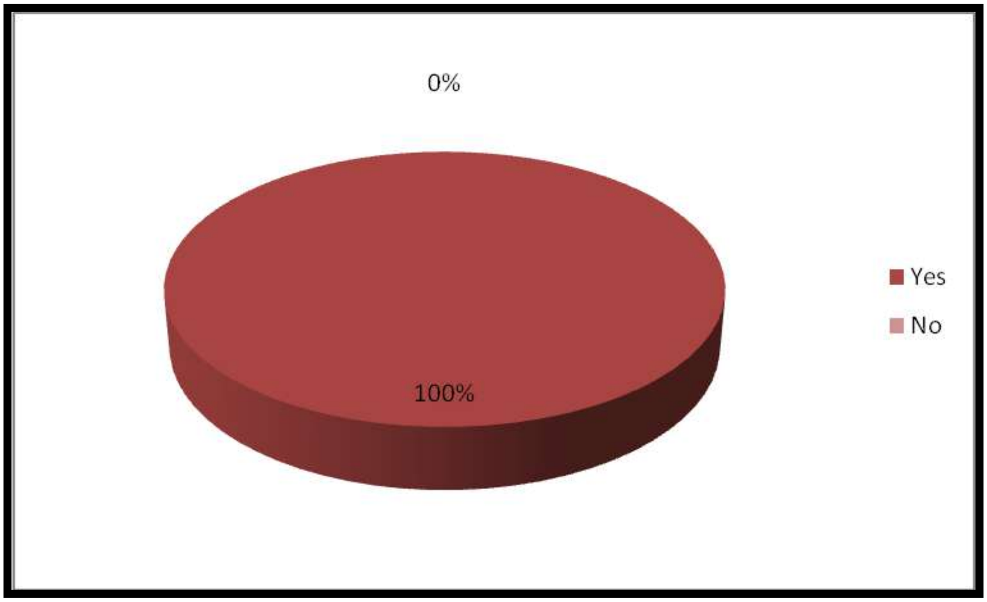


ANALYSIS:

The above result shows that mostly State Banks of India Employees are well aware of the role and importance of the training. It means somewhere their productivity and performance has been improved after the training program attended by them and it helped them to achieve their goal.

3. (i). Have you attended any training program in the last 01 year?

Yes	20
No	0

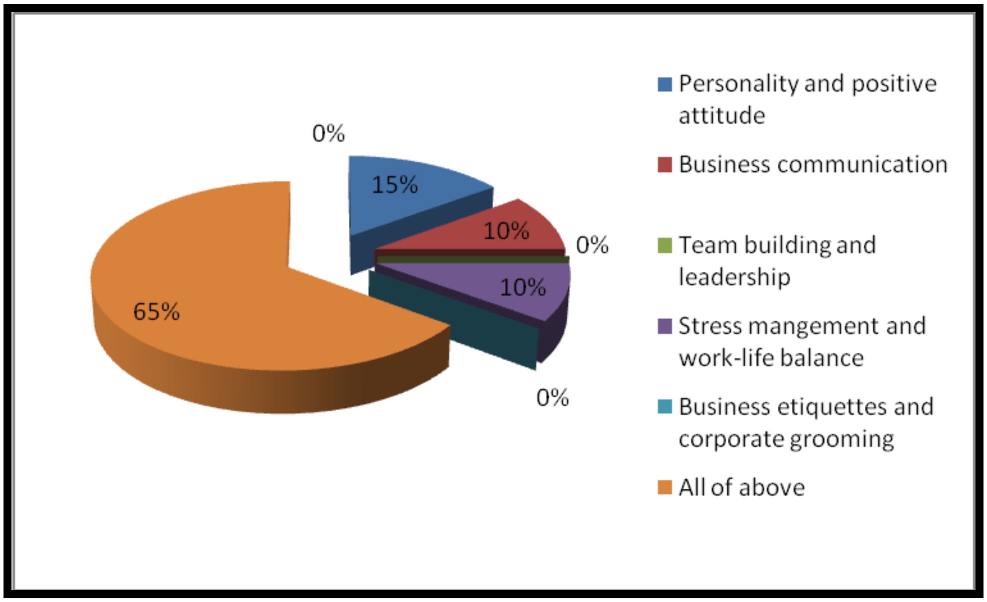


ANALYSIS:

100% respondents had attended training program in the last 01 year. It means in State Banks of India HR Department, time to time training is provided to all the Bank's Employs and it is continuous process.

(ii). If yes, which module of soft skill development training?

Personality and positive attitude	3
Business communication	2
Team building and leadership	0
Stress management and work-life balance	2
Business etiquettes and corporate grooming	0
All of above	13
If any other ,please specify	0

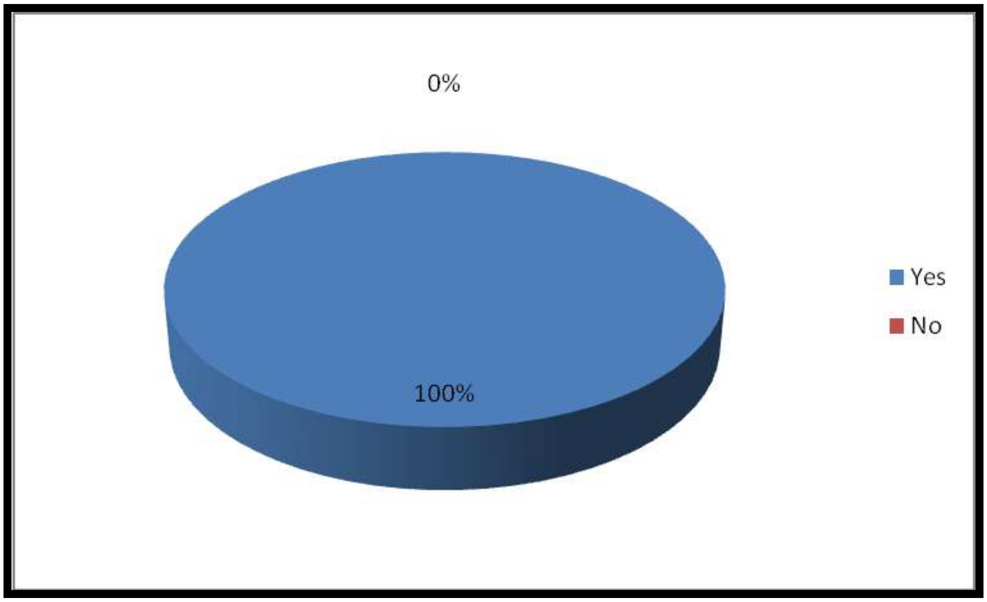


ANALYSIS:

65% respondents had attended all the five modules of soft skill development training. But besides soft skill development training, HR department of State Banks of India Employees should also provide product/process or skill based training to enhance the employability.

4. (i). After the training, have you given feedback of it?

Yes	20
No	0

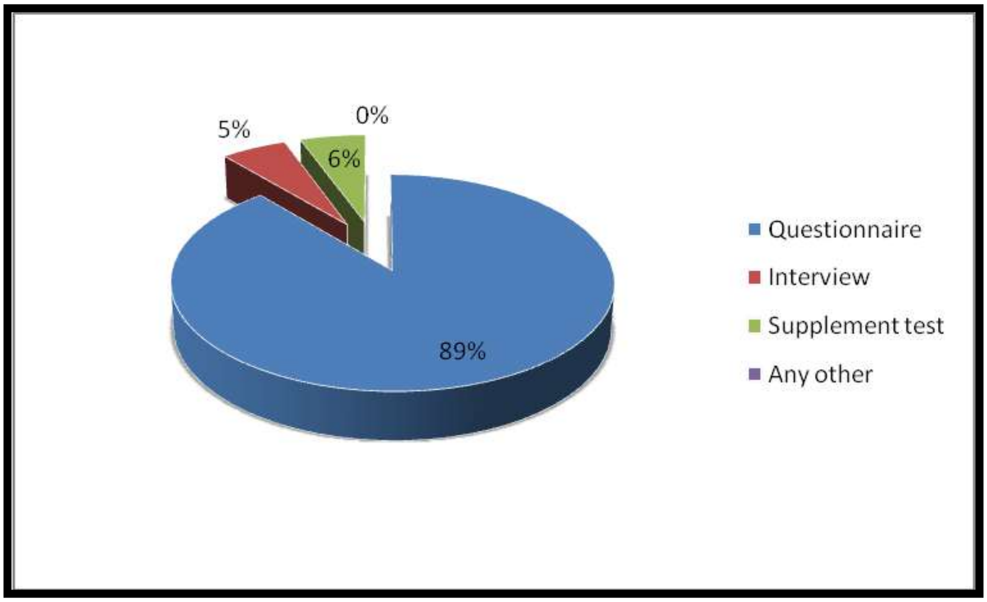


ANALYSIS:

100% respondent had given feedback after attending the training. It means each and every respondent are well aware of the importance of giving feedback. They know that their feedback is very important to identify the effectiveness and valuation of training program.

(ii). If yes, through which method?

Questionnaire	16
Interview	1
Supplement test	1
Any other	0

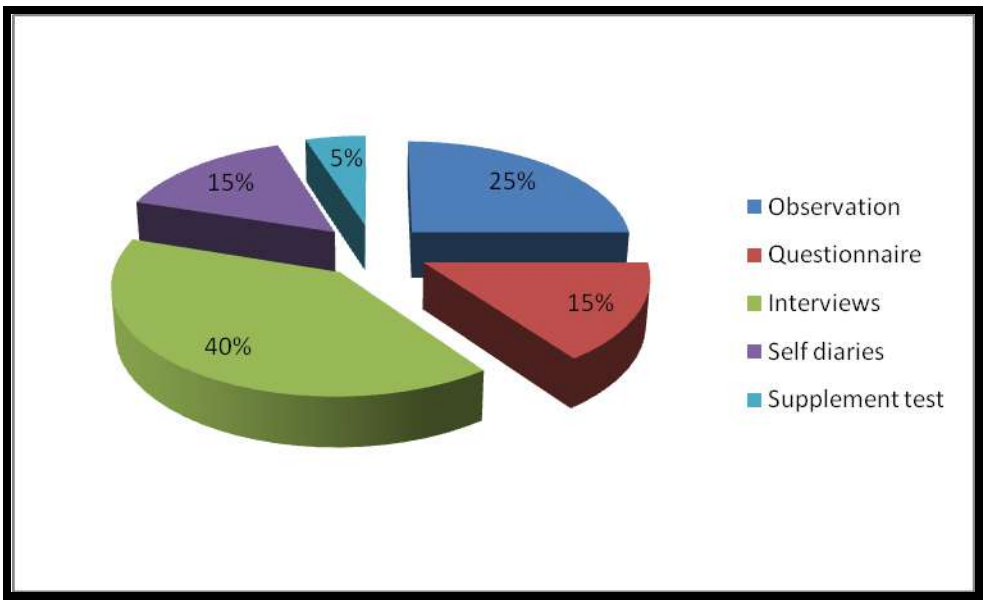


ANALYSIS:

The above result shows that the questionnaire is the most popular method of evaluating the training program and other methods are not very much in practice in co HR Department, State Banks of India But since there are various other methods of evaluation of training program like **interviews, supplement test, self-diaries & observation** so it should also implement the other methods also to identify the ROI (return on investment) & effectiveness and valuation of the training program.

1. Which method of post training feedback according to you is more appropriate?

Observation	5
Questionnaire	3
Interviews	8
Self-diaries	3
Supplement test	1



ANALYSIS:

I. Corporate HR, Sahara India Pariwar, mostly use the questionnaire to get the feedback of trainees but only 15% respondents are in favor of questionnaire because in it there is a possibility of getting inaccurate data and in this responding conditions are also not controlled.

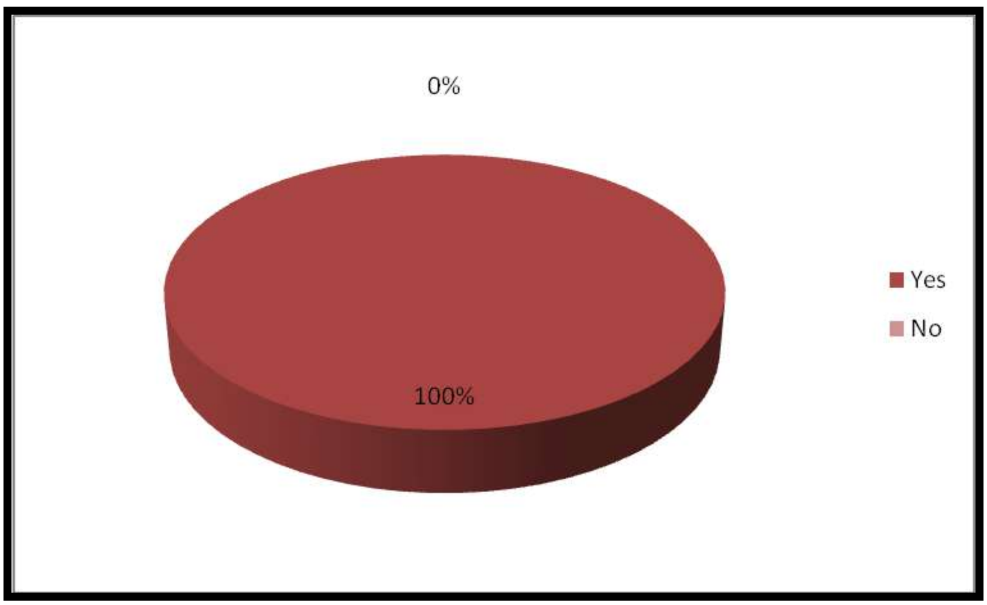
II. On the other side 40% respondents feel that interview is the most appropriate method of evaluating the training program because it is more flexible method, and in this they can get the opportunity for clarification and the most important thing is that in the interview, personal interaction is also possible.

III. 25% are in favors of observation because this is non-threatening and is excellent way to measure the behavioral changes.

IV. Beside this, 15% are in favors of self-diaries and 5% are in the favour of supplement test. It means that HR department of State Banks of India Employees should also try to use other method of evaluation of training program.

6.(i). Do you think that the feedback can evaluate the training effectiveness?

Yes	20
No	0

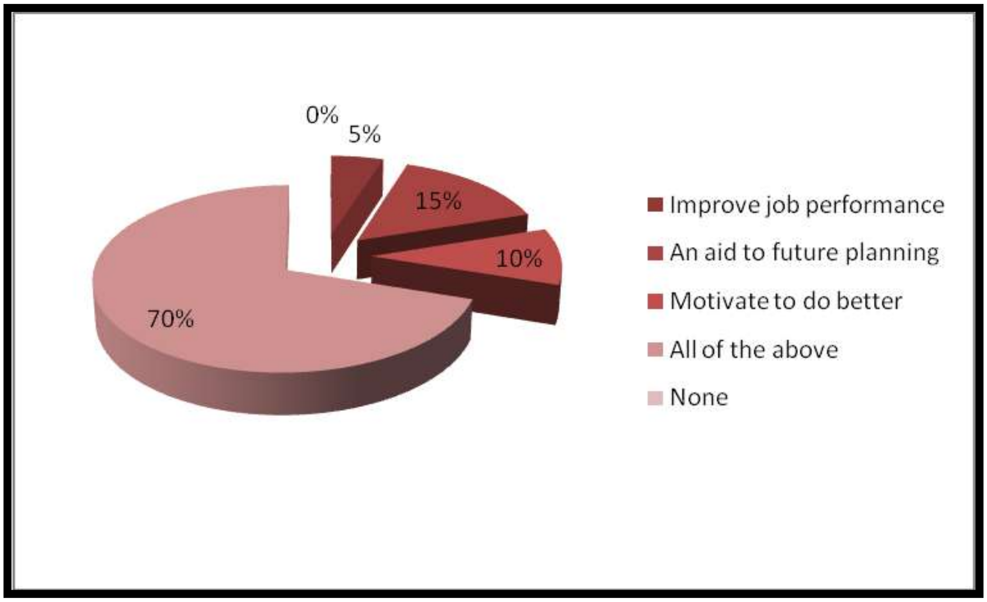


ANALYSIS:

100% respondents think that the feedback can evaluate the training effectiveness. It means that HR department of State Bank of India are well aware of the importance of taking feedback after the training.

(ii).If yes, how can the post training feedbacks can help the participants?

Improve job performance	1
An aid to future planning	3
Motivate to do better	2
All of the above	14
None	0

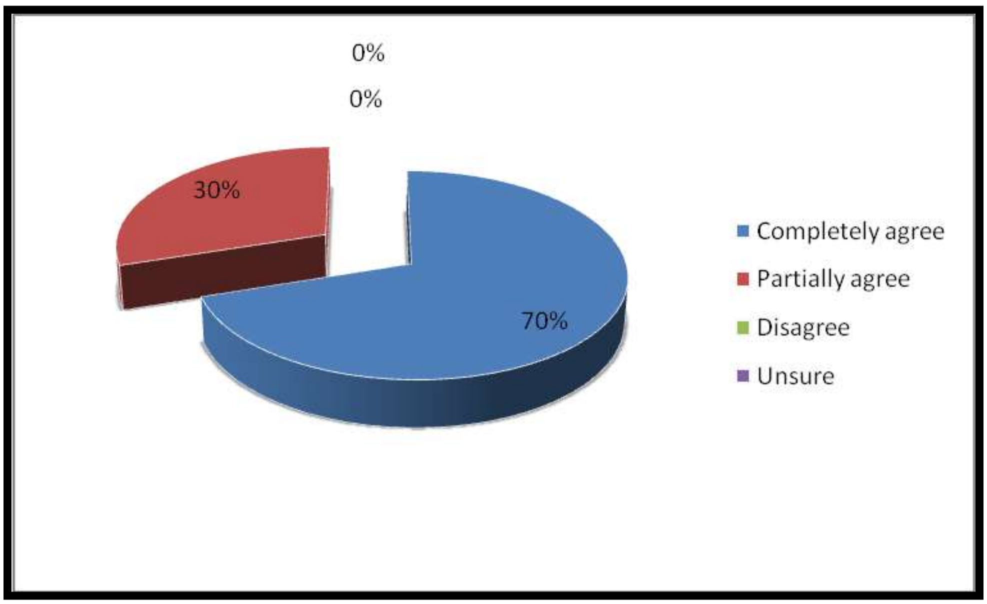


ANALYSIS:

70% respondent feel that the post training feedback can help the participants to improve their job performance, is an aid to future planning and can motivate to do better. It means that they are benefited by giving feedback of the training, attended by them.

7. Post training evaluation focus on result rather than on the effort expended in conducting training.

Completely agree	14
Partially agree	6
Disagree	0
Unsure	0

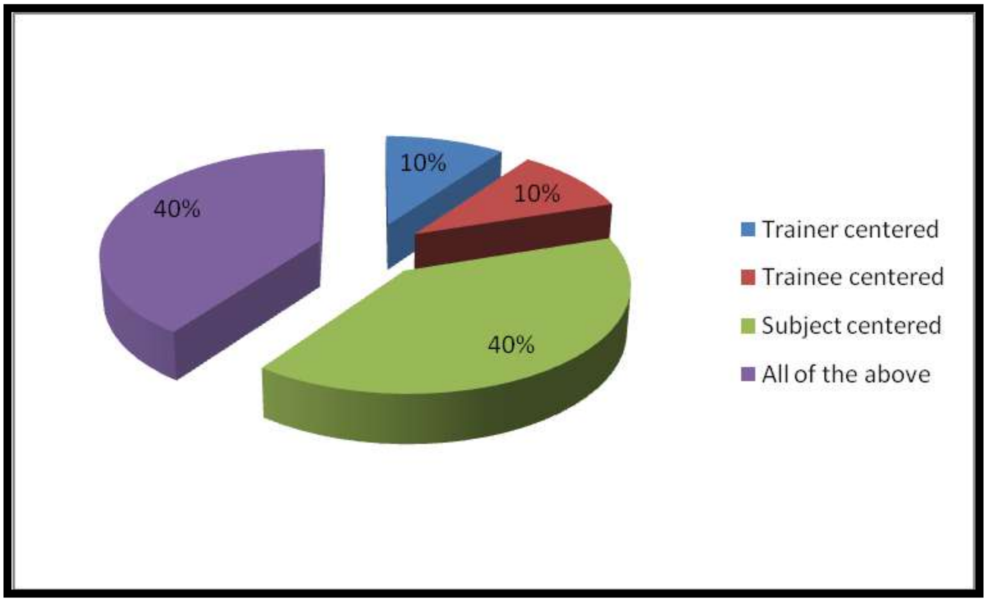


ANALYSIS:

70% respondents are completely agree and 30% respondents are partially agree with the statement that post training evaluation focus on result rather than on the effort expended in conducting training program. It means that all the respondent are well aware of the purpose and objective of the post training evaluation.

8. What should be the approach of post training evaluation?

Trainer centered	2
Trainee centered	2
Subject centered	8
All of the above	8



ANALYSIS:

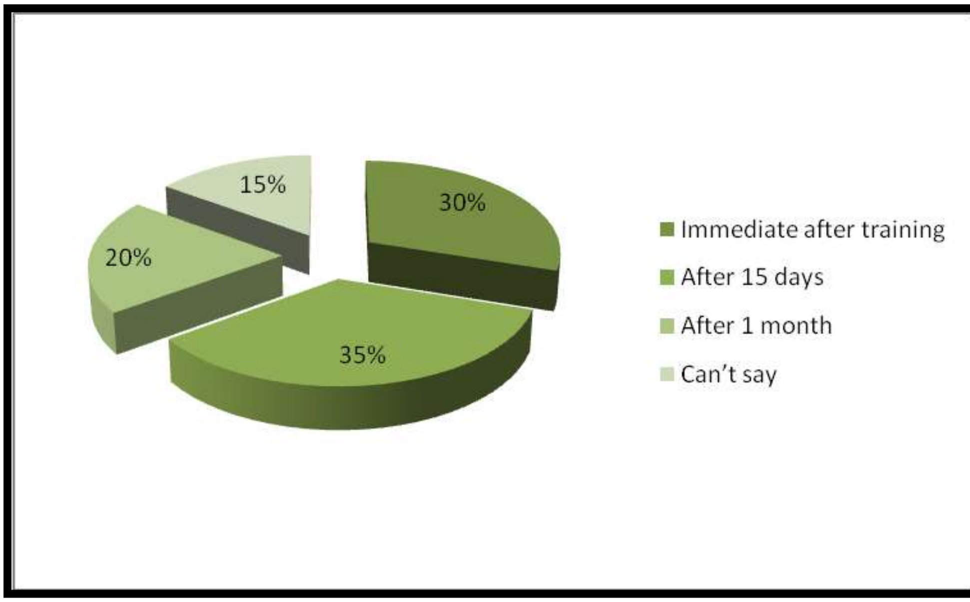
I. 40% respondents feel that the approach of post training evaluation should be subject cantered and 40% respondent also feel that it should be trainer, trainee and subject cantered.

II. 10% respondents are in favors of trainee cantered approach and 10% respondents are in favors of trainer cantered approach.

It means that the evaluation procedure should be implemented concerning trainer, trainee and subject.

9. What should be the ideal time to evaluate the training?

Immediate after training	6
After 15 days	7
After 1 month	4
Can't say	3



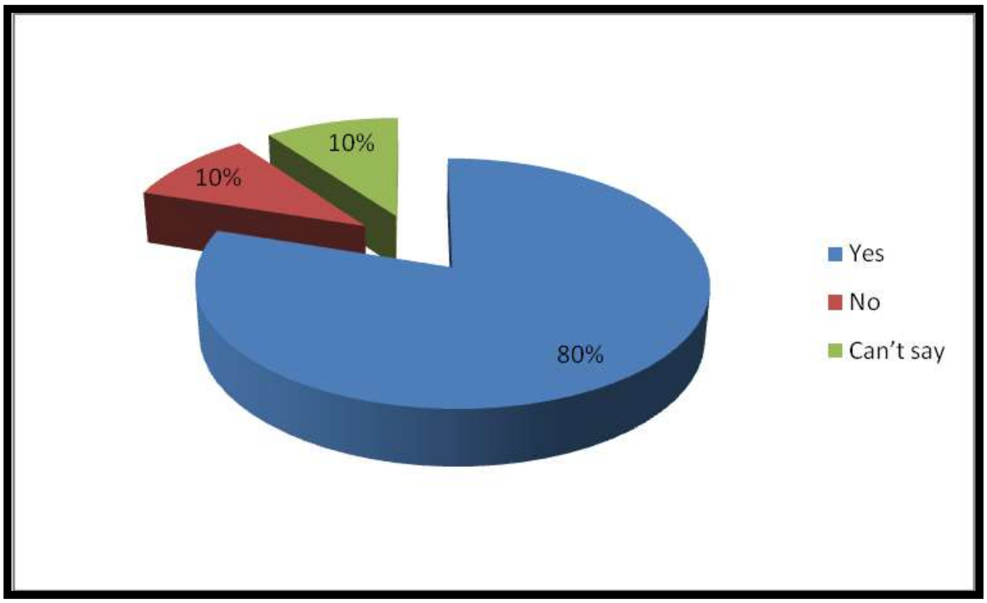
ANALYSIS:

35% respondent feel that training should be evaluate after 15 days.30% feel that it should be immediate after training. 20% feel that ideal time to evaluate the training is after 1 month and 15% are unsure.

Since each respondent had attended different training program. So the ideal time of evaluation of training depends on types of training. It could be vary for different training.

10. Should the post training evaluation procedure reviewed and revised periodically?

Yes	16
No	2
Can't say	2

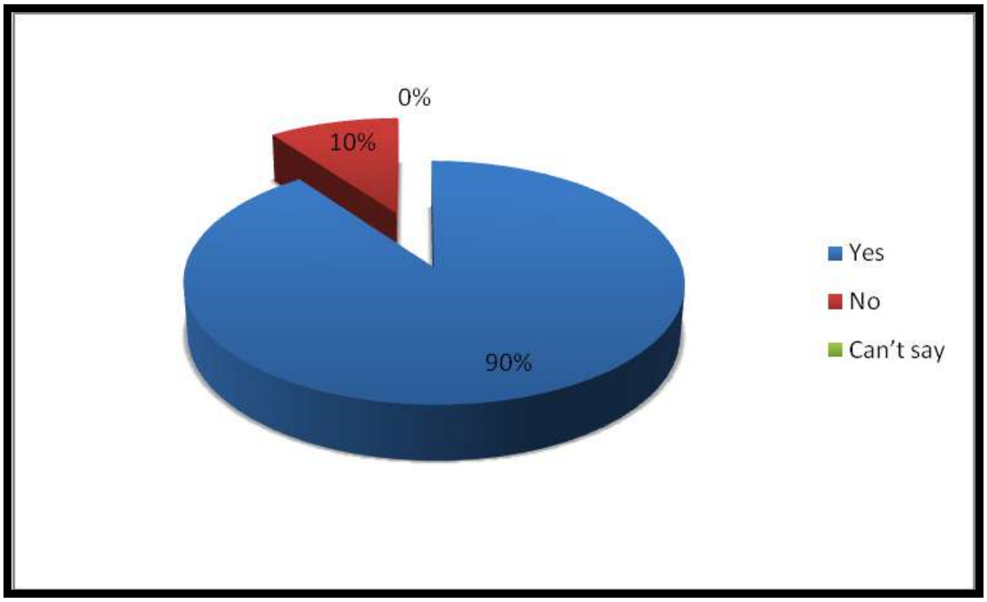


ANALYSIS:

80% respondents feel that the post training evaluation procedure should be reviewed and revised periodically. It means that it has to be a continuous process and be taken regularly by the line manager/Reporting manager of the participants. It could also be taken by peer group. Still 10% feel that the post training evaluation procedure should not be reviewed and revised periodically. It means they are satisfied with the post training evaluation procedure, followed by State Bank of India HR Department.

11. Is the whole feedback exercise after the training worth the time, money and effort?

Yes	18
No	2
Can‘t say	0



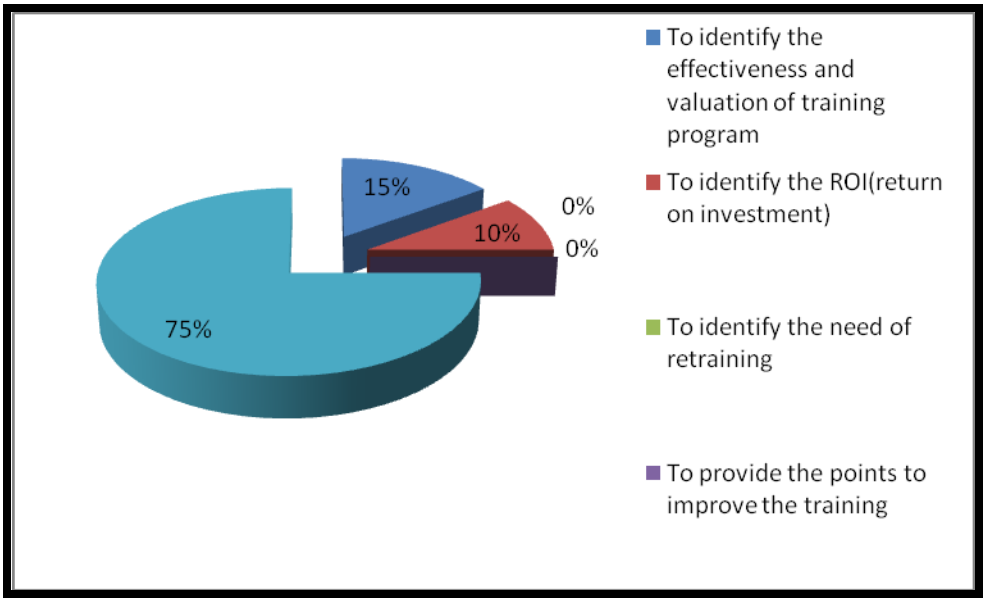
ANALYSIS:

90% respondents feel that the whole feedback exercise worth the time, money and effort and 10% respondent are not agree with this. It means that feedback exercise is valuable and wrathful for the participant to achieve their personal goal as well as for the organization.

Still 10% are unsure about it. So there is a need to create awareness among them that how much the feedback exercise is important to identify the effectiveness and valuation of the training program, to identify the ROI(return on investment),to identify the need of retraining and identify the points to improve the training.

12. The post training feedback can be used:

To identify the effectiveness and valuation of training program	3
To identify the ROI(return on investment)	2
To identify the need of retraining	0
To provide the points to improve the training	0
All of above	15



ANALYSIS:

75% respondents feels that post training feedback can be used to identify the effectiveness and valuation of training program, to identify the ROI, to identify the need of retraining and to provide the points to improve the training. And others are also aware of the importance of post training feedback.

CHAPTER-16

16.0 KEY FINDINGS

- Mostly all the State Banks Of India Employees are well aware of the role and importance of the training They are self-motivated to attend such training program as it will result in their skill enhancement & improving their interpersonal skill.

- Corporate HR, State Banks of India, time to time training is provided to all the Employees and it is continuous process.

- Two types of training are provided to the Employees by State Banks of India -induction training and soft skill development training.

- Questionnaire is the most popular mean of evaluating the training program in State Banks of India.

- Most of the Employees feel that interview is the most appropriate method of evaluating the training program.

- Post training evaluation focus on result rather than on the effort expended in conducting the training and it worth the time, money and effort.
- Most of the participants are benefitted by giving feedback after attended the training. It motivated them to do better, helped them to increase their job performance and is an aid to future planning.

- In State Bank Of India , post training evaluation is used to identify the effectiveness and valuation of training program, to identify the ROI(return on investment), to identify the need of retraining and to provide the points to improve the training.

16.1 SUGGESTIONS AND RECOMMENDATIONS

- The management must commit itself to allocate major resources and adequate time to training.
- Ensure that training contribute to competitive strategies of the firm. Different strategies need different HR skill for implementation. Let training help employees at all levels acquire the needed skill.
- Ensure that a comprehensive and systematic approach to training exists, and training and retraining are done at all levels on a continuous and on-going basis.
- Ensure that there is proper linkage among organizational, operational and individual training needs.
- Skill based training (product/process training) should also be provided.
- Besides questionnaire other methods of post training evaluation should also be used like interviews, self-diaries, observation and supplement test.
- The evaluation procedure must be implemented concerning trainer, trainee and subject.
- Post training feedback has to be continuous and should also be taken from line manager/superior & from peers to find out the effectiveness and valuation of training.

16.2 LIMITATION OF THE STUDY

- The study is limited to the State Bank of India NCERT BRANCH. So the study is subject to the limitation of area.

- The time period of the study was only two weeks which may provide a deceptive picture in comparison of the study based on long run.

- Sampling size was of only 20, because only these people had attended soft skill development training.

- State Bank of India only provides soft skill development training, not skill based (product/process) training. So how can one evaluate the skill based training is still unresolved.

- The study is based only on secondary & primary data so lack of keen observations and interactions were also the limiting factors in the proper conclusion of the study.

16.3 CONCLUSION

Today, banks focus on designing programs and process and services to attract, develop and retain top talent. Utilizing the latest technologies HR team has launched sophisticated online systems that provide the employees with details on benefits, compensation, special programs and internal job opportunities. As a global employee population continues to grow, these cutting edge activities are increasingly important to the deliver world-class HR solution.

The core function of HRD in the banking industry is to facilitate performance improvement, measured not only in terms of financial indicators of operational efficiency, but also in terms of the quality of financial services provided. Factors like skills, attitudes and knowledge of the human capital play a crucial role in determining the competitiveness of the financial sector. The quality of human resources indicates the ability of banks to deliver value to customers. Capital and technology are replicable but not the human capital which needs to be valued as a highly valuable resource for achieving that competitive edge. The primary emphasis needs to be on integrating human resource management strategies with the business strategy. HRM strategies include managing change, creating commitment, achieving flexibility and improving teamwork. The other processes representing the overt aspects of HRM are recruitment, placement and performance management.

QUESTIONNAIRE

Dear Madam/Sir,

I, Prince Tiwari MBA Second Semester student pursuing my course from Bhai Parmand Institute of Business Studies. As a part of my curriculum I am undergoing Project Report at Human Relation Management in Banking Please give your views/opinions in the space given below about the project report feedback in STATE BANK OF INDIA. The information provided by you will be kept highly confidential and will be used by me strictly for an analysis only.

1) What do you understand by training?

a) Learning
b) Enhancement of knowledge, skill and aptitude
c) Sharing information
d) All of above

2) Training is must for enhancing productivity and performance.

a) Completely agree
b) Partially agree
c) Disagree
d) Unsure

3) (i) Have you attended any training programme in the last 01 year?

a) Yes
b) No

(ii) If yes, which module of soft skill development training?

a) Personality and positive attitude
b) Business communication
c) Team building and leadership
d) Stress management and work-life balance
e) Business etiquettes and corporate grooming

f) All of above

g) If any other please specify ____________________________

4) (i) After the training ,have you given feedback of it?

a) Yes
b) No

(ii) If yes, through which method?(can select more than one)

a) Questionnaire

b) Interview

c) Supplement test

d) If any other please specify ________________

5) Which method of post training feedback according to you is more appropriate?

a) Observation

b) Questionnaire

c) Interviews

d) Self-diaries

e) Supplement test

6) (i) Do you think that the feedback can evaluate the training effectiveness?

a) Yes
b) No

(ii) If yes, how can the post training feedbacks can help the participants?(can select more than one)

a) Improve job performance

b) An aid to future planning

c) Motivate to do better

d) All of the above

e) None

7) Post training evaluation focus on result rather than on the effort expended in conducting training.

a) Completely agree
b) Partially agree
c) Disagree
d) Unsure

8) What should be the approach of the post training evaluation?(can select more than one)

a) Trainer centered
b) Trainee centered
c) Subject Centered
d) All of the above

9) What should be the ideal time to evaluate the training?

a) Immediate after training
b) After 15 days
c) After 1 month
d) Can‘t say

10) Should the post training evaluation procedure reviewed and revised Periodically?

a) Yes
b) No
c) Can‘t say

11) Is the whole feedback exercise after the training worth the time, money and Effort?

a) Yes

b) No
c) Can‘t say

12) The post training feedbacks can be used:

a) To identify the effectiveness and valuation of the training programme

b) To identify the ROI(return on investment)

c) To identify the need of retraining

d) To provide the points to improve the training

e) All of above

13) Any suggestion for improving the post training feedback procedure exists in State Bank of India?

SIGNATURE

Dear Madam/Sir

We would appreciate your views sharing with us. This will help us to improve more. Please give your views/opinions in the space provided below about this Employee Developments and evaluate the improvements after the training.

Employee Details

Name		**E.C.**	
Grade		**Department**	

Training Programme

Name of the module	
Date	
Duration	
Venue	

S.B.I Employee's evaluation after training

S.NO	ATTRIBUTES	Rating – *Please tick* (✓)			
		EXCELLENT	GOOD	AVERAGE	NEEDS IMPROVEMENT
1	Employee's attitude towards his subordinates and co-workers				
2	Employee's ability to fulfil expected job requirements				
3	Communication skill of the Employee's.				
4	Listening skill of the Employee's				
5	Writing skill of the Employee's				
6	Conflict resolving skills				
7	Ability to work in a team				
8	Ability of taking initiative				
9	Motivational skill				
10	Patience and tolerance level				
11	Stress management skill				
12	Ability to work under pressure				
13	Business etiquettes of the Employee's				
14	Mannerism and behavior of the Employee's				
15	Punctuality at work place				

Q. Any other area where you would like to recommend this Employee's to undergo training?

____

____

____

____

____

Q. Whether this training is relevant to the present requirement of your Department?

☐ **Yes** ☐ **No**

Q. Would you recommend this training to other Employee's in your Department?

☐ **Yes** ☐ **No**

Q. Any suggestions for improving the effectiveness of the training.

____

____

____

____

____

____

SIGNATURE

BIBLIOGRAPHY

BOOKS

HRM IN BANKING [TY BCBI]

PERSONNAL MANAGEMENT/HRM - BHATIA S.K.

HRM: Contemporary Prospective – BREADWELL, IAN, HOLDEN, LEN

HRM &INDUSTIAL RELATIONS – SUBBA RAO

CASE AND EXERCIES IN HRM – GEORGE, STEVENS

PERSONNEL MANAGEMENT – MAMORIA, C.B.

WEBSITE

www.google.co.in

www.personnel.online.com

www.articlebase.com

www.humanmatrics.com

www.bussinessweak.com

www.sbi.co.in

University of Mumbai

A PROJECT REPORT ON

A study on night shift for women- Growth, opportunities and problems.

Bachelor of Management Studies

Semester VI

[2019-2020]

Submitted by

REETU RAMDULAR JAISWAR

SEAT NO: **1162802**

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala [E], Mumbai – 400037.

University of Mumbai

A PROJECT REPORT ON

A STUDY ON NIGHT SHIFT FOR WOMEN- GROWTH, OPPORTUNITIES AND PROBLEMS.

Bachelor of Management Studies

Semester VI

[2019-2020]

Submitted

In Partial Fulfilment of the requirements

For the Award of Degree of

Bachelor of Management Studies

By

REETU JAISWAR

SEAT NO: **1162802**

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala [E], Mumbai – 400037.

CERTIFICATE

This is to certify that Ms. REETU RAMDULAR JAISWAR, Seat no: of Third Year B.M.S., Semester v (2019 – 2020) has successfully completed the project on "A Study on Night Shift for Women – Growth, Opportunities and Problems under the guidance of Asst. Prof.Draksha Khan.

Project Guide External Examiner

Asst. Prof. Draksha Khan Dr. Subhash Vadgule

Course Co–ordinator Principal

<u>DECLARATION</u>

I, Ms, REETU RAMDULAR JAISWAR the student of T.Y.B.M.S. Semester VI [2019-2020] hereby declare that I have completed the project on A Study on Night Shift for Women – Growth, Opportunities and Problems. The information submitted is true and original to the best of my knowledge.

Reetu.

Ms. REETU RAMDULAR JAISWAR
SEAT NO: **1162802**

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K Jadhav Knowledge Centre, Nadkarni Park,

Wadala [E], Mumbai – 400037.

Place: MUMBAI

Date:

ACKNOWLEDGEMENT

I am are over helmed in all humbleness and gratefulness to acknowledge my depth to all those who have helped me to put these ideas, well the level of simplicity and into something concrete.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my Principal, Dr.SubhashVadgule for providing the necessary facilities required for completion if this project.

I take this opportunity to thank our Course Co-ordinator Asst. Prof.Draksha Khan, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide Prof. whose guidance and care made the project successful.

I would like to thank my College Library, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who indirectly helped me in the completion of the project especially (Sameer Khan and Dhanajay Singh) who supported me throughout my project.

Chapter 1

1.1 Introduction

In the history of human development, women have been as vital in the history making as men have been. In fact higher status for women employment work performed by them in a society is a significant indicator of a nation's overall progress. Undoubtedly, without the active participation of women in national activities, the social, economic or political progress of a country will deteriorate and become stagnant. But ironically and tragically, women employees in general, are not taken very seriously by their superiors, colleagues, or society at large. Having a career poses challenge for women due to their family responsibilities. Traditionally Indian women had been home makers but in the recent decades, proper education and better awareness, in addition to the ever increasing cost of living has made them to go out and choose careers. In a patriarchal society like India it is still believed that a man is the primary bread winner of his family. Although Indian women have started working outside their homes but still they have a long way to go both culturally, socially and economically, to bring in positive attitudinal changes in the mind set of people.

It is generally perceived that gender bias against working women starts right from the stage of recruitment. Most of the Indian men are not ready to accept that women are capable enough to work side by side with men in all the sectors, other than in a few limited ones like teaching, nursing and in clerical sectors. Their capabilities are generally underestimated as a result of which Indian women have a tendency to opt for less demanding jobs even if they are result of which Indian women have the responsibilities to effectively manage the multiple roles in domestic as well as professional lives. Men generally do not offer any help in households work. This make the life of working women extremely stressful.

Background Information

While a majority of the women still face discrimination and gender bias, in the last few decades, the number of women successful in politics, technology and business etc. is definitely on rise.Society has started seeing women in different perspective. They work as a lawyers, nurses, doctors, social workers, teachers, secretaries, managers and officers etc. There is no profession today where women are not employed. However, it is true that working womenhave to face problems by virtue of their sex. For centuries women have subjected to exploitation and torture, physically, sexually and mentally. There are innumerable challenges and problems faced by them both at home and workplace. What we generally see today, in addition to various media and journal reports is that in workplace women generally face mental stress, sexual harassment, discriminatory practices, safety and security issues etc. (Martin 1989). India's patriarchal society thinks of women only as home makers and sexual objects and is generally subjected to exploitation and torture (Dube, 2001).

Women in the workplace:

Women in the workplace earning wages or a salary are a part of modern phenomenon, one that developed at the same time as a growth of paid employment for men; yet women have been challenged by inequality in the workforce (N. Andal 2002). A woman is a social animal. To keep her in captivity without access to work or finance or interaction with the outside world, is less than fair

(Eisenhover, 2002). Economic, social and political empowerment of women is essential for the development of any society. So empowerment of women is important to the process of upliftment of economic, social, political status of women.Traditionally women have under- privileged ones in the society, not enjoying the same rights or standards of living as the other half of the population. According to Robin (2002) "Sexism is the root oppression, the one which, until and unless we uproot it, will continue to put forth the branches of racism, class, hatred, ageism, competition ecological disaster and economic exploitation. No other human differentiations can be similarly powerful in reproducing oppression, and so, women are the real left".

Status of a woman can be broadly defined as the degree of socio-economic equality and freedom enjoyed by women. Economic, social and cultural factors interplay for reinforcing the gender differences in ownership, control and access to land trough

inheritance, marriage or informal networks (Arun, 1994). Women's economic status in the household, depends on three level of influence, viz., women's acquired economic and social power, the socio-economic status of their household and the level of support and the opportunities in the community (Zhao,1991). Women's economic well-being is usually enhanced by women acquiring independent sources of income that begets increased self-esteem and improved condition of their households and the overall level of development in their communities. The gender gap in the ownership and control of property is the most significant contributor to the gender gap in the economic well-being, social status and empowerment of women (Andal,2002).

Women have been playing vital roles in household since ages. Now women are also recognized for their values in the workplace and are engaged in wide range of activities of work in addition to their routine domestic work. Building a society where women can breathe freely without fear of oppression, exploitation and discrimination is the need of the hour, to ensure a better future for the next generation.

Rationale and significance of the study

Educated urban women are presumed to be more aware of the opportunities and challenges of the workplace and are perceived to be bold enough to develop their own personalities, with or without encouragement from their families. An assessment of the problems and issues plaguing urban working women is therefore a necessity for better understanding of workplace dynamics related to women.

During earlier days there were some man-made boundaries for women but women play vital role in different sectors. Women today are breaking that boundaries and are playing the dual role of balancing domestic life as well as professional life, giving a boost to their societal status in the process. The major problems for working women arise out of the responsibilities of the working woman – domestic work as well as office work. Thought more and more women are coming out in search of paid employment and their income, the attitude towards women and their role in the family has not undergone much change. Women continue to be perceived as weak, inferior, and second-class citizens. Even today, after the family and children is generally perceived to be primary responsibility of the man.

It is possible to accept that as more and more women have entered the workforce, there is no longer a solid family-support at home (Schwarts, 1992). "Women have increased their participation in paid employment considerably during the past 30 years, but men have not increased their participation in houseworkto the same extent" (Evertsson and Nermo, 2004). Women still perform majority of the care giving role and juggling of work in the family. Gander is seen as a significant determinant of negative job spill-over because employed women are expected to carry out the responsibility for family services and still be able to smoothly handle their work roles (Delgado and Canabal, 2006). Although husbands have taken on more domestic work than they did in earlier generations, this gain for women has been offset by " escalating pressures for intensive parenting and increasing time demands of most high-level careers". (Eagly and Carli, 2007). Added is the phenomenon of guilt experienced by women containing a general feeling of responsibility especially towards their own children. It give rise to a sense of failure of responsibility that arises when they lack control over the demands made on them from different spheres of life.

It is the fact that women have to face problems just by virtue of their being women. And if they are working the problems are multiplied manifold. Working women are those who are in paid employment. Social attitude to the role of women lags much behind the law. This attitude which considers women fit for certain jobs and not for other jobs influences those who are involved in the recruitment of female employees.

Historically, women have suffered oppressionand domination by the patriarchal society in India and have faced many problems and challenges. Women were thought accept their position through the socialization process and also that rules and regulation made only for women they were bound to follow including their "initiation rites". They are thought to be obedientwives and sisters and also to respect their elders; manners are taught to them, like how to walk, talk, sit and work at home and many others. They are neither considered as individuals with a personality of their own, nor do they have any personal life. They are told that a man could marry more than one women and they have to accept it silently, blaming it on their own fate. The inferior positions of women in the traditional Indian Society have been reinforced by a number of traditional factors such as polygamy, early marriage, and illiteracy and by years of subjugation. Many of these practices are still found today in some places in the country.

Ever since India opened its doors to liberalization in the early 1990s there has been a Steady transformation in India's economy. Self-reliance helped in building great institutions of learning and taking strides in various field of life in keeping pace with the rapidly changing world. Women who earlier stayed at home.to attend their domestic duties now maintain both work and home simultaneously, participating in the process on an equal footing with men in social and economic development. Women have moved away from their traditional roles of homemaker and child rearing to social and business solutions.

The liberalization policy of the last 15 years has yielded good results. The textiles, garments and leather sectors have flourished as a result of liberalization policies of the government. In the same way information technology (IT) sector has boomed and now India is among the top (IT) hubs in the world. It has become a major centre of Business Process organization (BPO). The business has grown tremendously and has given excellent opportunities to women think beyond the four walls of traditional households.

Women have become equal participants in many respects at all level of our society. The future would see more women venturing into areas traditionally dominated by men. This will lead to income generation and greater sense if fulfilment among women. In almost all the countries governments are providing special provisions for women's development & efforts are being made to extract maximum of their talent. In India, as Veda & Upanishad periods, women are being accorded with respect and are facilitated in all spheres of life.

In the modern India, although during British era steps were taken to improve the status of women, it was only after independence, they enjoyed privileges. As per the constitution, Women are at par with men and several provisions are provided for upliftment. Women today have made use of their intelligence, knowledge and education. They have a prestigious role to play in the present households as well. They enjoy all the comforts& luxuries of life being economically independent; working not only in the primary & secondary sectors but also in the military & Defence field. So many women Doctors, Lawyers, Scientists, Teachers, etc. have shown that they are equivalent efficient, intelligent & hard working as the men. There are women that have shown in the industrial and commerce sectors and earned both name and fame outside the country. The special provision and facilities available for women in the business field would result in more rapid growth of the nations in the future.

Objectives of the Study:-

Women working in nightshifts: - International Experience.

An investigation of the industrial employment of women and children in the early 1840s indicates that working conditions were often unsanitary and the work dangerous. It was the Industrial Revolution that brought women out of the households into factories and fuelled the economic necessity of both single and married women to find wages at work. Women mostly found jobs the domestic services, textiles factories, and piecework shops. They also worked in the coalmines. The industrial Revolution provided independent wages, mobility and a better standard of living. For the majority, however, factory work in the early years of the 19th century resulted in a life of hardship.

The question of whether nightshifts for women should be banned has been debated upon for over a hundred years. The discussions which international labour organization have reflected this debate. The working class in Europe first raised the demand for prohibition of night work by women. Some industrialized countries in Europe enacted legislation in the earlier years of the 20th century prohibiting women from working at night.

This was followed by demands for international prohibition of night work for women so as to equalize the costs of production and make uniform the conditions of industrial competition between states by inducing those states, which had not already prohibited night work for women to enact legislation to this effect. In order to ensure that such a ban did not place employers at a disadvantage, government negotiated international treaties for a simultaneous ban on the night work for women.

In 1919, the ILO decided to completely prohibit night work for women in public and private Industry. However, the convention stated that the night work should be permitted in case of, farce majeure, when in any undertaking there occurs an interruption of work which has impossible to foresee and which is not of a recurring nature or in case where the work has to do with raw materials or materials in the course of treatment, which are subject to rapid deterioration, when such night work is necessary to preserve such night work is necessary to preserve such materials from certain losses.

This convention made it clear that women could be allowed to work at night in the greater national interest in the economic interests of preventing loss of raw materials. To encourage greater number of countries to ratify the ILO Convention concerning the women non-employment in the nightshifts, the Convention was further made flexible as women holding responsible position of management, who were not ordinarily engaged in manual work, were exempted from provisions if ILO Convention. Subsequently women in higher posts of a managerial or technical character were exempted from its provision as also women employed in health and welfare services.

The Convention concerning night works for women employed in industry adopted in 1948 defined night hours in such a manner as to allow longer hours of works for women and provided sufficient flexibility to industry to permit a double shift system of work. The revised Convention of 1948 further permitted the ban on night work to be suspended by the government in the national interest, i.e., in case of serious emergency only after consultations with the employers and workers organizations concerned.

The General Conference of ILO in June 1990 had adopted a protocol known as Protocol of 1990 under those provisions the competent authority in a country under its national laws and regulations is authorized to rectify the duration of the nightshifts or to introduce exemptions from ban on night works for women for certain branches of activity or occupations. This required:

i. Agreement of said organizations in a specific branch of activity or occupation;
ii. Agreement between the employers and workers representatives in one or more specific establishments;

The protocol adopted in 1990 to the night work (women) Convention (revised) stated that above-mentioned variations or exemptions could not apply to women workers during a period of at least 16 weeks, before or after child birth of which at least eight weeks it is necessary.

1.3 Needs of working women's :-

The study would help us in understanding the present status of women in our society what kind of problems they are going through;

1. To find out possible solutions for problems and issues faced by working women.
2. To find out the gaps betweenthe problems faced and probable solutions to the problems faced by working women.
3. The study can yield results that can help us in better understanding the problems and challenges faced by working women.
4. Some solutions can be offered for betterment of working women in the work place.
5. To create awareness among the society about the equal importance of men and women.
6. To improve the existing status and security of the women.

1.4 Scope of Working Women:-

Educated urban women are presumed to be more aware of the opportunities and challenges of the workplace or educated urban women can better understand their roles and limitations in the workplace and are perceived to be bold enough to develop their own personalities, with or without encouragement from their families. An assessment of the problems and issues plaguing urban working women is therefore a necessity for better understanding of workplace dynamics related to women.

During earlier days there were some man-made boundaries for women but now women play vital roles in different sectors. Women today are breaking their boundaries and are playing the dual role of balancing domestic life as well as professional life, giving a boost to their societal status in the process. The major problems for working women arise out of the dual responsibilities of the working women – domestic work as well as office work. Thought more and more women are coming out in search of paid employment and their families also need their income, the attitude towards women their role in the family has not undergone much change. Women continue to perceived as weak, inferior, and second-class citizens. Even today, lookingafter the family and children is generally perceived to be primary responsibility of the man.

It is the possible to accept that as more and more women have entered the workforce, there is no longer a solid family-support at home (Schwarts, 1992). "Women have increased their participation in paid employment considerably during the past 30 years, but men have not increased their participation in housework to the same extent" (Evertsson and Nemo, 2004). Women still perform majority of the care giving role juggling of work in the family. Gender is seen as a significant determinant of negative job spill-over because employed women are expected to carry out the responsibility for the family services and still be able to smoothly handle their workrples (Delgado and canabal, 2006). Although husbands have taken on more domestic work than they did earlier generations, this gain for women has been taken offset by "escalating pressures for intensive parenting and the increasing time demand of most high-level careers" (Eagly and Carli, 2007). Added to this is the phenomenon of guilt experienced by women containing a general feeling of responsibility especially towards their own children. It gives rise to a sense of failure of responsibility that arises when they lack control over the demands made on them from different spheres of life. Many of these practices are still found in some places in the country.

Unemployment and temporary work are more common among women that among men. Most women workers do not have any social security or access to health problems, remain hidden. As per available research, a large number of women workers complain of frequent headaches, back pain, circulatory disorders, fatigue, and emotional and mental disorders resulting from performing various activities at the workplace.

Women working in some industries, factories, banks, hospitals, etc. complain that they do not get time to look after and give care to their babies. The efficiency of a working woman is always suspected and questioned by most people, especially their male counterparts. In the upper class cadres, it is generally seen that all qualifications remaining similar, men are usually preferred.

1.5 Limitations of the Study

All scientific inquiries are subjected to few limitations, although these may differ with respect to the magnitude of limitations. The findings of the present study are subject to the following limitations:

1. The study area was confined to one small township. Thus the results of the study are applicable only to similar kind of situation analysis.
2. The study pertains to a certain time period. The result may not be valid for an over longer period of time due to fast changing socio-economic and socio-cultural setting in this study area.
3. Because of limitation of time and other resources involved in research, the present study was restricted to a limited number of samples. The result dawn from this study, therefore may have limited application i.e., it cannot be assumed to provide information, capable of generalization over other regions and could have regional biasness, but surely the broad similarities specific to a particular gender, will provide some insight to the study.

Chapter 2

Literature Overview

2.1 Women in the night shift: Indian Scenario

In India, labour laws come in the concurrent list of Indian constitution. Both Indian Parliament and State Legislatures have the right to make laws. Therefore, we have in relation labour laws, the factories Act, 1948 and various state shops and Establishment Acts. The Factories Act 1948, Under Section 66, banned working of women in night shifts by stating that no women shall be required or allowed to work in any factory except between the hours of 6 AM and 7 PM, Provided that:

1. State government may make rules providing for the exemption from the restriction to such an expert extent and subject to such conditions as it may prescribe, of women working in fish-curing or fish canning factories, where the employment of women beyond the hours specified in the said restrictions is necessary to prevent damage to or deterioration in any raw material. The rules made under the Sub Section (2) shall remain in force for not more than three years at a time. Women working in Hospitals & Agriculture are exempted from Factories Act, 1948 and State Shops and Establishment Acts regarding ban on nightshifts for women employees.
2. According to the Factories Act 1948, Factory means, any premises including the precincts where ten or more workers are working, or were working on any day of the preceding twelve months, and in any parts of which a manufacturing process is being carried on with the aid of the power, or is ordinarily so carried on, or Where twenty or more workers are working or were working on any day of the preceding twelve months, and in any parts of which a manufacturing process in being carried on without the aid of the power, or is ordinarily so carried on but does not include a mine subject to the operation of the Mines Act, 1952 (xxxv if 1952) or a mobile in it belonging to the armed forces of the union, a railway running shed a hotel, restaurant or eating place.
3. The FactoriesAct, 1948 states that manufacturing process means any process for (i) making, altering, repairing, ornamenting, finishing, packaging, oiling, washing, cleaning, breaking up, demolishing or otherwise treating or adopting any article or substance with a view

to its use, sales, transport, delivery or disposal or (ii) pumping oil, water, sewage or any other substances or (iii) generating, transforming or transmitting power or (iv) composing types for printing; printing by letter press, lithography, photography or other similar process or book bindings or (v) constructing, reconstructing, repairing, refitting, finishing or breaking up ships or vessels or (vi) preserving or storing any particle in cold storage.

4. The Factories Act 1948, states that a workers means a person employed directly or by or through any agency including a contractor with or without the knowledge of the principal of the employer whether for remuneration or not in any manufacturing process, or in cleaning any part of the machinery or premises used for a manufacturing process or in any other kind of work incidental to or connected with manufacturing process or subject of the manufacturing process or subject of the manufacturing process but does not include any member of armed forces of the union.

The High Court of Mumbai in its judgement dated 10th June 1999 passed in interim order allowing deployment of the women in Santa Cruz Electronic Export Processing Zones (SPEEZ) in the nightshift. The High Court of Andhra Pradesh in its judgement has struck down the Section 66 (1) (b) of the factories act 1948 as unconstitutional. Madras High Court ruled that the Section 66 (1) (b) of the factories act 1948 was (a) violation of the constitutionally guaranteed fundamental rights to equality enjoyed by women (ii) was discriminatory to women on sole ground of sex and (iii) interfered with fundamental right of petitioners to carry out their fundamental rights to practice any profession or to carry on any occupation, trade or business. Keeping in mind the various arguments against the lifting of ban on nightshifts for women employees, Madras High Court made several provisions for safety and security of women and preservation of their dignity and honour before declaring Section 66 (1) (b)of the Factories Act 1948 unconstitutional.

The measures given by Madras High Court state that before the central and state Government introduce rules following measures should be adopted by every employers who wants to employ women in their factory in nightshift; employers should prevent or deter any sexual harassment and provide procedures to resolve, settle or prosecute any such act; the employers should maintain a complaint mechanism, including a complaint committee headed by women half the members of the committee should be women; women should be employed only in batches, of not less than 10 or not less than 2/3 of the total nightshifts' strength; spate work sheds, canteen facilities, all women transport facility, additional paid holiday for menstruation period, medical facilities should also be provided besides two or more women wardens to work as special welfare assistants; the employer shall provide proper working conditions with respect to work, leisure, health and hygiene and there should be proper lighting in and around the factory where the females workers may move, there should be security at entry and exit points of factory and at least 12 consecutive hours of rest or gap between shifts; the employers should send fortnightly reports to the inspector of the factories about night shifts including any unwanted incident and also to the local police station.

The Central Government keeping in view the suggestions of Supreme Court of India, Judgements of various High Courts, Proposals of Women's Organizations, Trade Unions and National Commission on Labour, recommendations of Standing Committee on Labour and Welfare and he presents economic scenario, satisfied the ILO Protocol of 1990.

The Literature Review shows that more focus is on married working women than on in married working women (Karl, 2009). It is also seen that focus is more organized sector rather than unorganized sector of workplace, suggesting that "… it is an important part of developmental strategy as well as an act of social justice" The World Bank (1991) estimates that Indian Women make up one-third of the labour force. Singhal (1995) is of the opinion that, "participation of women in workforce is essential for economic development and population planning".

Somjee (1989) has some very strong critical comments. She has said that "in the history of women's studies, which is not very long, a variety of approaches have been adopted in order to understand women's problem and find solutions to them. Such approaches range from now women are perceived in various cultures and historical settings, given their biological functions and what nature 'intended' them to do, to their discipline in power and status vis-à-vis men in the complex social evolution, to a widely shared emphasis on the need to make women equal through the economic on the need to make women equal through the economic and legal route which treats them an individuals rather than those having the sole responsibility for looking after the Family".

Mitra (1997) analyses the causes and comes to some important conclusions: "Relationship between women and professions could be perceived as one of women in full-fledged professions, medicine, law, academics, etc and another in the semi- professions-like nursing, teaching, clerks, etc".

Okolo (1989) studied that another obstacle is the lack of role models of executive women due to their scarce presence in top managerial positions. Likewise, this study found that there is no gender difference in organizational hierarchies when a woman has already gained access to them. "The lack of impact in women can occur because executive and managerial women have developed survival features becoming immune to the effects of men's hierarchies. A hierarchy composed by men solely may have an effect upon the election of a managerial board, and then its further influence is not very strong".

Ronald J. Burke, Mustafa Koyuncu and Lisa Fiksenbaum (2010) examined the relationship of the perceived presence of organizational practices designed to support women's career advancement and their work attitudes and satisfaction and their psychological well-being. Data were collected from 286 women in managerial and professional jobs working in a large Turkish bank, a 72 percent response rate. Five organizational experiences were considered: negative attitudes towards women, equal treatment, support, career barriers and male standards. Women reporting more supportive organizational experience and practices were more engaged in their work, more job and career satisfied, and indicated greater levels of psychological well-being''.

Wentling (2003) showed that the twin roles of women cause tension and conflict due to her social structure which is still more dominant. In her studies on working women in Delhi, She has shown that "Traditional authoritarian set up Hindu social structure continues to be the same basically and hence women face problem of role conflict change in attitudes of men and women according to the situation can help to overcome their problem".

Sophia J Ali (2011) "investigated the challenges facing women in career development. She found that most of the women employees were dissatisfied with career development programmers and women were discriminated against in career development opportunities. The study recommended that organizations should strive to ensure that career development programmers were set to enhance career development amongst women employees. Top management should also be committed to the career development of women, and organizations should also introduce affirmative action to urgently address career development of women".

Skinner and Pocock (2008) investigated the relationship between work overload, work schedule control, work hours and their fit with preferences and work-life conflict among full-time employees (N=887). It was found that the “Strongest association with the work-life conflict was demonstrated by work overload, followed by work schedule control, work hours and work hours fit. Time-Based work life policies, procedures and interventions were found necessary, but not sufficient, for addressing work-life conflict. They called for effective management of work overload to support a healthy work-life relationship”.

Ahmad and Aminah (2007) examined the work-family conflict experienced by 239 married female production operators in dual-career families, the social support they received and the coping strategies used to manage the conflict. “The women experienced more work interference with family than family interference with work. The intensity of work interference with family was significantly higher in the earlier life-cycle stage than in the later stage. About two thirds of the women indicated that they intended to leave the job upon having another child, mainly due to the rising cost of child-care services. They received the least social support from their supervisors compared to ther sources, and tended to cope with conflict using reactive role behaviour and personal role redefinition startegies”.

Gunavathy and Suganya (2007) in their study among married women employees of BPO companies traced the causes, consequences of work-life imbalance and interventions for work- life balance. More than two-third of the respondents stated the experienced work-life imbalance primarily on account of work interference with personal life. The causes for work-life imbalance were classified as organizational and personal factors. The personal factors included lack of family support, martial conflicts and frequent change in sleeping patterns. According to the study, “The main three consequences of work-life imbalance were stress and burnout, ill-health and poor work performance. “The respondents, displacement of negative emotions on family members and on co-workers”.

Ming (2007) “Examined the relationship of self- efficacy, work family conflict, social support, gender role attitude, role model and career aspiration to top management among women in middle management at the manufacturing line. This study intended to determine the contribution of each factor to career aspiration. Data were collected from 109 married women in middle management at eight private manufacturing companies located in Bangi and Nilai. This study found that self-efficacy, social support, gender role attitude were the most significant antecedents of career aspiration among women in middle management in manufacturing line”.

Mathur-Helm (2006) “examined the reality of glass-ceiling phenomenon in South Africa’s four major retail banks. The study investigated women’s low numbers in their top management jobs. A total of 40 women managers were interviewed for their in-depth responses, which are content analysed. The paper provided clarity for organizational leaders to identify growth barriers existing in their organization, leading their women workforce towards a glass ceiling. The results indicated that the glass ceiling considered a myth by many was real and are nurtured by the organizational culture, policies and strategies besides women’s own adequacies. The study concluded that only the most decentralized organizations, characterized by a culture that supports women’s top position, will help in breaking down the glass ceiling, along with women’s own efforts to grow, develop and empower themselves through academic and career development”.

D. Jamali, et al. (2006), “made a study to explore the salience of glass ceiling type barriers in the Lebanese banking sector, based on the perceptions of a sample Lebanese top and middle level women managers. The Questionnaire as administered to a sample of 61 top and middle level women managers, drawn from the context of 12 different banks in the Lebanese context. They found that the common precepts of the glass ceiling theory were not supported in the context of Lebanese banks with overall positive inferences are perceptions reported by Lebanese women managers in relation to their work environment and daily work experiences. These Findings were explained by the progressive evolution if the Lebanese banking sector over the past few decades”.

Lilly and Duffy (2006) Wrote “work-family conflict occurs for men and women in the sense that anyone with a job and family may need to cope simultaneous with the demand of both”. Job spill over, in the case of work and family, refers to the impact that work roles could have on that family and vice versa (Delgado and Canabal, 2006). It has been recognized that the long-hour work culture in many organizations does not support appropriate parenting (Wood and Newton, 2006). Long hour work includes working in the banking sector of every economy. After even the long hour daily for five days, Saturdays are now included.

Women can either act so-called superwomen in order to cope with these competing demands or find other ways of handling the overload at work at home (Gordon and Whelan-Berry, 2005). Women, who felt overburdened by all of the pressures they must shoulder, run the risk of burnout and a possible end to their aspirations (Gallaghe and Goland, 2000, cited by Easton, 2007). Macdonald, Phipps and Lethbridge (Cited in Easton, 2007), using fresh data on adult Canadian women and men found that women's greater hours of unpaid work contributed to women experienced more stress than men. Success in the workplace as super mom in terms of balancing work and family may come at a high cost in the form of stress (MacDonald et al, 2005, cited in Easton, 2007). " This stress, if not handled carefully, could have dire effects on their careers and even their roles and obligations to their families".

According to Elvin-Nowak and Thomsson, (2001, cited by Easton, 2007) a woman that worked was "exposed to the constant risk of her position as a mother and woman being questioned particularly where she has chosen employment for her own well-being questioned particularly where she has chosen employment for her own well-being questioned rather than being forced to by external circumstances." Hakim (cited in Easton, 2007).Makes use of 'preference theory', a new theory for 'explaining and predicting women's choice between market-work and family- work'.According to Hakim, adaptive women prefer to combine employment and family work and these women are prepared to prioritize their jobs in the same way as men with family life fitted around their work and many of these women remain childless, even when married.

Chapter 3

Research Methodology

3.1 Nature and Scope of the Study

The study is exploratory in nature and seeks to identify the problems and challenges faced by urban women in different professional sectors like public sector enterprises, banks, schools and colleges, hospitals, commercial organizations etc. Further the study also aims also at finding out the organizational supports for women employees are able to give their best to their organization and are able to reach their full potential. The present study surveyed only urban women employees in white collared jobs who have been in their jobs for at least six months. The study was conducted within Rourkela city is a steel plant city; multi-ethnic, multi-religious and multi-cultural. This diversity makes it more attractive for this research study. The place covered for the study were the local schools, colleges, banks, hospitals, Public Sector enterprises, Engineering services, Commercial organizations etc. Primary data was collected from 100 working women of the organized sector using a mixed-methods approach that included face to face interviews, Focus Group Discussions (FGDs) and questionnaire. Seventy-five responses were found to be complete and valid. The data collection period ranged a one month period from December 2013 to January 2014.

Methods Triangulation:

Methods triangulation was adapted for establishing the validity and reliability of the study:

- Data were collected using face to face interviews and through two focus group discussions.
- The questionnaire consisted of 16 close ended and 4 open ended: (a few items are given below)

- Are you facing problems related to family life and professional life?
- Have you ever faced sexual abuse of any kind in your workplace (yes or no)?
- Do you ever suffer from any health complications like mood swings, depression, concentration problems due to problems at workplace (yes, no or can't say)?
- Do you have any additional comments about your fears, frustration, wants, needs, career, boss, team, workplace, workplace environment etc. Please elaborate?

3.2 Data collection process

Both qualitative and quantitative aspects have been taken into consideration for the study. The methodology followed was a questionnaire-based survey among the urban working women of the selected localities, in addition to face to face interviews and FGDs. The questionnaire (Appendix – 1) consisted of 20 items on various aspects of the study in addition to the demographic details of the respondents. A pilot study among 30 of different working women of Rourkela town was initially conducted to test the validity of the questionnaire. Subsequently certain items were dropped and certain others were modified for better elicitation of results.

Data were collected using the personal contact approach. Questionnaire were distributed to a sample of 100 working women located in Rourkela city, out of which 75 valid and complete responses were returned. Each of these 75 women was interacted with and interviewed face to face. Some related questions were asked of then and the comments noted down. In addition to face to face interviews, two face group discussions were conducted with eight women in each group. These discussions also elicited information and data that have been discussed in the next chapter. Different methods were used for collecting data on the working women at nightshifts.

The questionnaire consisted of 16 close ended and 4 open ended questions to meet the objectives of the study. The items in the questionnaire included urban working women issues related key parameters like sexual and mental harassment, promotion issues, family care issues, discrimination based on gender, workplace discrimination and prejudices, safety and security issues etc. The statements/items for the questionnaire were formed after consulting relevant literature and some preliminary study conducted in the area. Besides the attitude scale, the scale survey questionnaire also included a section to capture the general profile of respondents. They were asked about their demographic background including age, education level, marital status, occupation, years of experience, nature of organization etc.

The Government of India has amended the Factories Act, 1948 allowing women to work in nightshifts (discussed in Chapter – I). Keeping in mind the various arguments regarding the tremendous opportunities that women can avail in the emerging manufacturing base of the Indian economy, the Associated Chambers of Commerce & Industry on India (ASSOCHAM) conducted a study " Night Shift for Women: Growth and Opportunities" on the following terms of reference:

3.3 Terms of Reference:

1) To study the role of women in the present economic and business environment in India.
2) To conduct a survey based empirical study to:-
    - Find the emerging opportunities for women vis-à-vis the most promising sectors.
    - Assess the business readiness to provide safe and adequate environment for women.
    - Investigate and examine all matters relating to the safeguards provided for women under the amended Factories Act.
3) Recommendations for the effective implementation of those safeguards for improving the working conditions of women.

3.4 Research Methodology

The empirical verification of the objectives is dependent primarily on the reliable measurement of the variables and secondly on the methods and procedure applied for deriving conclusions. This required:-

a) Selection of an adequate sample.
b) Selection of appropriate tools that could be profitably used for reliable measures.
c) Planned interview schedules.
d) Selection of a suitable statistical technique for analysing the data.

Thus it seems appropriate to describe the sample, the tools used and the method and procedure employed. This also comprises description of the sample used for collecting reliable measures pertaining to the objectives of the study, information concerning different tests, description of procedure followed for the administration of the test and also the procedure followed for conducting interviews.

We have derived interferences using multivariate analysis (ANOVA1) on the responses received through a questionnaire. The questions were framed keeping in mind the multivariate analysis in later stages of research. The sector of which a respondent belonged was taken as an independent variable and various aspects of night shifts working were taken as dependent variables. Apart from studying the perception of employees from different sectors, the factors that impact most to working in night shift were also studied by comparing the mean values of the responses that were obtained for the different statements asked from the respondents. A higher mean values suggests disagreement where as a lower mean values suggests strong Agreement with these statements. The statistical significance of the differences in the mean values of responses of respondents from different industries was tested at 5% level of significance.

3.5 Participants

The sample comprised of 272 participants including 216 women doing night shift work at least for the past 6 months, 56 employers and supervising women for nightshift work and various key persons of the leading organizations like women organizations, Universities, Police authorities, Law enforcing strata (judges, advocates), hospitals, industrialists, etc. The ages of the participants (women doing night shift work) ranged from 20 to 50 years, and were randomly chosen from different BPOs, hospitals, textiles, garments and leather industries from 9 different cities. The participants who were part of the research also satisfied the following conditions:

I. They were living with their families.

II. There was no evidence of drug addiction or alcoholism at the time of interview.
III. They were not diagnosed for any type of psychological or serious medical illness.
IV. They had at least 6 months experience working in night shifts.

3.6 Questionnaire

Keeping in mind the nature of the study, three type of questionnaire were prepared:

1) Questionnaire to women employees in night shift.
2) Questionnaire to employers of women employees for might shift.
3) Questionnaire for leading organization/ law enforcing agencies, social, scientists, etc.

All three Questionnaires were prepared by combined effort on industrialists, economists, psychologists, doctors and social scientists. Brief description of questionnaire is as follows: -

3.7.1 Questionnaire for women employees in nightshift

This questionnaire was designed basically to analyse the impact of night shift work on women. The questionnaire was divided in 4 main parts and consists 11 questions. First part (1^{st} question) reveals information regarding company, 2^{nd} question was about demographic status of the employee. Question 3-6 reveals information about nature of work done during nightshift; reason opting for nightshift, problems faced while commuting, safety issues, and promoting benefit schemes. Question no. 7 was absolutely devoted to health related issues and problems. Finally it draws the general comments to the participants for the overall improvement in work scenario.

3.8.2 Questionnaire for key persons from leading organizations.

This questionnaire was designed to note the viewpoints of key persons from leading organizations about work in nightshift by women. It was prepared to assess the impact of nightshift on the lifestyle of the women vis-a vis society. Finally the questionnaire investigated the work environment of women working in nightshifts.

Finally responses from all the nine cities (Delhi, Mumbai, Chennai, Kolkata, Hyderabad, Bangalore, Ludhiana, Ahmedabad, Pune) were analysed with the help of the tables and Diagrams. Results followed the further discussions and conclusions.

Table – 1

City- wise selection of respondents1

Cities	Employees	Employers	Total
Delhi	43	14	57
Mumbai	37	09	46
Chennai	31	07	38
Kolkata	22	05	27
Hyderabad	17	03	20
Bangalore	22	07	29
Ludhiana	18	04	22
Ahmedabad	12	03	15
Pune	14	04	18
Total	216	56	272

Table – 2

Sector wise selection of respondents2

Sectors	Employees	Employers	Total
BPOs	127	38	165
Health	22	4	26
Textile/garments/handicrafts	44	9	53
Leather	23	5	28
Total	216	56	272

Table – 3

Variables of the study

Variables	Expectations from the variables
Insecurity	This variable defined how much employees feel insecure during nightshift work.
Duration of night shift	Explains the total working hours put by employees for nightshift and also the level of satisfaction for duration of nightshift.
Child care facility provided	This simply explains that Childcare facility is available within the

	company premises or not.
Satisfaction from employer	This variable put light on the employer's behaviour towards subordinates.
Mental Harassment	This variable explains the state of mental satisfaction of employees at work place.
In house trainings	Explains the no. of trainings being conducted for employees benefit especially on safety and health related issues.
Better pay package	This variable explains that how many employees work in nightshifts for better pay package.
Demand by nature of job	This Variable explains that how many employees work in nightshift because nature of job demand works in night shift.
Social problems	This variable explains social problems faced by night shift employees because of their nightshift work.
Appropriate number of women in night shift	This variable put a check on appropriate no. Of females working in night shift.

Chapter – 4

Classification &Tabulation of Data

I.1 Classification:-

One of the major objectives was to examine the perception of women regarding night shift and to know the safety and security issues, safeguards being provided to women employees under the amended Factories Act. In this chapter we have analysed the various aspects of night shift from the employees' point of view.

4.1 Women in Nightshift: Women's perception

Responses from women employees (Table – 4) shows that 28.9% respondents feel insecure in the night shift work, the rest 71.1% do not feel insecure during night shift work. It is observed that despite the high rate of crime in metropolitan cities insecurity felt is quite low among nightshift women employees. Bangalore and Ludhiana are found to be in highly insecure zones, showing 44% and 45% insecurity perception respectively. In Bangalore, the Pratibha's murder case of has affected the situation adversely. In the case, of Ludhiana gender discrimination could have played a major role coupled with the people's orthodox and rigid behaviour towards women right from childhood.

4.2 Duration of Night Shift

It is observed that 83% of the populations from the total target population are satisfied from the duration on nightshift work. The duration they described (10-11 hours) also includes almost two hours journey to and from the work place. Duration of nightshift has been observed more for the senior positions. It Is felt unanimously and significantly at 5% level of significance that given a choice the employees want to be length of night shift including the time of travel to be reduced to 7-8 hours instead of the present demand of job that takes 10-11 hours.

Table – 4

Responses from Different Cities

Variable	Delhi	Mumbai	Chennai	Kol	Hyde	Banga	Ludhi	Ahme	Pune	Avg.

Considered				kata	rabad	lore	ana	dabad		
Insecurity	15	18	24	22	38	44	45	29	24	28.9
Duration of night shift	85	87	91	83	94	79	63	83	82	83
Commuting problems	14	17	8	18	13	8	10	16	17	13.04
Child care facility provided	8	8	14	3	14	16	3	8	4	8.6
Satisfied from employer	84	91	98	88	94	97	54	88	76	85.5
Mental harassment	14	9	7	19	8	6	27	19	17	13.3
In house training	5	3	2	2	2	2	0	0	0	2
Better pay package	17	23	19	08	23	31	8	16	6	16.8
Demand by nature of job	94	97	84	98	88	85	99	89	98	92.8
Social problem	15	12	9	19	8	8	23	21	14	13.5
Appropriate no. of women in night shift	95	93	96	95	97	98	98	96	98	96.2

4.2 Commuting Problems

Out of the employees surveyed 13% of the respondents face difficulties during commuting whereas 87% are satisfied about the arrangements made by their employers. Problems of 13% are qualitative in nature in the way that employers may sometimes accommodate passengers of two cabs on one, attitude if a driver is rude or that drivers drink and drive during nightshift, etc. that provide an uncomfortable environment for women. Where transportation is totally free and employees belong to unskilled strata like textile and leather industries, women labour force face more problems. BPO employees are satisfied in Delhi, Mumbai, Chennai and Hyderabad, in Bangalore situation.

4.3 Child Care Facilities:-

People reported that only 8.6% respondents were satisfied and got childcare facilities within company premises. Only few reputed companies can afford to provide childcare facility and separate lounges for nursing mothers. Situation worsens if employee belongs to nuclear family and company does not provide any child care facility. In metropolitan cities percentage of nuclear families working in the night shift is higher 24% than other cities like Ludhiana, Pune, Hyderabad and Ahmedabad. Govt. needs to think skilled women workers just for said reason. More childcare facilities are provided in Bangalore, Hyderabad, and Chennai, whereas in Delhi and Mumbai where the percentage of nuclear families is also higher, only 8% of respondents said that childcare facility is being provided. Only 3-4% respondents from Kolkata, Ludhiana and Pune reported that the employers are providing childcare facility.

4.4 Employee-Employer: Satisfaction Level

Results of the study shows that 85.15% women employees are satisfied with their employer's attitude. They reported that their employers complained about their immediate team leaders because they have to monitor and evaluate work of employees at micro level. The respondents from Chennai (98%), Bangalore (97%), Hyderabad (94%), and Mumbai (91%) are satisfied with their employers. From Ludhiana and Pune correspondents are least satisfied with their employers i.e. 54% and 76% respectively.

4.5 Mental Harassment

It is felt that 13.3% employees have to face a lot of problems resulting into mental tension, if they have to work in the nightshift. This response came in to majority from textile and leather industry. Mental harassment is reported more in Ludhiana (27%), Kolkata (19%), Pune (17%), and Delhi(6%). Textile and leather industry, where women employers have to depend upon their employers for every basic need like transportation, meals, etc. have to work whole long nights standing or in a very compact place. Worst is the condition that their livelihood depends on this means only. For this chunk of employees need to put efforts to improve the cognitive skills and general well-being of the employees at a significant level.

4.6 Nightshift: Better pay package vis-à-vis nature of job

Only 16.8% of the respondents perceived better pay package to be a major attraction for working nightshifts. The rest responded that there is no other choice; job demands this. This is also found true where the workers are of unskilled type. Women workers in the leather and textile mills have to work nightshift because the expensive machinery used in these factories are highly efficient; productivity and profitability is greatly increased by day and utilization of the machinery. Demand by nature of job was the major reason for working in nightshifts among all the cities surveyed e.g. it is 98% in Kolkata and Pune, 99% in Ludhiana, 97% in Mumbai, 94% in Delhi, 85% in Bangalore, 88% in Hyderabad and 84% in Chennai. Social problems were more in Ludhiana 23%, Kolkata 19%, Delhi 15%, and Pune 14%. It was less in Mumbai 12%, Chennai 9%, Hyderabad 8% and Bangalore also.

4.7 Nightshift: Appropriate Number of Women

Appropriate number of women is found working in all the cities surveyed in the night shift. Majority of the employees (96.2%) are satisfied from the appropriate number of women employees working in one shift at a time. Bigger companies hire large number of employees and therefore during night shift also percentage of women employees is found satisfactory. Problem arises where the call centre and health centre units are very small and they havelimited number of employees and customers.

4.8 Social Problems

No doubt the Indian constitution treats women equally with men, but strong patriarchaltraditions persistin society and shape women's life largely. Survey observed that 13.5% nightshift working women face social problems. They are unable to devote time to evening partiesand small get-together in their neighbourhoods and among relations.The company that children also need in the evening is not met. Women felt that it becomes really hard to spend quality time with children and to attend their school functions and meetings. Unfortunately women working in night shift are blamed for breaking up the institution called family system and for poor childcare accorded even though they may be working harder than men.

4.9 In-house Safety Training Provisions.

Only 2% employees get the opportunity of in-house training on self-defence and safety. Companies need to closely associate themselves with other organizations like police and NGOs who can train women employees to protect themselves when need arises. Survey reported that there is no in house training on self-defence, security, safety and health related issues in Ludhiana and Pune. In Chennai, Kolkata, Hyderabad and Bangalore only 2% respondents receive in house training. 5% respondents of Delhi and 3% respondents of Mumbai receive in house training. Better pay package as the reason for work in night shift was 31% in Bangalore, 23% in both Hyderabad and Mumbai, 19% in Chennai and 17% in Delhi and 8% in both Kolkata and Ludhiana and 6% in Pune.

4.10 Health Problems.

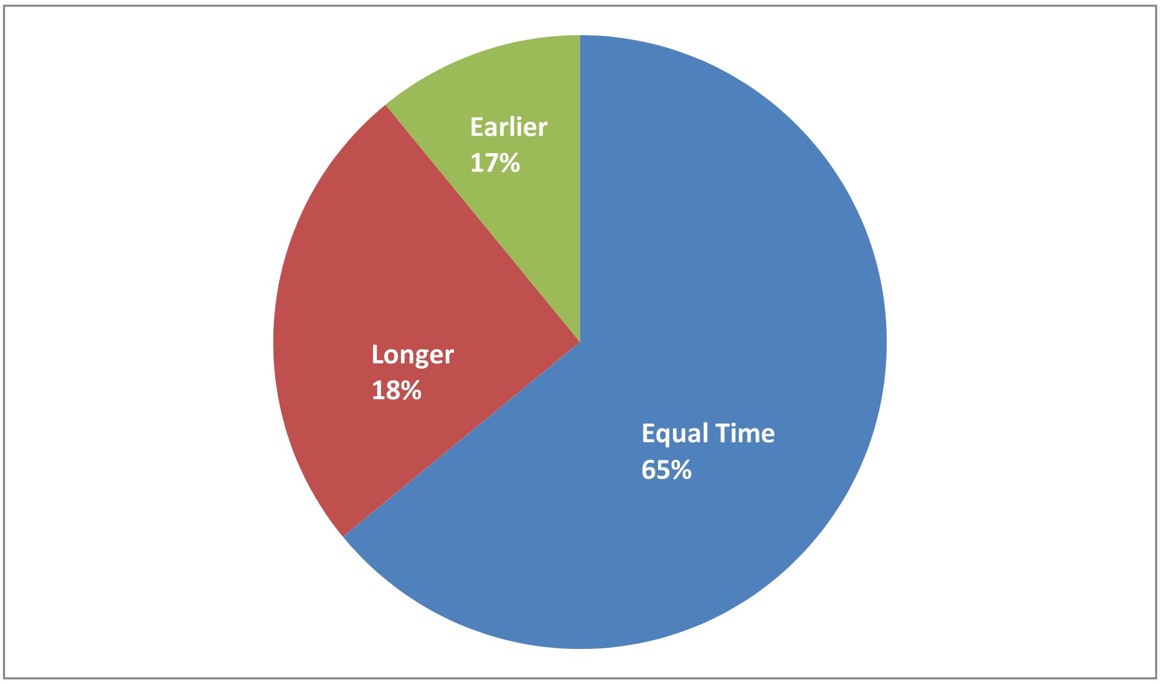
We have observed the following health problems among targeted population. Some of the employees generally feel ill because of their health related problems. Employees' responses related to their health are described below:

Table – 5

Physical Problems during Nightshift

Backaches	30.0
Continual tiredness	45.0
Digestive Disorders	50.0
Anger & Irritation	37.5
Sleep Difficulty	60.0
Sprains & Strains	15.0
Depression	10.0
Frequent Cold & Headache	55.0
High Blood Pressure	60.0
Menstrual Problems	50.0
Respiratory Illness	45.0
Pregnancy Related Problems	35.5
General Illness	45.0

Figure 4.1: Percentage distribution of time taken for women employees getting promoted as compare to their male colleagues



Sources: Primary data

Inference: According to the above information 65% of female employees were promoted at the same time irrespective of their gender, 17% women were promoted earlier than their male colleagues and 18% took longer than their male peers. The above data reflects that gender bias related to promotions do not prevail much in the working atmosphere.

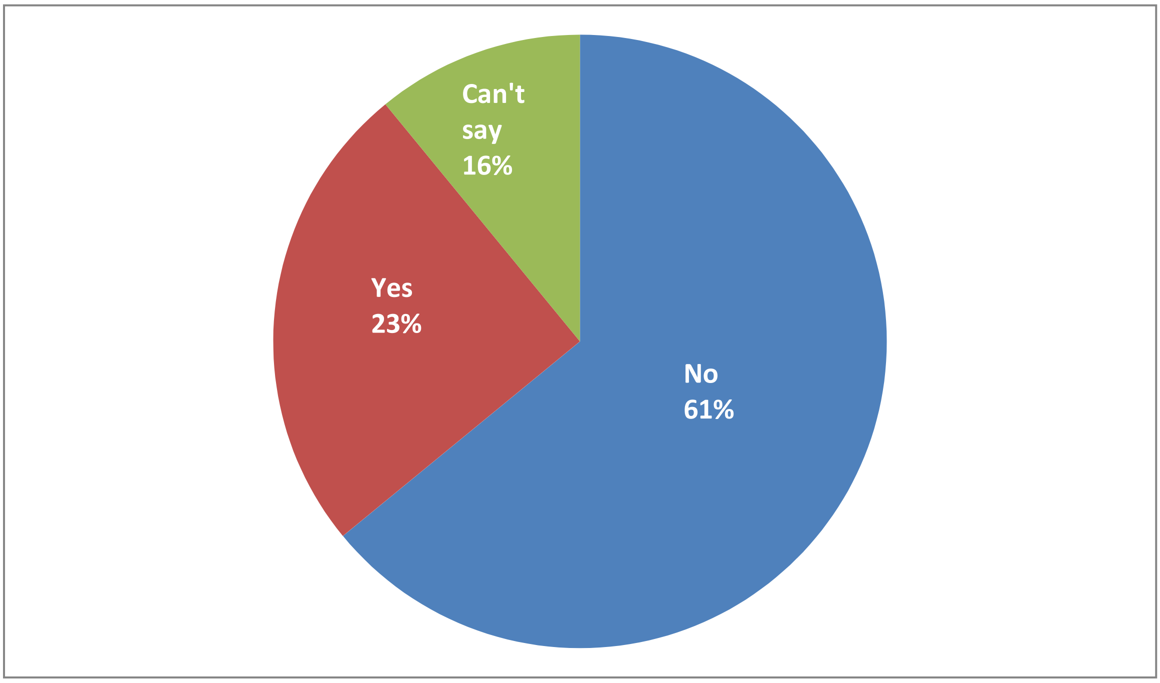
2. Did you get promotion on merit basis or you were offered a promotion based on favouritism or any other indecent proposal?

Table 4.2: Basis for Women getting promotion on merit (in nos.)

	No. of respondent	Percentage (%)
Yes	17	23
No	46	61
Can't say	12	16

Figure 4.2: Percentage distribution of women getting promotion on merit basis/others.

2. DID YOU GET YOUR PROMOTION ON MERIT BASIS OR YOU WERE OFFERED A PROMOTION BEASED ON FAVORTISM OR ANY OTHER INDECENT PROPOSAL?



Sources: primary data

Inference: According to the above information 61% felt that their promotion was based on merit and not on the basis of favouritisms or any other indecent proposal, 16% were not sure about their answers and 23% agreed that favouritism prevails in workplaces.

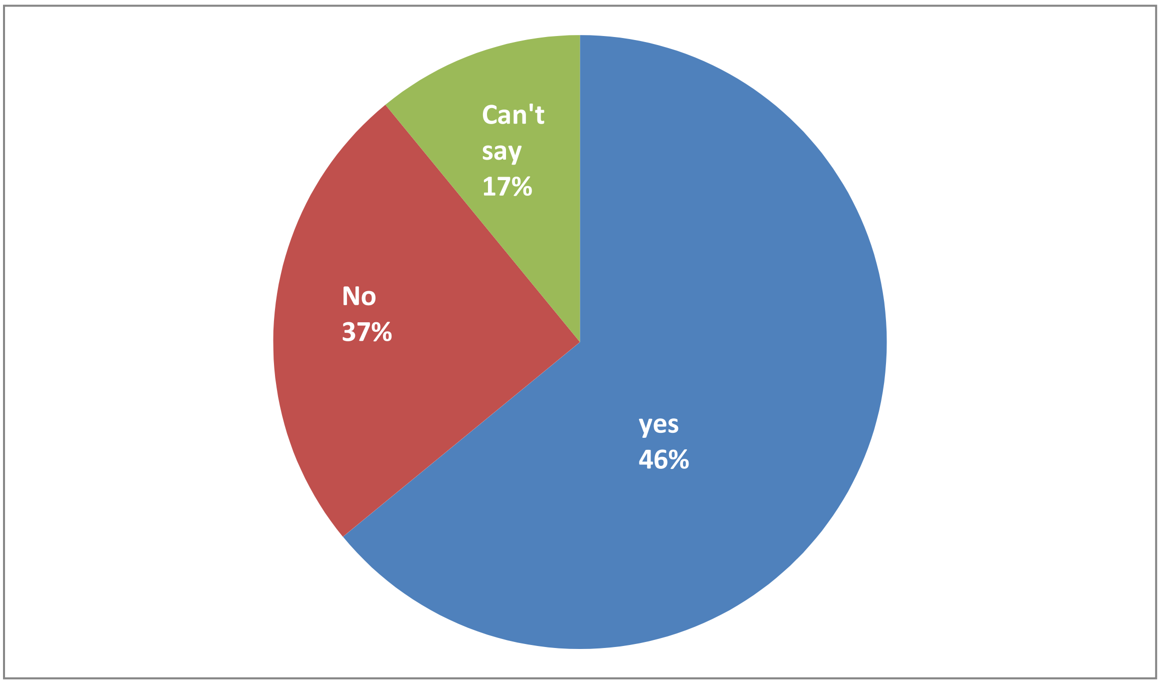
3. Do you work as much as your male colleagues or are you required to work less than male?

Table 4.3: Time spent on women (in nos.)

	No. of respondent	Percentage (%)
Yes	34	46
No	28	37
Can't say	13	17

Figure 4.3: Percentage distribution of time spent on work.

3. DO YOU WORK AS MUCH AS YOUR MALE COLLEAGUES OR ARE YOU REQUIRED TO WORK LESS THAN MALE?



Sources: primary data

Inference: According to the above information 46% women agreed they were working as much as male colleagues, 17% women were not sure about their answers and 37% women agreed they were not working as much as their male colleagues because sometimes post or position also matter in work process. Accordingly duration of work hour factor also differs for men and women.

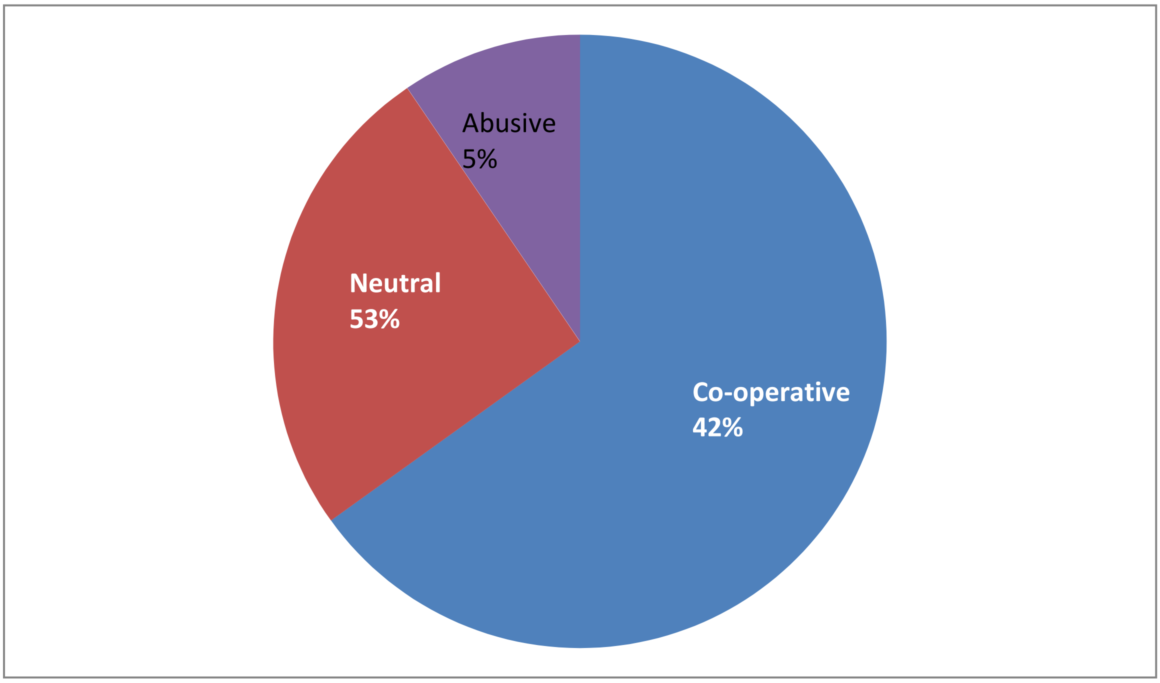
4. How is the attitude of your boss towards you?

Table 4.4: Attitude of boss towards female colleagues as perceived by the women Employees (in nos.)

	No. of respondents	Percentage (%)
Co-operative	31	42
Neutral	40	53
Abusive	4	5

Figure 4.4: Percentage of attitude of boss towards female colleagues as perceived by the women employees.

4. HOW IS THE ATTITUDE OF YOUR BOSS TO-WARDS YOU?



Source: Primary data

Inference: According to the above information 53% feale agreed that their boss attitude towards them were neutral, 42% women said that their boss was co-operative with them and 5% women said their boss attitude towards them were abusive.

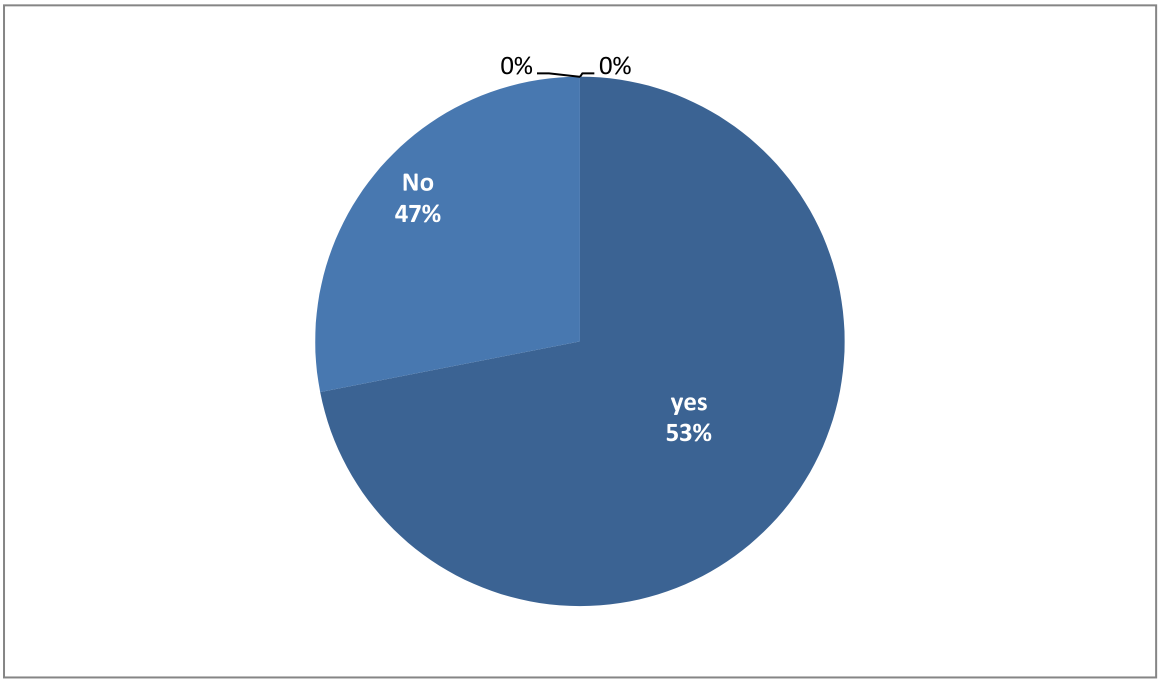
5. Do you sometime feel hesitant to work with male colleagues because they may sexually harass or underestimate you on the basis of gender?

Table 4.5: Perception of prevalence of sexual harassment or underestimation on the basis of gender (in nos.)

	No. of respondent	Percentage (%)
Yes	40	47
No	35	53

Figure 4.5: Percentage distribution of perception of prevalence of sexual harassment or underestimation on the basis of gender.

5. DO YOU SOMETIME FEEL HESISTANT TO WORK WITH MALE COLLEAGUES BECAUSE THEY MAY SEXUALLY HARASS OR UNDERESTIMATE YOU ON THE BASIS OF GENDER?



Sources: Primary data

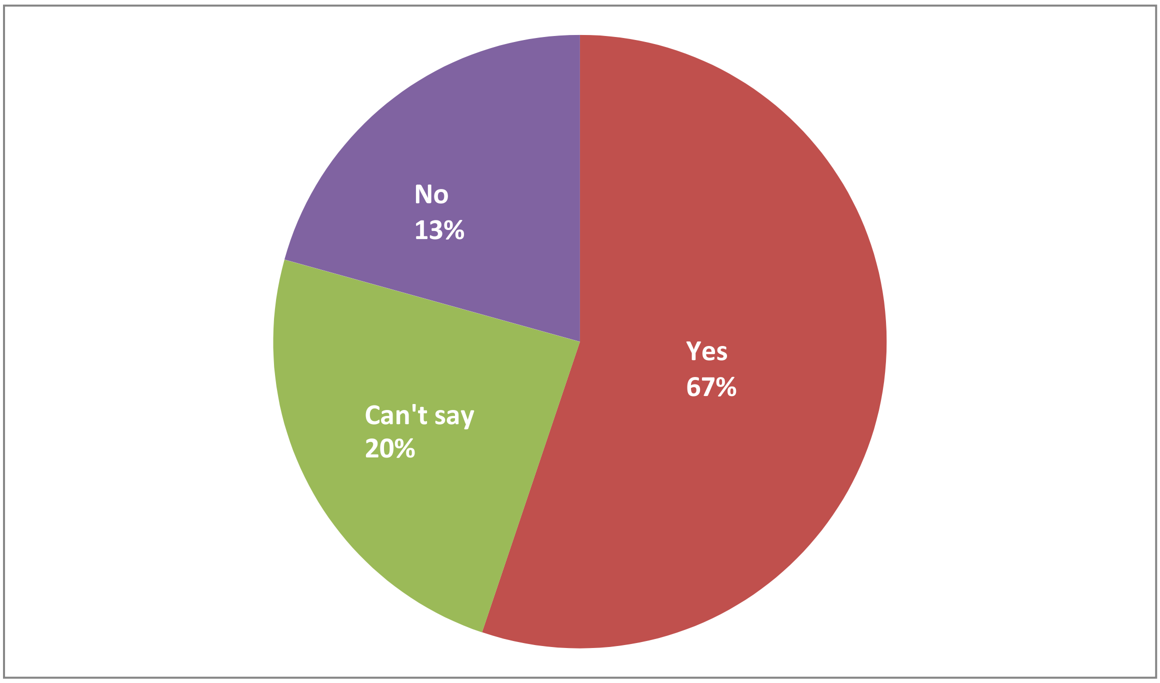
Inference: According to the above information 53% of females agreed that sometimes they felt hesitant to work with male colleagues and 47% said that they were not comfortable with male colleagues. The reason for such high percentage of women not feeling comfortable working with their male colleagues could be their lack of self-confidence, or the inherit distrust for men in our society, reinforced down the years by negative experiences and general awareness.

6. Do you think people drawing conclusions about working women's character without any reasons (in nos.)

	No. of respondent	Percentage (%)
Yes	50	67
No	25	33

Figure 4.6: Percentage distribution of perception regarding people drawing conclusions about working women's character without any reasons.

6. DO YOU THINK PEOPLE DRAW CONCLUSIONS ABOUT YOUR CHARACTER, REPUTATION AND ATTITUDE THE WAY THEY LIKE?



Source: Primary data

Inference: According to the above information 67% women agreed people draw conclusions about character, reputation and attitude the way they like, 13% women said they were not bother not have a time to think about others and 20% said don't have any idea what people said about them.

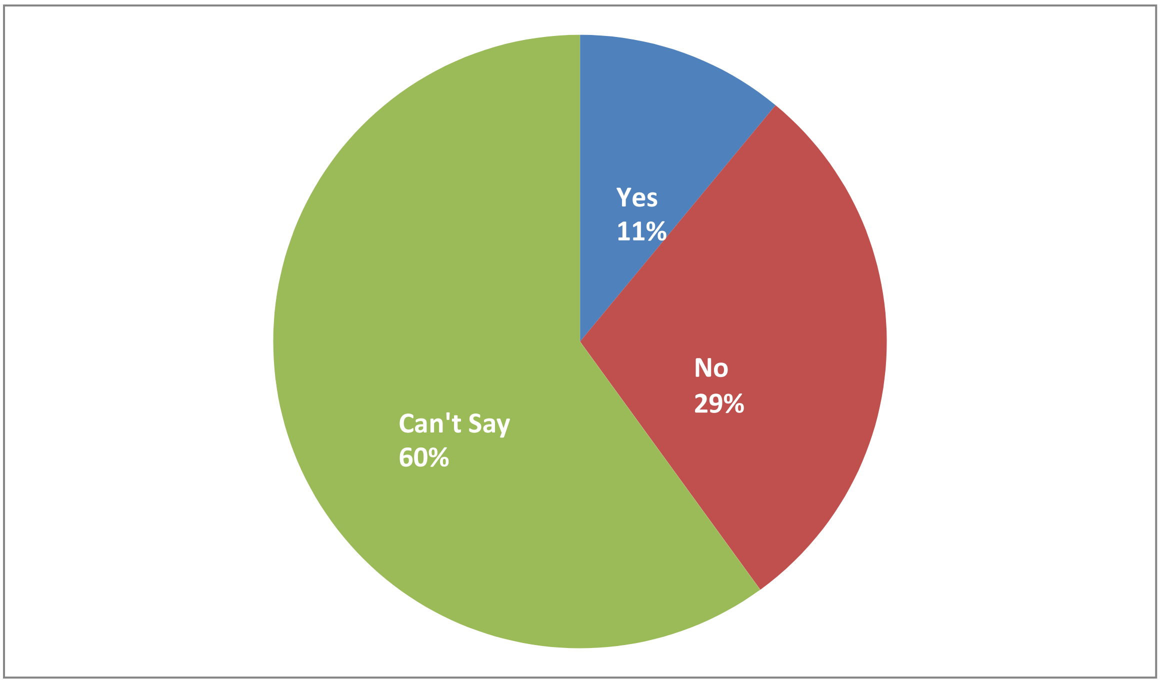
7. Have you ever faced sexual abuse of any kind in your workplace?

Table 4.7: Experience of sexual abuse at workplace (in nos.)

	No. of respondent	Percentage (%)
Yes	63	84
No	12	16
Can't say	13	16

Figure 4.7: Percentage distribution of response of the higher authority towards sexual harassment.

7. IF YES, DID THE OFFICE AUTHORITIES TAKE ANY STRICT MEASURES AGAINST THE ACCUSED PERSONS?



Source: Primary data

Inference: According to the above information 60% of the females are not aware whether their organization took any action against the accused, signifying lack of transparency or even lack of sensitivity to women's problems in workplaces. Almost 30% women are of the opinion that no strict actions were taken, while on small 11% felt that sufficient actions were taken.

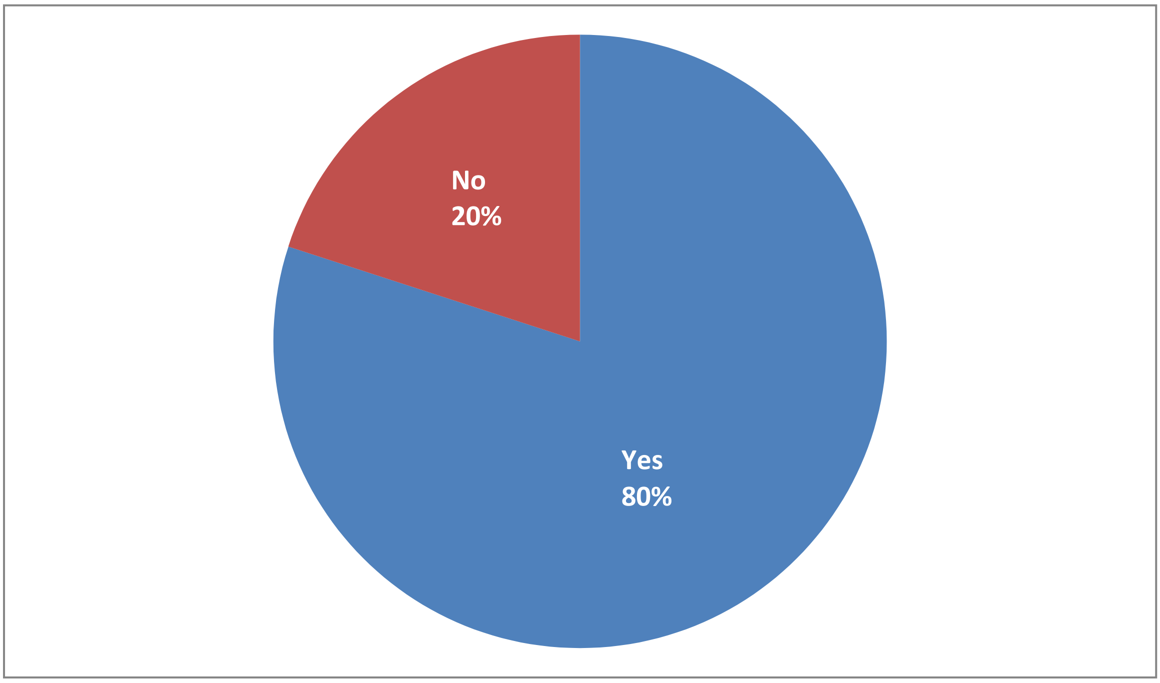
9. If no, do you think the office authorities will act in affair manner if you face sexual harassment?

Table 4.8: Perception of office authority's willingness to act against sexual abuse (in nos.)

	No. of respondent	Percentage (%)
Yes	26	34
No	20	27
Can't Say	29	39

Figure 4.9: Percentage distribution of women suffering from health related issues due to problems in the workplace.

9. DO YOU SUFFER FROM ANY HEALTH COMPLICATIONS LIKE MOOD SWINGS, DEPRESSION, CONCENTRATION, PROBLEMS DUE TO PROBLEMS AT WORKPLACE?



Source: Primary data

Inference: According to the above information 80% women suffer from health complications, 20% women have not faced any kind of health complications like headache, depression, concentration problems etc.

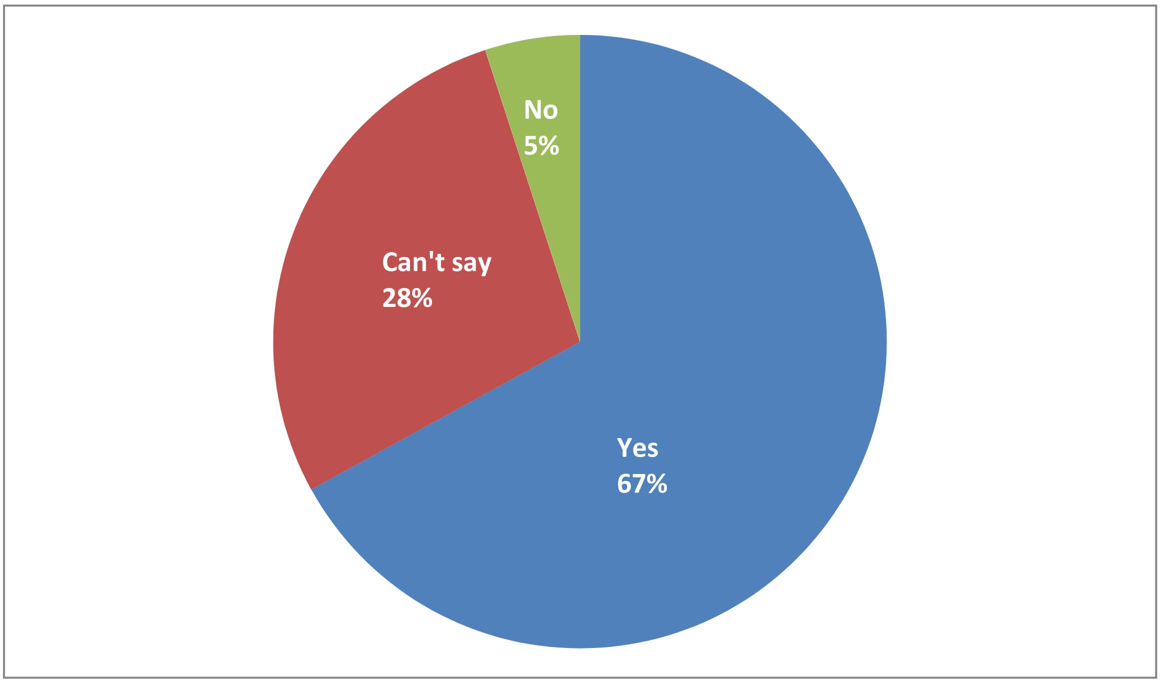
9. Do you suffer from any health complications like mood swings, depression, concentration problems at workplace?

Table 4.10: Do you suffer from health related issues due to problems in the workplace (in nos.)

	No. of respondent	Percentage (%)
Yes	60	80
No	15	20

Figure 4.13: Percentage distribution of perception of women on being given respect at their workplace.

13. DO YOUR SENIORS/COLLEAGUES/MALE MEMBERS/OTHER MEMBERS RESPECT YOU?



Source: Primary data

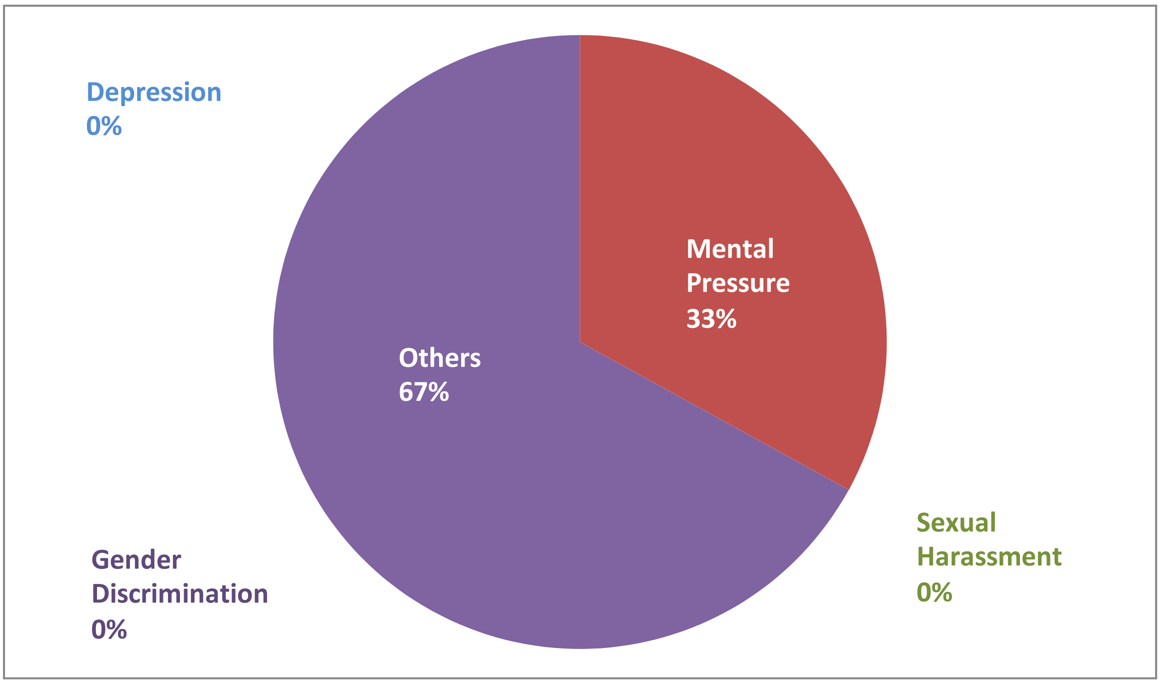
Inference: According to the above information women in general feel that people respect them in the workplace.

Table 4.10: Perception of women being given respect at their workplace (in nos.)

	No. of respondent	Percentage (%)
Yes	50	67
No	4	5
Can't say	21	28

Figure 4.11: Percentage of perception of women of the most important problem faced by working women in the workplace.

11. WHICH PROBLEM DO YOU THINK IS THE MOST IMPORTANT PROBLEM FACED BY WORKING WOMEN IN THE WORKPLACE?



Source data: Primary Data

Inference: According to the above information the most important problems faced by working women are due to mental stress that includes jealousy, rivalry, gossip, character assassination etc. and other workplace problems like physical stress, lack of child-care support, rigid workplace timings, and insufficient salary as per qualifications etc.

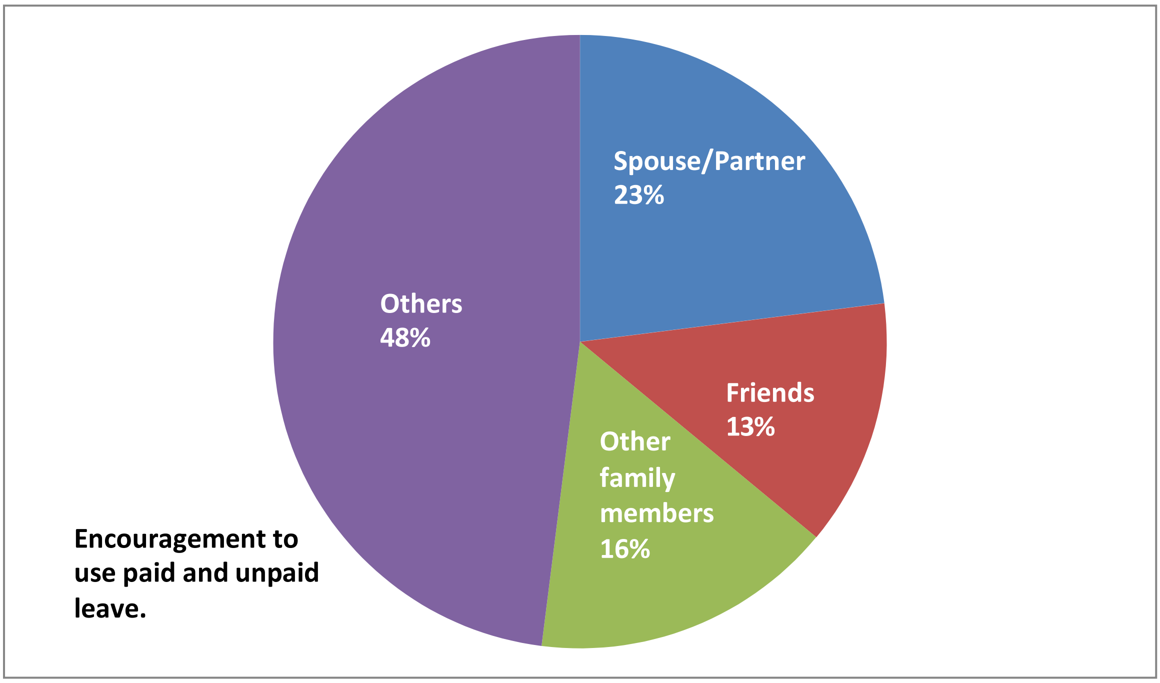
11. Which problem do you think is the most important problems faced by working women in the workplace?

Table 4.11: According to the above information women in general feel that people respect them in the workplace.

	No. of respondents	Percentage (%)
Depression	0	0
Mental Pressure	25	33
Gender Discrimination	0	0
Sexual Harassment	0	0
Others	50	67

Figure 4.12: Percentage distribution for support for balance between work and non-work activities.

15. SUPPORT FOR BALANCE BETWEEN WORK AND NON-WORK ACTIVITIES GIVEN BY:



Source: Primary data

Inference: As per the given data support for balance between work and non-work activities is evenly divided among various support groups mentioned above. The 'other' category includes paid assistance, crèches, sympathetic colleagues etc.

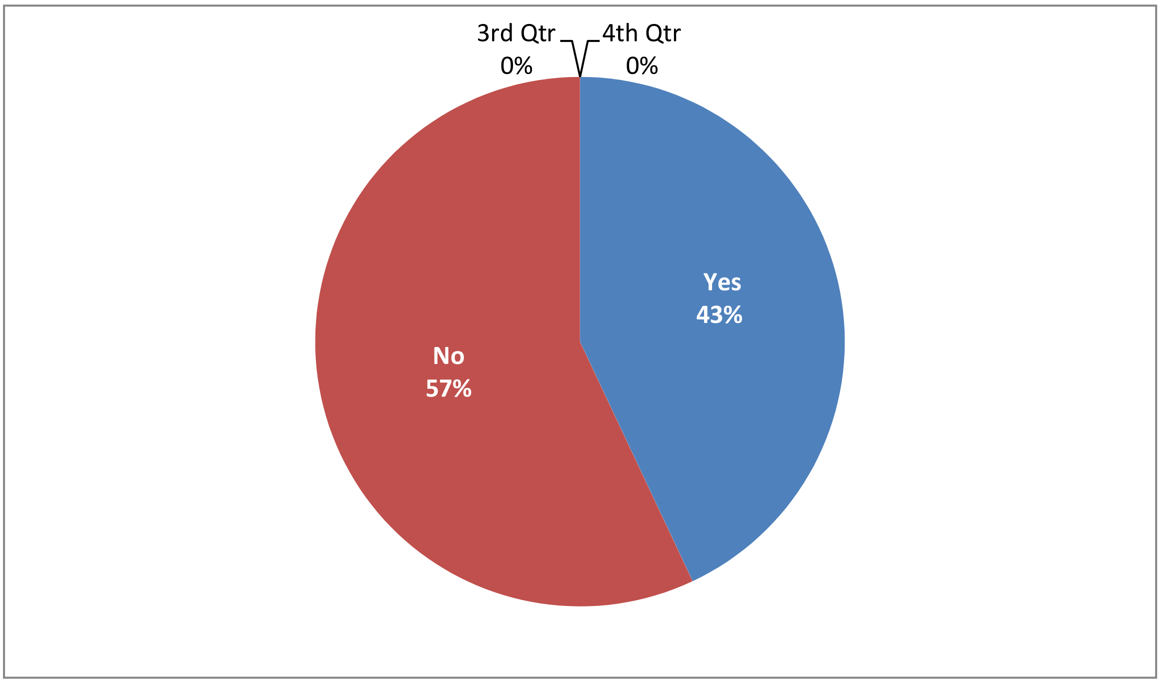
12. Support for balance between work and non-work activities given by.

Table 4.12: Support for balance between work and non-work activities (in nos.)

	No. of respondent	Percentage (%)
Spouse/Partner	17	23
Friends	10	13
Other family members	12	16
Encouragement to use paid and unpaid leave	0	0
others	36	48

Figure 4.13: Percentage distribution of the kind of activities involved in society, community etc.

13. ARE YOU INVOLVED INANY KIND OF ACTIVITIES IN THE WORKPLACE, COMMUNITY AND SOCIETY?



Source: Primary data

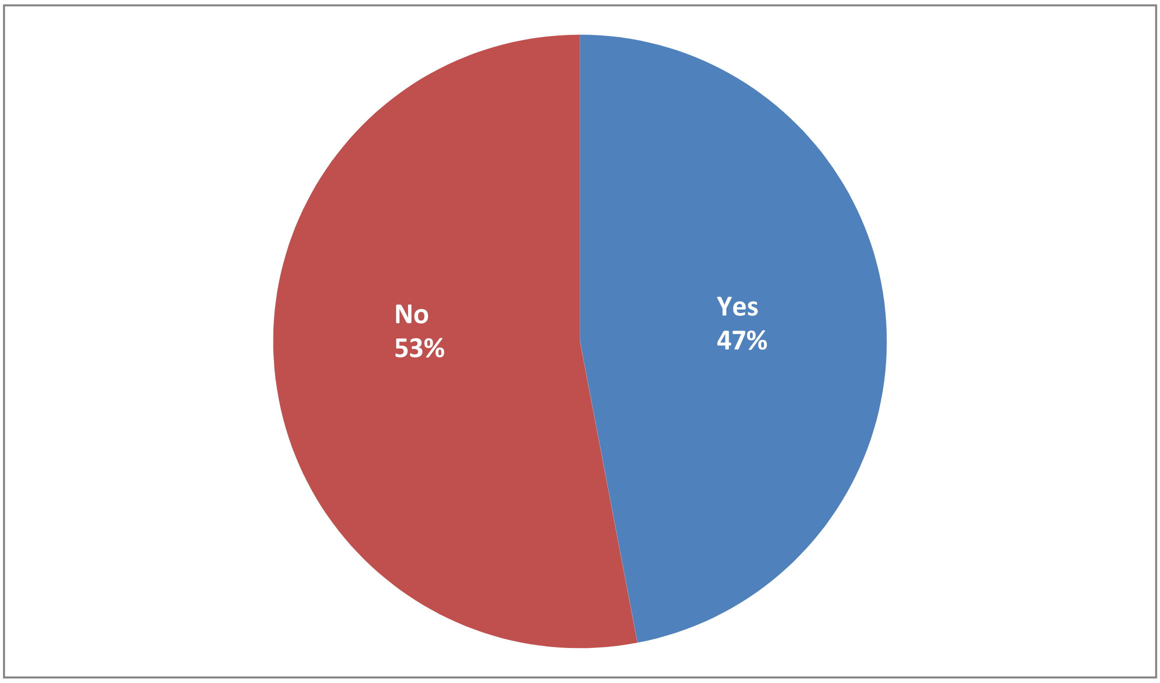
Inference: As per the given data more number of working women is involved in activities at the community and society level, as compared to those who are not involved. The activities that they are involved in relate to social club memberships, community religious activities, children activities etc.

13. Are you involved in any kind of activities in the workplace, community etc. (in nos.)

	No. of respondent	Percentage (%)
Yes	32	43
No	43	57

Figure 4.14: Percentage distribution of perception among women on being treated differently by their colleagues/seniors/boss/other members.

14. DO YOU THINK YOU HAVE BEEN TREATED DIFFERENTLY BY YOUR COLLEAGUES/SENIORS/BOSS/OTHER MEMBERS BECAUSE YOU ARE A WOMAN?



Source: Primary data

Inference: According to the above information 53% female responded said that were not treated differently while 47% female responded said they were treated differently. People enjoy working with friends, which often inadvertently turns into favouritism, It can start as something as simple as being included as a lunch outing where business is discussed and may lead to something much more substantial, like getting salary and promotional benefits. Wanting to work with people you like is fine, as long as it is fair to other employees.

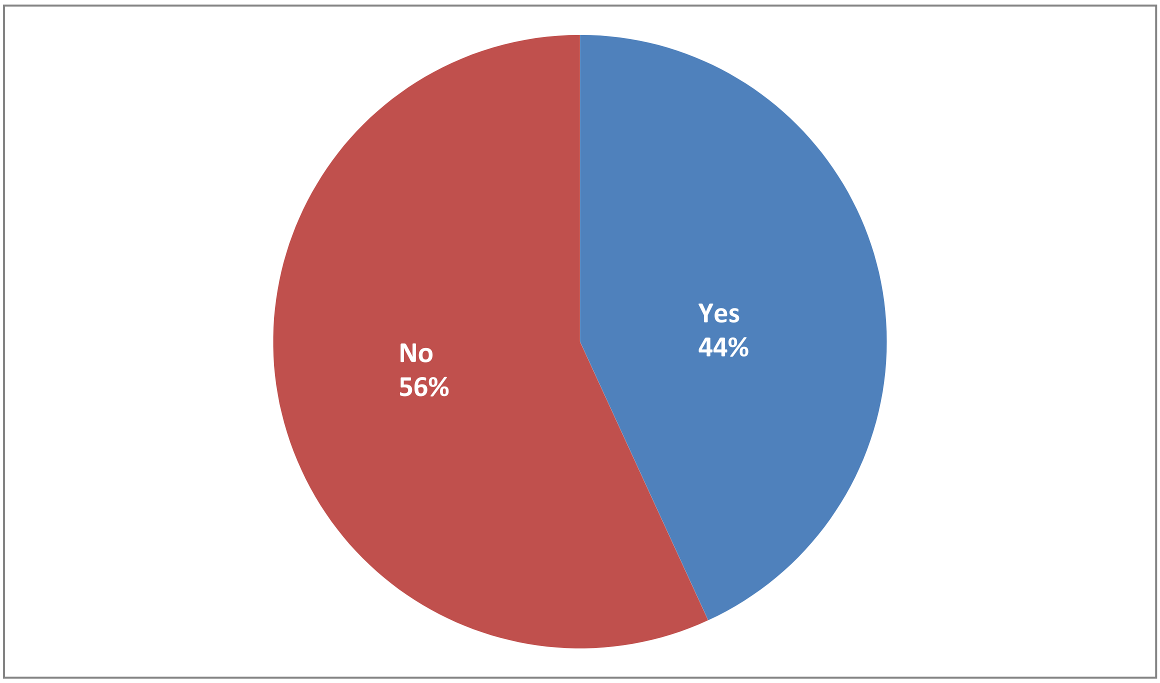
14. Do you think you have been treated differently by your colleagues/seniors/boss/other members because you are a woman?

Table4.17 Perception among women on being treated differently by their colleagues/seniors/boss/other members (in nos.)

	No. of respondent	Percentage (%)
Yes	35	47
No	40	53

Figure 4.15: Percentage distribution of perceptive among facing problems related to your family life and professional life.

15. ARE YOU FACING PROLEM RELATED TO YOUR FAMILY LIFE AND PROFESSIONAL LIFE?



Source: Primary data

Inference: 56% females responded agreed they were not faced with any problem relating to family life and professional life. 44% females responded that they find it difficult to manage family life and professional life because they have to go home to the family and attend to the household chores and take care of their families. They wished for some definite coping strategies to aid them to carry all the work-load and still be able to take care of their private issues.

15. Are you facing problems related to your family life and professional life (in nos.)

	No. of respondent	Percentage (%)
Yes	33	44
No	42	56

CHAPTER 5

Analysis and Interpretation.

Sectoral Analysis: Women In Night Shifts

The responses of the employees from different sectors indicate that employees from textile and leather industry face maximum problems. Insecurity is found more leather (45%) and textiles (34%). It is much less in hospitals (14%). It is found least in BPOs (only 8%). It shows that BPO companies follow stringent safely norms. Hospital employees (87%) are most satisfied with the duration of night shift because it occurs only once or twice a week.

But employees of textiles (23%) and leather industry (19%) face relatively more commuting problemsLess childcare facilities are provided to textiles and leather employees, only 6% and 5% respectively. BPOs and hospitals provide more childcare facilities to their employees, which are 105 and 8% respectively. Survey observed that 95% of BPO employees are satisfied with their employers. This figure is 93% in case of hospital employees. Mental harassment is least among BPOs (3%) and hospital employees (5%). It is much higher in textiles (15%) and leather industries (21%).

Table – 1

Responses from Different Sectors

(Perception of respondents in %)

Variable Considered	BPO	Textiles	Leather	Hospitals	Average
Insecurity	8.0	34.0	45.0	14.0	25.25
Duration of night shift	84.0	75.0	78.0	87.0	81.0
Commuting problems	4.0	23.0	19.0	6.0	13.0
Childcare facility provided	10.0	6.0	5.0	8.0	7.25
Satisfied from employers	95.0	74.0	69.0	93.0	82.75
Mental harassment	3.0	15.0	21.0	5.0	11.0
In house trainings	8.0	3.0	0.0	0.0	3.0
Better pay package	35.0	18.0	12.0	3.0	17.0
Demand by nature of job	80.0	90.0	92.0	98.0	90.0
Social problem	13.2	16.1	18.4	6.1	13.45
Appropriate no. of women in night shift.	97.4	92.1	94.9	97	95.35

Respondent from hospitals and leather industry felt that they do not receive in-house training; it is 3% in case of textile industry and 8% in BPOs. Only 3% hospital employees responded that their reason to work in night shift is better pay package. It may be mentioned that pay package is generally higher for the hospital employees as compared to other sectors. Survey observed 35% of employees from BPO, 18% from textiles and 12% from leather industry to work in night shifts because of better pay package.

Demand by nature of job was the dominant reason to work in night shift across the sectors surveyed. 80% employees from BPO, 90% from textiles, 92% from leather industry and 98% from hospitals responded that is the demand by nature of job that is the reason for them to work in night shift. Social problems are found more among textiles (16.1%) and leather industry (18.4%). It was found 13.2% in BPO and only 6.1% in hospitals. It was also observed that in all sectors appropriate number of women work in night shifts.

Scale of the Firms:-

Level of satisfaction on the basis of size of the firm indicates that large scale firms are on better grounds from all points of consideration. Large companies try to introduce strategies, which are multi directional in nature; they conduct regular cross-functional interactive sessions for the night shift employees. A special agenda for such session in formulated and team heads nominate representatives from each department. Such is not feasible for small-scale companies in terms of both time and money.

Table – 2

Responses of Employees According to Scale of Firms.

Variable Considered	Small Scale Firms	Medium Scale Firms	Large Scale Firms	Average
Insecurity	45.0	26.4	13.0	28.1
Duration of night shift	76.3	84.7	96.0	85.6
Commuting problems	21.0	10.0	9.0	13.33
Child care facility provided	0.0	0.0	8.0	8.0
Satisfied from employers	73.0	92.4	95.9	87.1
Mental harassment	21.0	14.0	8.0	14.33

Insecurity is high in the small-scale firms (45%), it is lower in medium scale firms (26.4%) and large scale firms (13%). 96% employees in large scale firms, 84.7% employees in medium scale firms and 76.3% employees of small-scale firms reported the duration of night shift to be appropriate. Commuting problems are more in small-scale firms (21%) where as these are much less in medium scale (10%) and large-scale firms (9%). No childcare facilities are provided to small scale and medium scale firms. Only 8% people from large-scale firms reported that childcare facilities are provided. (95.9%) employees of large-scale firms, (92.4%) employees of medium scale firms and only 73% employees of Small-scale firms were satisfied with their employers.

Mental harassment is faced more by of small-scale firms employees (21%); it is least in case of large-scale firms (8%) and moderate in medium scale firms (14%). No in-house training is provided in small-scale and medium scale firms. It is only 2% in large-scale firms. For only (6.3%) of small-scale employees, better pay package was the reason to work in night shifts. 14% medium scale firms and 28% employees of large-scale firms have expressed this reason to work in night shifts. Again it is demand by nature of job, which induces 94% of small-scalefirms employees, (89.2%) of medium scale firms employees and (95.1%) large-scale firms employees to do night shifts. Social problems associated with the women employees are least in large scale firms (4.3%), highest in small scale firms (25%) and moderate (12.4%) in medium scale firms. (89.5%) respondents from small-scale firms, women employees responded that appropriate number of women are working in night shifts.

Employee's Skills:

Survey observed that low skilled strata from all the industries. BPOs, textile industry, leather industry and hospitals are subject to maximum problems. They are dependent highly on the is immediate bosses and employers, which creates a good breeding, ground for problems to germinate whereas skilled workers face lesser problems relatively. Insecurity is observed higher among low skilled women (34%). Only 8% highly skilled women and 29% moderately skilled women employees (only2%), and highest among low skilled women employees (23%).

Table – 3

Responses of Employees According to Skills.

Variable Considered	Low Skilled Women	Moderately Skilled Women	Highly Skilled Women	Average
Insecurity	34.0	29.0	8.0	23.66
Duration of night shift	65.0	89.0	98.0	84.0
Commuting problems	23.1	10.0	2.0	11.73
Childcare facility provided	2.0	9.0	15.0	8.6
Satisfied from employers	78.0	85.7	93.1	85.6
Mental harassment	18.9	14.9	4.5	12.76
In house trainings	0.0	0.0	8.0	2.6
Better pay package	6.0	15.8	28.9	16.9
Demand by nature of job	90.08	89.3	95.8	91.72
Social problems	23.7	15.1	7.2	15.33
Appropriate no. of women in night shift	94.3	97.8	98.4	96.83

98% of highly skilled women were skilled women were satisfied with their duration of night shifts while only 65% of low skilled women were found satisfied with their duration of night shifts. As far as childcare facility is concerned highly skilled women tend to get maximum benefit (15%), followed by moderately skilled women (9%) and low skilled women (2%). It may be mentioned that childcare facilities provided by their employers are negligible for working women; the nearby centres, provide these facilities at very high costs.

Highly skilled women are more productive and useful for companies as compared to moderately and low skilled women. So the company gives priority to their needs. 93.1% highly skilled women were satisfied with their employers as compare to their low skilled counterparts (78%). Low skilled women tend to also feel maximum mental harassment (18.9); it is least among highly skilled workers (only 4.5%).

More in-house trainings are arranged for highly skilled workers (8%). There are no training arrangements for others. Among highly skilled women (28.9%) responded that better pay package was the reason for them to work in night shifts. (95.8%) workers from low skilled strata feel that it is again demand by the nature of job that compel them to work in night shift. Social problems were least among highly skilled workers (7.2%); one of the reasons for this may be that highly skilled women generally belong to upper class of the society where outlook of the people is pretty modern. Social problems are highest among low skilled women (23.7%). An appropriate number of women were found to be working in all the sectors.

Salary:

We have observed that highly paid employees are at a better position then moderately and low paid employees. They endure fewer problems in comparison to moderately and low paid employees. The reason could be that they can afford maximum chunk of their salary for themselves. And their sharp skills also help them to lead a quality life. Moderately paid employees are also satisfied from their work, because along with family responsibilities they can afford to spend some part of salary on them. But low salaried workers face maximum difficulties all factors under survey. The reason is that their total income is absorbed by the family, leaving them with nothing for personal expenses, so their level of job satisfaction also declines.

The low paid employees have felt higher insecurity (37%) while only (16.6%) highly paid employees and (28.9%) moderately paid employees feel insecure. The duration of night shift has been observed more for the highly paid employees. (90.6%) highly paid employees, (81.6%) moderately paid employees and (79.9%) low paid employees are satisfied with their duration of night shift. Commuting problems are least among highly paid employees (3%), highest among low paid employees (22.5%) and moderate among moderately paid employees (7.9%). In terms of childcare facilities, the highly paid women employees (16%) avail this facility while it is only (8%) among low-paid employees. (92%) highly paid, (84.9%) moderately paid and (79%) low paid employees are satisfied with their employers. Mental Harassment is more in low paid employees (23.4%) where as it is much less in moderately paid employees (10.1%). It is least in highly paid employees (3.2%). No in house training is provided to low paid and moderately paid employees; even it is very less in highly paid employees.

Table – 4

Responses of Employees According to Income Scales.

Variable Considered	Low Paid Employees	Moderately Paid Employees	Highly Paid Employees	Average
Insecurity	36.8	28.9	16.6	27.43
Duration of night shift	79.9	86.1	90.6	85.53
Commuting problems	22.5	7.9	3.0	11.13
Childcare facility provided	3.0	8.0	16.0	9.0
Satisfied from employers	79.0	84.9	92.0	85.3
Mental harassment	23.4	10.1	3.2	12.23
In house trainings	0.0	0.0	7.0	2.3
Better pay package	8.1	13.2	25.0	15.43
Demand by nature of job	89.9	93.5	94.6	92.66
Social problems	19.9	13.2	6.8	13.3
Appropriate no. of women in night shift	94.8	95.9	98.7	96.46

Only (8.1%) low paid employees reported that better pay package is the attraction for them to work in night shift. (13.2%) moderately paid and (25%) highly paid employees reported the same reason to do night shift. (94.6%) highly paid employees, (93.5%) moderately paid employees and (89.9%) low paid employees reported that demand by nature of job is the major reason to work in nightshift. Social problems are less among moderately paid employees. (94.8%) low paid employees and (98.7%) highly paid employees reported that appropriate number of women are working in night shifts.

Hierarchy:

It is observed that in industrial set-ups, employees on the upper ladder are enjoying the things better that their counterparts who still have to achieve the status. Insecurity was found more at workers' levels (32%) as compared to executive (29%) and manager level (18.7%). (89.1%) managers reported that they are satisfied with the duration of night shift works followed by executives (87.3%). Commuting problems are faced more by workers (16%) and least by managers (3.2%). Childcare facilities are availed more by managers (14.8%) as compared to executives (6.5%). (89.4%) managers are highly satisfied with their employers. Mental harassment is faced least at the managerial level i.e only (2.3%).

Table – 5

Responses of Employees According to Hierarchy in Organization.

Variable Considered	Workers	Executives	Managers	Average
Insecurity	32.0	29.0	18.7	26.56
Duration of night shift	81.4	87.3	89.1	85.93
Commuting problems	16.0	14.7	3.2	11.3
Childcare facility provided	0.0	6.5	14.8	7.1
Satisfied from employers	79.6	87.3	89.4	85.43
Mental harassment	23.1	11.0	2.3	12.13
In house trainings	0.0	2.0	6.0	2.4
Better pay package	9.2	14.1	24.0	15.76
Demand by nature of job	93.4	91.9	91.2	92.16
Social problems	18.5	12.4	5.9	12.26
Appropriate no. of women in night shift	95.4	97.2	98.4	96.93

In house training is provided more to managers (8%). (24%) managers responded that they work in night shift because of better pay packages. (14.1%) executives and (9.2%) workers gave the same reason to work in night shifts. Demand by nature of job was the dominant reason for everybody. Social problems are faced more by workers (18.5%). Executive face less social problems and very few managers face social problems (only 5.9%). Due to working in the night shifts. Appropriate number of women work at all levels whether it is at worker, executive or managerial level.

Married VS. Single Women:

We have observed that married women find it slightly difficult to carry night shift jobs because of family demand and their reproduction function. In case of unmarried women, family is not dependent on them for many things. In fact, parents and elder siblings try to provide a helping hand to them, which reduces the level of difficulty by many folds. Insecurity is less in single women are satisfied with the duration of night shift (94.8%) whereas it is lesser in married women (76.9%).

Table–6

Responses on the basis of Marital Status.

Variable Considered	Married Women	Single Women	Average	
Insecurity	28.2	24.1	26.05	
Duration of night shift	76.9	94.8	85.85	
Commuting problems	11.9	10.1	11.0	
Childcare facility provided	6.0	0.0	6.0	
Satisfied from employers	90.7	80.2	85.45	
Mental harassment	11.25	15.1	13.17	
In house trainings	2.7	2.4	2.55	
Better pay package	18.5	13.9	16.2	
Demand by nature of job	92.6	91.9	92.25	
Social problems	16.3	9.8	13.05	
Appropriate no. of women in night shift	94.4	97.8	96.1	

The problems faced in commuting are almost for both married (11.9%) and single women (10.1%). (6%) married women reported that their employers are providing childcare facility. (90.7%) married women and (80.2%) single women are satisfied with their employers. Mental Harassment is felt more by single women (15.1%) and less by married women (11.25%). In house training is almost same for both married (2.7%) and single women (2.4%). (18.5%) married women work at night shift for better pay package and (13.9%) single women work in night shift because of this reason. Demand by nature of job proved to be the major reason for both married (92.6%) and single women (91.9%). Social problems are more for married women (16.3%) as compared to single women (9.8%). (94.4%) of married women and (97.8%) of single women reported that appropriate number of women work in night shift.

Women in the Night Shift: Employers' Perception:

We also analysed the employers' perception regarding the same variables i.e duration of night shift, commuting problems, childcare facilities, in-house trainings, and number of women (mandatory requirement) doing night shift work. Survey observed some significant and considerable difference between the employer and employees perception. The major differences are observed in the better pay package provided by the employer's vis-à-vis is the demand by the nature of job.

Table – 7

Comparison : Employers Vs. Employees' Perception.

Variable Considered	Employers Perception	Employees Perception
Security	95.7	71.1
Duration of night shift	85.4	83.0
Commuting facilities	93.6	87.0
Childcare facility provided	23.4	8.6
In house trainings	24.8	2.0
Better pay package	94.6	16.8
Demand by nature of job	97.2	92.8
Appropriate no. of women in night shift	98.2	96.2

In our survey of employees and employers, it was found that 95.7% of the employers perceived safe environment being provided to their female employees unlike 28.9% of the employees who felt insecure while working in the night shift, there was a consensus among employers and employees (85.4% and 83%) that the length if nightshifts was satisfactory. 93.6% of the employers felt that commuting facilities being provided to their women employees at night are satisfactory, in comparison only 87% of the employees agreed. However major differences in opinion were experienced in the child care facilities provided, in house trainings, and better pay packages. Where 23.4% of the employers felt that childcare facilities are being provided, the employees', only 8.6% of them, affirmed. 24.8% of the employers perceived that in-house trainings were being provide while it was only 2% among the employees'.

As opposed to the view of the employers' that the employees working in night shifts earn a better pay package, employees (83.2%) do not ever. This is a very significant result that negates the view that many employees work nightshifts in order to earn higher incomes. Another significant result of the survey that surfaced was that employees work in nightshifts because it is the demand of the job, employers' (97.2%) and employees (92.8%). Majority of the people surveyed in the respective categories were of the opinion, employers (98.2%) and employees' (96.2%) that appropriate number of women were working during nightshifts.

CHAPTER 6

Survey.

6.1Need for a re-look at women related labour laws.

The International Women's Day 2017 was themed as " Women in the Changing World of Work; Planet 50-50 by 2030." This calls for a review of laws for working women, and whether they are in readiness to provide the foundation and catalyse goal attainment by 2030.

Gap between women's and men's labour force participation is 26%, while women spend 2.5 times more time performing unpaid care and domestic work than men. Globally, women on an average are paid 24% less than men. Disparities such as these are areas which need to be addressed. The first step in this direction is to analyse how current laws have performed and what are the gaps emerging.

According to the World Bank Report 'women, Business and the law 2016 report have at least one law limiting women's economic participation, restricting them from certain types of professions, hindering their freedom to travel outside the home and country, or constraining their ability to inherit or own land.

ILO through its recommendations and conventions has repeatedly emphasized the need and importance of labour laws for women over a period of time and most of the current laws have their genesis in these ILO conventions. It continues to revisit these and bring in fresher perspectives which need to be imbibed by our law makers. The ILO defined "decent work" as productive work for women and men in conditions of freedom, equality, security and human dignity. ILO's "decent work" concept covers employment, social dialogues, as well as fundamental principles and rights at work and international labour standards with the underlying theme of gender. One of the key ways to provide this is through enabling labour laws.

The Second National Commission on Labour, 2002 justified the protective discriminatory legislation in favour of women by recommending that such a legislation is essential for women workers.

According to " Leave No One Behind" report of the UN Secretary-General's high-level panel on women's economic empowerment--- " provision strengthening mechanisms for women's participation in collective bargaining, providing tax incentives for women entrepreneurs, addressing sexual violence and harassment in the workplace and regulating domestic work; all foster women's economic empowerment by creating opportunities and spaces for women to realize their economic potential on equal terms with men".

As per the World Economic Forum's "The Industry Gender Gap, Women and Work in the forth Industrial Revolution", on an average women are more educated than men globally and participate more in professional and technical occupations than 10 years ago. As of today, their chances rise to leadership positions are only 28% of those of men. There is a need to understand and remove factors that impede women from realizing their potential.

In the recent ILO's "Women at work: Trends 2016," between 1995 and 2015, the global female labour force participation rate decreased from 52.4 to 49.6 per cent. The corresponding figures for men are 79.9 and 76.1 per cent, respectively. Worldwide, the chances for women to participate in the labour market remain almost 27 percentage points lower than those for men. It is time to look into structural and judicial deficiencies that have to led to such a scenario.

I.2 Present status of women in the workplace.

According to the most recent ILO reports, India has seen a significant decline in the female workplace. There has been a decline of nearly 10% between 2005 and 2015.

According to the United Nations Statistics Division Report, "The World's Women 2015", only 50% women of working age are in labour force compared to 77% men. Over the past 20 years, an increasing number of countries have adopted legislation providing maternity and paternity benefits, enabling workers to meet their responsibilities outside work. Over half of all countries currently offer at least 14 weeks of maternity leave and 48% of countries have provisions for paternity leaves.

An international survey done by Barbara Annis, renowned thought leader in the field of diversity, comprising 240,000 women says that 81% women feel some sort of exclusion at work but on the contrary 90% men believe that they are aware of no such exclusionary practices at all. This contradiction in perceptions needs to be addressed and interventions based on law hold promise in this regard.

An online survey platform in her sight that collects exclusively women's ratings of corporate environments points to gender pay gap as the biggest workplace issue for women even when organisations are mandated to implement Acts like the Equal Remuneration Act.

A lot of companies have differentiated practices with respect to hiring pregnant women, some have guidelines like the woman must have worked with organization for at least 80 days before being entitled to maternity leave. Such practices have restricted women's mobility and by their very nature are restrictive.

Interestingly as per Indian statistics 2012-13, the number of women working in rural sector was 25% compared to 15% in urban sector in 2011-12. This gap only seems to be increased and is surprising. These statistics again are only signalling the need for systematic changes in the way women are viewed at the workplace.

I.3 Trend of common practices to help retain women in corporate:

- **Flexible work schedules**
- **Compressed work weeks**
- **Job sharing**
- **Telecommuting**
- **Reduced workload and part time jobs**
- **Most maternity integration efforts like flexible leave arrangements, skill training, and manager coaching and mentoring.**

I.4 Special provisions relating to women latrine and Urinal facilities:-

The factories Act, 1948 makes it obligatory for every factory to maintain and adequate number of latrines and urinals of the prescribed type separately for men and women workers.

I.5 prohibition of work in hazardous Occupations:-

The Factories Act, 1948 prohibits employment of women in dangerous occupations.

I.6 Washing and Bathing facilities:-

Separate facilities washing and bathing provided for women workers under the Factories Act. According to Section 42 (1) (b) of the act, separate and adequately screened washing facilities shall be provided for the use of male and female workers.

Creches- Section 48 of the factories Act, 1948 provides that in every factory wherein more than 30 women workers, are ordinarily employed there shall be provided and maintained a Creche for use of children under the age of 6 years.

Prohibition of night work- The factories Act, 1948 prohibit the employment of women during night hours. It is under special circumstances and in certain industries that this restriction may be relaxed.

I.7 The Maternity Benefit (Amendment) Act, 2017.

The Maternity leave amendment-

Increase the maximum period of maternity benefit from the existing twelve weeks to twenty-six weeks, in case of women who have less than two surviving children and in other cases, the existing period of twelve weeks;

Maternity leave for Adoption and Surrogacy-

To extend the maternity benefits to a "commissioning mother" and adopting mother" and they shall be entitled to twelve weeks maternity benefit from the date the child is handed over;

Work from home provision-

To facilitate "work from home" to a mother by inserting an enabling provision;

Creche facilities is Establishments-

To make it mandatory in respect of an establishment having fifty or more employees, to have the facility to crèche either individually or as a shared common facility within such distance as may be prescribed by rules and also to allow four visits to the crèche by the woman daily, including the interval for the rest allowed to her;

Nursing Breaks-

Every woman who returns to duty after delivery of child, shall in addition to the interval of rest allowed to her, be allowed in the course of her daily work, two breaks of 15 minutes duration each for nursing the child until the child attains the age of 15 months;

Payment of medical bonus-

Every woman entitled to maternity benefit under this Act shall also be entitled to receive from her employer a medical bonus of one thousand rupees, if no prenatal confinement and post- natal care is provided for by the employer free of charge.

I.8 Analysis on Effectiveness of the Implementation of the Maternity Benefit Act, 1961- Study supported by the National Commission for Women, Govt. Of India May 2014.

A study on the effectiveness of the Maternity Benefit Act, 1961 was undertaken by Centre for Social Research with support from National Commission for women, goal. The study comprised women belonging to various sectors of the labour market. It brought to light many loopholes in the implementation of the Act which need to be taken cognizance of. The major findings are summarized below:

On a positive note, around 73% respondents said a maternity policy exists in their organizations. But in implementing provisions related to medical bonus, the Act has been adhered to only in bits and pieces. Among women who were not entitled to free medical care by their employer, 72% were not entitled to any medical bonus either. The Maternity Benefits Act provides for two nursing breaks but only 32% of the participants responded that such breaks are provided during work hours. (The number is as high as 84% in the public sector). Many who are provided such breaks also say that these are at times treated as part of their rest hour and are not provided in addition to their rest hour. Income security as far as possible should be organized on the basis of compulsory social insurance. There is great need to improve the implementation of the Act with regard to access to medical bonus and nursing breaks.

I.9 The Sexual Harassment of women at workplace prevention, prohibition, and Redressal Act 2013.

The Act was brought in with the intention of making the workplace safer for women and providing them with a supportive and secure environment to work in. It was an effort to bring in much needed objectivity to the entire issue of sexual harassment by trying to identify crucial issues like what exactly sexual harassment entails and what is implied by the term employer. The Act has also widened scope to cover prevention of sexual harassment in domestic employment as well as the extended workplace. The coverage is wide spread.

Internal Complaints Committee (ICC)-

The provision if the ICC with an external representation encourages the spirit of objectivity and unbiased opinion. The Act makes it mandatory for every employer to constitute an internal complaints committee ("ICC") which looks into and addresses complaints made by any aggrieved woman.

Alternative for in capacity to file complaint-

As per the sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Rules, 2013, in case the aggrieved woman is unable to make a complaint on account of her physical incapacity, a complaint may be filed inter alia by her relative or friend or her co-worker or an officer of the national commission for woman or state women's commission or any person who has knowledge of the incident, with the written consent of the aggrieved woman.

Powers-

Complaint Committees have been granted the powers of civil courts in garnering evidence. This provision is again very progressive and acts a deterrent in the system.

Penalty-

If the employers fail to comply with provisions of the Act they will be liable for penalties up to fifty thousand rupees.

Deloitte India survey report on creating a safe work environment, 2016:

The survey report shows that only 52% of organizations have made sure that employees undergo proper training on the preventions of sexual harassment of women at the workplace. 71% of organisations have provided various other means of communication with relevant material on internal portals. Similarly, 52% of organisations made employees aware of these requirements while signing the code of conduct. However, at the same time is still lack of awareness and implementation as stated by 38% organizations who did not provide practical tips to employees to identify possible instances of sexual harassment and how to prevent it. According to the survey only 50%

organizations who did not provide practical tips to employees to identify possible instances of sexual harassment and how to prevent it. According to the survey have a whistle blowing mechanism in place to report allegations.

Status as of today-

As of today there are very few cases in the court of law under the Act. The administration is not very clear on accepting the Annual Report which is to be Submitted to the Government and there are instances where the administration even refuses to accept the Annual Report. It is necessary to further strengthen the implementation mechanisms.

There are no studies to show case the effectiveness and impact of the implementation of the Act.

It is also to be seen if genuine cases are really being reported within organizations or is there a reluctance which inhibit reporting of genuine cases on account of various social, and other internal reasons.

I.10 Companies Act, 2013

Provisions relating to women directors: provision to Section 149(1) stipulates that companies with such criteria to be announced shall appoint woman directors. Rules currently displayed on the MCA web site for comments indicate the following for appointment of women directors on the boards of companies.

a. Every listed company shall appoint at least one woman director within one year from the commencement of the second provision to section 149(1).
b. Every year other public company:- having paid up capital of 100 crores or more or a turnover of 300 crores or more have to compulsorily appoint within 3 years from the commencement of second provision to Section 149(1) of the Act.

Time limit of one year is provided to fall in line with the new requirement. Search for right kind of woman directors has to be made and it is certainly a time consuming exercise.

Under SEBI Listing Agreement:-

SEBI, vide circular no. CIR/CFD/POLICYCELL/2/2014 dated April 17, 2014 has made it mandatory to have one women director on the board of all listed companies.

I.11 Women Director – Governance & Empowerment benefits of having women on the board.

According to a study by the catalyst organization, titled **The Bottom Line: Corporate Performance and Women's Representation on Boards (2004 -2008)** diversity of talent is associated with diversity of thought. Research shows a direct correlation in having women in the boardroom and improved corporate business results.

Global Perspective on Women Director: role in women director – Governance & Employment (*Source: European Union Website)

In 2003, Norway was the first country to pass a law that mandates public companies achieve 40 Percent representation of women on their boards within five years. Non-compliant companies risk fines or even dissolution. In Germany, all listed companies are required to fill 30 percent of their supervisory board seats with women. Similarly, representation of women in decision making roles region is as follow:

- **Malaysia –** At least 30 % representation of women in decision making positions.
- **France:** 40 % of executive Board member shall be female on the board by 2016.
- **Belgium –** minimum 1/3 female directors.
- **Spain –** has introduced a quota at 40 %, to be reached by 2015.

However, developed countries like, USA, UK, Canada, Singapore, Australia and many more do not have gender quota systems.

I.12 Scenario in India:

According to India's National Sample Survey, the proportion of working women in urban areas has increased from 11.9% in 2001 to 15.4% in 2011. (National Sample Survey of India Website).

Since, female participation in the workplace is rising along with educational levels, India can expect to reap huge dividends.

For this, "India needs is not only an employment revolution but also an educational revolution that allows- and encourages- women play their full part in a modern Indian Economy".

Current Indian Inc. Position

Notwithstanding this potential, as per the report of **Indianboatrds.com, a joint initiative if prime Database and NSE,** roughly two-third of Indian companies (966 out of the 1,456 NSE-listed entities) do not have a women director.

There are 9.009 persons occupying a total of 11,596directorships in NSE-listed companies. Of these, only 597 positions are held by women's which is a mere5.1 percent.

According to the Spencer Start 2012 India Board Index, Women accounted for only 7% of directors on the boards BSE 100 companies.

According to data complied by Bloomberg, Almost half of the top 100 companies traded on BSE Ltd,. Including the biggest two by market value don't have a single female member on their board.

1.13**Key Challenges**

In a country where only 5.1% of board seats were held by women in 2014, findings qualified women for the roles is itself a big challenge but timely regulatory intervention can make all the difference. The following can be seen as major impediments to achieve this:-

1. Corporate Level
   - Limited pool of women candidates from the corporate sector.
   - Restriction on women from banking, financial services and insurance sector Boards due to conflict of interest.
   - Incidents of sexual harassment at the workplace.
   - Lack of decent job opportunities for women other than unskilled manual labour.

- Tokenism and nepotism.
- Rigid time frame – window offered must be extended.
- Absence of conductive work environment for women.
- No women employee – friendly HR policies.

2. Educational Level
    - Different company law rules and sanctions for not complying with gender balance laws. Can lead to complications for business and have a deterrent effect.
    - No unified body.
    - No proper check and balance. Excessive discretionary power. Loopholes in legal provisions.
    - No appropriate and dissuasive sanctions for companies in breach of the directive.

Apart from these general challenges, there are some other factors which are compounding the problems such as:

- Imposing quotas with tight deadlines can be detrimental for companies.
- Diversity milestones must vary from company and be tailored to reflect the particular needs of each board.
- Heavy- handed enforcement could subvert spirit of the law.
- The Indian law doesn't specify if women directors have to be independent or non-executive or executive.
- Absence of "Flexi quota" – an obligation for listed companies to set themselves individual, self- regulatory targets.

CHAPTER 7

7.1 FINDINGS

1. Sexual harassment by male colleagues is a reality. Mental harassment by female colleagues is also a reality.

2. Working women face problems because of their female colleagues (jealousy, rivalry, competition etc.)

3. Colleagues, both men/women draw conclusions about women's character, sometimes without any basis.

4. Financial independence gives women more respect in the society as perceived by the working women.

5. Working women feel they are facing more mental pressure and depression than non-working women.

6. Not much aware about acts and policies favouring women in the workplace.

7. Health issues are also important problem for working women.

8. Working women are forced to leave their small children at home because of their work. Lack of proper support system.

9. Life as a single parent very challenging for working women.

All the women organizations/NGOs unanimously felt that companies/organizations who hire women for night shift work should provide security for working women. They felt that equal opportunities could be celebrated, only if gender discrimination act is implemented in society and women feel comfortable. Women can get respect in society if night shift jobs do not crush their moral and ethical values and at the same time employers considers safety and security of their women employees' prime responsibility and provides separate work sheds, canteen facilities, medical facilities and at least 12 hours rest between two shifts.

According to judges/ Advocates/Lawyers, the opinion that emerged unanimous is that women employee's representative should be encouraged in the factories having nightshifts of women with adequate powers and linkages with police and law enforcing organizations. Stringent penal provisions should be made against and erring employers in case of non-implementation of the conditions for nightshifts for women. Of women are secure on these ground they can work in the night shift work.

Police authorities are of the opinion that companies should provide escorts for female employees from their homes to their workplace and also keep record of photographs and work histories of their drivers that they hire for commuting purpose of their employees. Companies must take responsibility for security practices like verification of third party workplace and posting of security guards on vehicles carrying women employees. A proper grievances handling mechanism should be adopted in factories employing women in night shifts, majority in the grievances settling mechanism should be of women and it should be headed by women. Adequate women wardens should be employed to assist women working in night shifts and the employers should send fortnightly a report to the inspector of factories and to the local police station.

7.2 RECOMMENDATION AND SUGGESTION

SOME RECOMENDED SOLUTIONS:

- ✓ Partners can be more sensitive to women's needs, and counter tradition by helping their wives perform daily tasks and take care of children.

- ✓ Organisations should have an internal code to ensure security of women employees and take measures to ensure that they discharge their job in a secure atmosphere.

- ✓ Governments should make it mandatory for companies to install Global Positioning System (GPS) in vehicles carrying women, in all industries which engage women in night shifts.

- ✓ Providing Self defence training to women; installing safety devices and CCTVs at the work place; undertaking police verification of cab drivers, security guards etc.

- ✓ Child care facilities and child care leave for working women should be provided by every organisation.

- ✓ Flexible timing and possibility to work from home are required for working women.

In a patriarchal society like India a particular boundary exists only for women, and if they try to cross that boundary then people start maligning them. The general perception is that if some women are doing things differently, beyond people's limited imagination, and out of sync with traditional thinking, like going out for jobs, wearing different type of fashionable clothes, talking freely with male members etc.

Immediately they are branded as loose women. India probably has still a long way to go to make our workplace free from any prejudices, abuses and harassments. Even then we can still try at solving some of the related issues and problems with some possible solutions that have been mentioned above so that women become stronger and are able to handle any adverse situations.

As suggested by the amended factories Act, appropriate numbers of women are found working in all the cities surveyed in the night shift. Majority of the employees (96.2%) are satisfied from the appropriate number of women employees working in one shift at a time, as suggested by the new amendment in Factories Act. It is observed that bigger companies hire large number of employees and therefore during night shift. Also the percentage of women employee is found satisfactory. Problems arise where the units are very small and they have limited number of employees and customers. Regarding the in-house training facilities, only 2% employees get the opportunity of training facilities and safety. Companies need to network with other organizations like police and NGOs who can train the employees to protect themselves when the need arises.

In our survey of employers, it is found that 95.7% of the employers perceived a safe environment being provided to their female employees unlike 28.9% of the employees who felt insecure while working in the night shift. In terms of the responses to the duration of nightshift, there was consequences among employers and employees (85.4% and 83%) who felt the length of nightshifts as satisfactory. 93.6% of the employers at night are satisfactory, in comparisons only 87% of the employers agreed. However major differences in opinion were experienced in the childcare facilities provided, in-house trainings and better pay packages. Where 23.4% of the employers felt that the childcare facilities are being provided, the employees', only 8.6% of them, affirmed. Only 24.8% of the employers, perceived that in-house trainings were being provided while it was only 2% among the employees.

As opposed to the view of the 96.4% employers, that the employees working in night shifts earn better pay package, employees (83.2%) do not aver. This is a very significant result that negates the view that many employees work nightshifts because it is the demand of the job, employers (97.2%) and employees 92.8% both agreed. Majority of the people surveyed in the respective categories were of the opinion, employers 98.2% and employees 96.2% that appropriate number of women were working during nightshifts.

CONCLUSION

Meetings a long distance demand for gender parity in the workforce, the government of India approved an amendment in the factories Act to allow women to work in late night shifts if the employers ensures safety, adequate safe sector and guards in the factory premises to the nearest point of their residues. So far, the IT sector and SEZs were employing women for late-night work hours but had no legal obligations to provide these safety measures. Under the new act state government may frame their own rules for giving such permissions.

Internationally, nightshift for women has been debated upon for a over a hundred years. The working class Europe first raised the demand for prohibition of night work for women. Some industrialized countries in Europe enacted legislations in the early years of the 21^{st} century prohibiting women from working at night. The General Conference of ILO in June 1990 adopted a protocol known as protocol of 1990. Under the provisions if this protocol, the competent authority in a country under its national laws and regulations is authorized to rectify the duration of the nightshifts or to introduce exemptions from ban on night works for women for certain branches of activity or occupations.

Keeping in mind the tremendous opportunities that women can avail in the emerging manufacturing activity in the Indian economy, the Associated Chambers of Commerce & industry of India (ASSOCHAM) conducted a survey to know the role of women in the present economic and business environment of India; to find the emerging opportunities for women vies-a vies the most promising sectors; to assess the business readiness to provide for women under the amended factories Act. The sample comprised of 272 participants including 216 women doing nightshift work at least from last 6 months, 56 employers supervising women for nightshift work and various keep personalities of leading organizations like women's organizations, universities, Police, Law enforcing strata (judges, advocates). Hospitals, industrialists, etc.

Survey has found favourable conditions for work for women in night shift work, in terms of security, monetary compensation and provision of fringes benefits.

During the survey employees felt that sacrifices towards social life should be compensated by more additional benefits with the effective implementation of mandatory benefits.

Conclusions related to the challenges and problems faced by working women drawn from the analysis of responses:

- Professional women feel isolated and burdened by the simultaneous demands of their new aspirations on one side and the traditional way of life on the other side.
- Women are discriminated against in all walks in life.
- Women are subjugated, dominated and exploited both at work places and home.
- Women are generally unable to give proper and quality time to households, kids and family.
- Working women generally face workplace sexual harassment, mental pressure, and safety issues.
- Females are also highly judgemental about other female colleagues and try to put one at any given opportunity.
- Women face problems leaving kids at home and going to office early in the morning.
- Child rearing problems are always faced by working women.
- People make particular perceptions or draw conclusions about character of working women.
- The social system cannot accept the new roles of women who end up feelings misunderstood and distressed.

BIBLOGRAPHY

Agapiou, A. (2002). Perceptions of gender roles and attitudes towards work among male and female operatives in the Scottish construction industry. Construction management & economics, 20(8), 697-705.

Andal, N. (2002). Women and Indian society; options and constraints: New Delhi: Rwat Publications.

Arnove, R. F., Torres, C.A., & Franz, S. (EDs.) (2012). Comparative education: The dialectic of the global and the local. Rowman & Littlefield publishers.

Beck, L., & Keddie, N. R. (Des.) (1980). Women in the Muslim world (Vol3.). Cambridge: Harvard university Press.

Boroah, V. K., & Iyer, S. (2005). Vidya, Veda, and Varna: The influence of religion and caste on educational in rural India. The journal of development studies, 41(8), 1369- 1404.

Budhwar, P. S., Saini., D. S., & Bhattnagar, J. (2005). Women in management in the new economic Environment.; The case of India. Asia Journal of Anthropology and social policy, 4(1), 24-28.

Chandra, S.k. (1993). Women's development: problems and prospects.

Colquitt J. A. Conlon D. E., Wesson, M J., Porter, C, O., & Ng, K. Y. (2001). Justice at the millennium: a meta-analytic review of 25 years of organizational justice research. Journal of applied psychology, 86(3), 425.

Dube, L. (2001). Anthropological explorations in gender: Intersecting fields. New Delhi: Sage Publications Pvt. Ltd.

Engineer, A.A (1989). Communalism and communal violence in India. An analytical approach to Hindu-Muslim conflict. New Delhi: Ajanta Publications.

B. S. Padmanabhan, Women Empowerment in farm sector, Youjna January 2001.

Business Woman, The Modern Indian Working Woman, A Business World Special in Partnership with Redforwoman, March 2002.

C. Jayanthi "Women Entrepreneur in the new wave economic Development Programme, Youjna August 2003.

C. Satinath, Empowering Social Minorities, The Hindu 18th July 2002.

D. Jean and S Amartya, Economic Development and Social Opportunity, Oxford University Press new Delhi, 1995.

Dr. Gladis Abraham, Female Workforce Participation: Need for Empowerment, Youjna May 2003.

Dr. Sumangala Naik, The Need for Developing Women Entreprenuers, Youjna July 2003.

Dr. Neeta Anand, Working women: Issues and Problems, Youjna 2003.

G. Chetan, Empowering Women in Villages: All Women Village Council in maharshtra, India. Bulletin of Concerned Asian Scholars, 29(2) April-June 1997.

GB Pant, Participatory Democracy at Grassroots level and Women's Performance in panchayat raj Institutions: Evidence from Madhya Pradesh, a paper presented in the seminar on rural Women and Economic empowerment of Women in South Asia at G.B. Pant Social Institute Allahabad, India 2004.

G.B. Pant, Participatory Human Development Report, New York 2004.

L. beneria, Gender development and Globalization, Routiedge, New York, London 2003.

Oxfam, towards ending Violence Against Women in South Asia, Oxfam International, UK. 2004.

P. Kahlon, 73rd Amendment and Women's Empowerment: A paper presented in the seminar on rural women and economic Empowerment of women in South Asia AT G.B. Pant social Sciences Institute Allahabad, India 2004.

S. Kalpana, Surviving Violence, Making Peace. Women in Communal Conflict in Mumbai in Kiran Kapada (ed.) The Violence of Development, Kali for women, New Delhi 2002.

S. Batiwala, Women's Empowerment in asia: Concept and practice, In Exchange change, 1994.

UNICEF, A Reference Kit on Violence Against Women and girls in South Asia, ROSA, UNICEF, Kathmandu, 2001.

APPENDIX

QUESTIONNAIRE

SURVEY TO SUPPORT THE STUDY OF

NIGHT SHIFT FOR WOMEN – GROWTH, OPPORTUNITIES AND PROBLEMS.

Providing information on this survey is voluntary. There is no penalty if you choose not to respond. However, maximum participations is encouraged so that the data will be complete and representative. Your survey instrument will be treated as confidential. Identifying information will be used only by persons engaged in, and for the purpose of the survey.

THANK YOU FOR YOUR PARTICIPATION.

NAME:-

AGE:-

QUALIFICATION:-

WORK EXPERIENCE:-

PROFESSION:-

MARITAL STATUS;-

(1) How long did it take for you to get promoted in comparison to male comparison to male colleagues of the same position?

- Equal time
- Longer
- Earlier

(2) Do you work as much as male colleagues or are you required to work less than male?

- Yes
- No

(3) Did you get your promotion on merit basis or you were offered a promotion based on favouritism or any other indecent proposal?

- Yes
- No
- Can't say

(4) How is the attitude of your boss to-wards you?

- Co- operative
- Neutral
- Abusive

(5) Do you sometime feel hesitant to work with male colleagues because they may sexually harass or underestimate you on the basis of gender?

- Yes
- No

(6) Do you think people draw conclusions about your character, reputation and attitude the way they like?

- Yes
- No
- Can't say

(7) Have you ever faced sexual abuse of any kind in your workplace?

- Yes
- No

(8) If yes, did the office authorities take any strict measures against the accused persons?

- Yes
- No
- Can't Say

(9) If No, do you think the office authorities will act in a fair manner if you face sexual harassment?

- Yes
- No
- Can't Say

(10) Do you suffer from any health complications like mood swings, depression, concentration problems due to problems at workplace?

- Yes
- No
- Can't Say

(11) What in your opinion is more convenient when faced with the situation of harassment based on gender discrimination?

- Suffer in silence.
- Quit Job
- Fight against injustice
- Can't say

(12) Are you given easier jobs at work as compared to male candidates?

- Yes
- No
- Can't say

(13) Do your Seniors/colleagues/male members/other member respect you?

- Yes
- No
- Can't Say

(14) Which problems do you think is the most important problem faced by working women in the workplace?

- Depression
- Mental Pressure
- Gender discrimination
- Sexual harassment
- Others

(15) Support for balance between work and non-work activities given by?

- Spouse/Partner
- Friends
- Other family members
- Encouragement to use paid and unpaid leave.
- Others

(16) Are you involved in any kind of activities in the workplace, community and society?

- Yes
- No

(17) Do you feel financial independence given you more respect in the society? Please explain how?

(18) Are you facing problems related to your family life and professional life?

(19) Do you think you have been treated differently by your colleagues/seniors/boss/other members because you are a woman?

(20) Do you have any additional comments about your fears, frustration, needs, career, boss, team, workplace and workplace environment etc. Please elaborate?

****

A PROJECT REPORT ON

“**INVESTMENT OPTIONS IN INDIA**”

SUBMITTED

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE

BACHELOR IN MANAGEMENT STUDIES

BY

SHAIKH SANA ANWAR HUSSAIN

SEAT NO:- 1162769

T.Y.BMS (SEMESTER VI)

BGPS’

MUMBAI COLLEGE OF ARTS,COMMERCE & SCIENCE

J.K JADHAV KNOWELDGE CENTRE, NADKARNI PARK,

WADALA EAST, MUMBAI-400037

DECLARATION

I, the undersigned **Miss. SHAIKH SANA ANWAR HUSSAIN** the student of T.Y.B.M.S. Semester VI, hereby declare that the work embodied in this project work **"INVESTMENT OPTIONS IN INDIA",** forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DRAKSHA KHAN, i**s a result of my own research work and has not been previously submitted to any other university for any other degree/ diploma to this or any other university.

Wherever references has been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

PLACE: MUMBAI SHAIKH SANA ANWAR HUSSAIN

DATE OF SUBMISSION : SEAT NO:- **1162769**

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI: - 400037

BGPS’

MUMBAI COLLEGE OF ARTS,COMMERCE & SCIENCE

J.K JADHAV KNOWELDGE CENTRE, NADKARNI PARK,

WADALA EAST, MUMBAI-400037

CERTIFICATE

NAAC ACCREDITED

This is to certify that, Miss. SHAIKH SANA ANWAR HUSSAIN_ student of BGPS’ MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE, Wadala studying in T.Y.B.M.S.{Sem-6}, has successfully completed his project report on INVESTMENT OPTIONS IN INDIA in the academic year “2019-2020”.

ASST.PROF.DRAKSHA KHAN

(Signature of Project Guide) (Signature of Principal)

ASST.PROF.DRAKSHA KHAN External Examiner

(Signature of Coordinator) (Signature of External)

ACKNOWLEDGMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous. I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal,** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Course Co-ordinator** **ASST.PROF. DRAKSHA KHAN** for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **ASST.PROF.DRAKSHA KHAN** whose guidance and care made the project successful.

I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my **Parents and Peers** who supported me throughout my project.

SHAIKH SANA ANWAR HUSSAIN

EXCUTIVE SUMMARY

Investment refers to the concept of deferred consumption which may involve purchasing an asset, giving a loan or keeping funds in a bank account with the aim of generating future returns. Today the spectrum of investment is indeed wide. An investment is confronted with array of investment avenues. Various investment options available in India are cash investment, debt securities, stocks, mutual funds, derivatives, commodities, real estate etc.

Considering the importance of investment at each and every stage of life, I have therefore, selected the topic 'Investment Options in India' to be placed before the esteemed educational institution. My deep interest in Indian financial markets, insurance, etc. has encouraged me to choose this project.

Here I have made my best possible efforts to place the several investments options available in India in an easy and most understandable manner. The study has been undertaken to analyze investors' preferences and as well as the different factors that affect investors decision on the different investment avenues.

INDEX

MUMBAI COLLEGEOF ARTS, COMMERCE & SCIENCE

B.G.P.S.

Chapter 1 - INTRODUCTION TO THE STUDY

1.1 OBJECTIVE OF THE STUDY

1.2 LIMITATIONS OF THE STUDY

1.3 METHODOLOGY AND SOURCE OF DATA

1.4 RESEARCH METHODOLOGY

1.1 OBJECTIVE OF THE STUDY

The purpose of the analysis is to determine the investment behavior of investors and investment preferences for the same. Investor's perception will provide a way to accurately measure how the investors think about the products and services provided by the company.

THE MAIN OBJECTIVE OF THE PROJECT IS TO FIND OUT THE NEEDS AND PREFERENCES OF INVESTORS.

For this analysis, customer perception and awareness level will be measured in important areas such as:

i. To understand in depth about different investment avenues available in India.
ii. To find out how investors get information about the various financial instruments.
iii. The type of financial instruments, they would prefer to invest.
iv. The duration for which they would prefer to keep their money invested.
v. What are the factors that they consider before investing?
vi. To know the risk tolerance level of the individual investor.
vii. To study the dependence/independences of the demographic factors (age) of the investor and his/her risk tolerance level.
viii. To find priority for investment like return, risk, safety, liquidity, maturity of investment, etc.

NEED OF THE STUDY

INDENTIFY CUSTOMERS PREFERENCES: WITH THE SURVEY ON INVESTORS BEHAVIOR, WE CAN IDENTIFY INVESTOR'S PREFERENCE TOWARDS DIFFERENT INVESTMENT AVENUES.

1.2 LIMITATIONS OF THE STUDY

In every research there are chances of errors and constraints. We have following limitations in our study.

i. Sample size, which we have taken, is very small, on the basis of which efficient decision can't be taken
ii. Respondents were biased in their responses because they were more in favor of the brand they were using.
iii. co-operations from respondents, this was a major problem
iv. Most of the people were at their work. So they did not have enough time to give all replies.
v. The population surveyed was not open to questions related to their personal income i.e. either they fell hesitant in disclosing the facts about their incomes or they were simply not interested.
vi. Time factor
vii. Cost factor

1.3 METHODOLOGY & SOURCES OF DATA

Information is collected by conducting a survey by distributing a questionnaire to 100 investors in Mumbai. These 100 investors are of different age group, different occupation, different income levels, and different qualifications. (a copy of the questionnaire is given in the last as annexure 1).

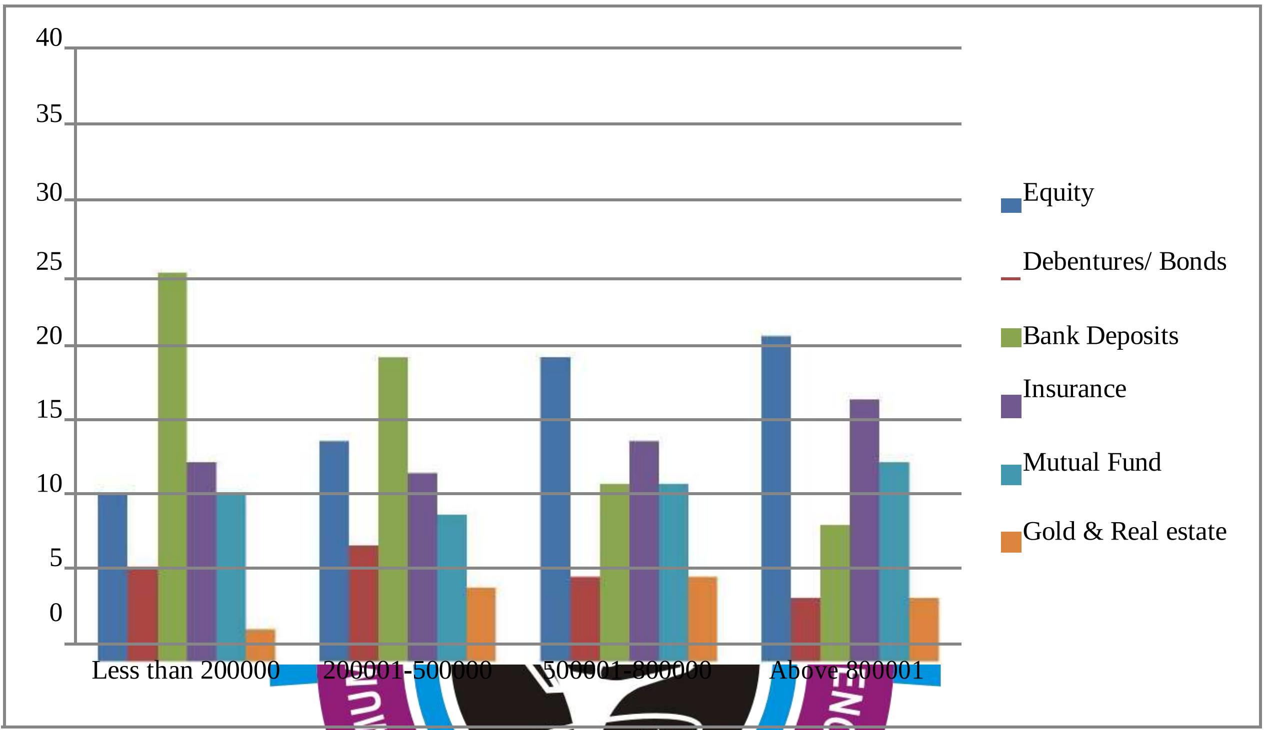
This data is collected by using the following means.

1. Articles in financial newspapers (economic times and business standard)
2. Investment magazines, business magazines, financial chronicles.
3. Expert's opinion published in various print media.
4. Books written by various authors on investments.
5. Data available on internet through various websites.

METHOD OF ANALYSIS

The analysis of data collection is completed and presented systematically with the used of Microsoft excel and MS- word. The various tools used for presentation are:

i. Bar graph
ii. Pie chart
iii. Column graph
iv. Doughnut chart


40
35
30
25
20
15
10
5
0
Less than 200000
200001-500000
500001-800000
Above 800001
Equity
Debentures/ Bonds
Bank Deposits
Insurance
Mutual Fund
Gold & Real estate

1.4 RESEARCH METHODOLOGY

Sampling technique initially, a rough draft will be prepared keeping in mind the objective of the research. The final questionnaire will be arrived at only after certain important changes are incorporated. Convenience sampling technique will be used for collecting the data from different investors. The investors are selected by the convenience sampling method. The selection of units from the population based on their easy availability and accessibility to the researcher is known as convenience sampling. Convenience sampling is at its best in surveys dealing with an exploratory purpose for generating ideas and hypothesis.

Sampling unit: the respondents who will be asked to fill out the questionnaires are the sampling units. These comprise of employees of MNCs, government employees, housewives, self-employed, professionals and other investors.

Sampling size: the sample size will be restricted to only 100, which comprised of mainly people from different regions of Mumbai.

Sampling area: the area of the research is Mumbai.

RESEARCH DESIGN

This section carries out the topic such as research sector, research population and instrument used for the research.

i. RESEARCH SECTOR

Researcher is going to carry out the research on investment avenue available to investor because the aim of the research is to study investment pattern of the investor.

ii. RESEARCH POPULATION

Research population comprises of the survey are salaried, professional, business owner, retired & pensioner, trader, share broker and others. This survey will be analyzed in terms of factors like safety, liquidity, diversification, simplicity, tax saving and affordability.

2 – REVIEW OF LITERATURE

Shantilal Sarupria (1963)1 in the study captioned “Individual Savings in an under Development Economy-India-A Case Study” has made an attempt to disprove certain widely held views about the individuals‘ savings behaviour in an under developed country like India and suggested the ways of potential savings which could be mobilised for investment. It was regrettably contended that a large section of our population held the savings in the form of gold, landed property and other unproductive assets.

The National Council of Applied Economic Research (NCAER) conducted a survey of households (1964)2 entitled “Attitude Towards and Motivations for Savings”. The survey covered a sample of 4650 households spread over India. It provides an insight into the attitude towards and motivations for savings of individuals. One of the important finding was that the investment in securities was preferred by the high income households.

Stern P. Walter (1969)3 in his study “The Investment scene – An overview” identified the two broad styles of investing that are emerging; firstly the ―Guns Lingers‖ – the aggressive investor, who feels that he can identify changes before they invest and capitalise on it. He is identifiable, he is young, he is able, he is arrogant, and he deals in concepts, not in price earnings ratio. He is ―opportunity oriented‖ and he checks out every idea you present to him before he acts. He wants freedom to act quickly, secondly the ―Serious long term investor‖, basically interested in earnings trend, concepts relating to area of long term growth and fundamental work. He is fewer concepts oriented and is more profit earnings ratio oriented.

Stovic Paul (1972)4 in his study entitled “Psychological Study of Human Judgement: Implications for Investment Decision Making” examined the use of psychological approach in the field of financial decision making. According to him many decisions were made not by individuals but by groups. The ultimate finding was that decisions made by groups were riskier than the average of the individual member‘s decision.

Fama (1972)5 in the study titled “Components of Investment Performance” analysed the Investment and introduced two terms ―Selecting‖ and ―Timing‖ which were more important compared to risk and return. Further, he suggest methods for measuring the efforts of foregone diversification when an investment manager decides to concentrate his holdings in which he thinks that there are only a few winners. Eventually he was successful in presenting a multi period model that allowed evaluation both on period by period and on a cumulative basis

Lease Ronald et.al. (1974)6 carried out a study entitled “The Individual Investor Attributes and Attitude” studied the demographic characteristics, investment strategy patterns, informative sources, assets holdings, market attitudes and perception of investors. The study also analysed the records of portfolio position and realised investment returns of the group. The samples of the study which comprise 990 investors stratified according to the geographical distribution of all the American shareholders as reported by the ―New York Stock Exchange‖ were surveyed. The data for the study were collected through a questionnaire and it was processed with the help of a cluster analysis and automotive interaction detection analysis. The study revealed that there was a significant positive correlation between a) Individual income and total wealth b) Age and percentage of portfolio invested in income securities c) Analysing the investment strategies of the selected group, the study found that long term capital appreciation was the prime investment concern with dividend and intermediate term gains running second and short term gains ranking third in the list. A significant negative correction existed between annual income and percentage of portfolio invested in income securities.

Lewellen Wilbur.G et.al. (1977)7 in their study “Pattern of Investment Strategy and Behaviours among Individual Investors” ascertained the portfolio decision process of individual equity investors. Data was collected from 972 individual investors residing in the U.S. The result shows that age has a strong influence on the portfolio goals of the Investors. Older Investors have interest in long term capital gains and young investors have a desire for short-term capital gains. Age and risk taking propensities were found to be inversely related. The study concluded that the women investors were found to be broker reliant unlike men.

James R.F. Gay (1978)8 in his article “The performance of the British Investment Trust Industry” evaluated the risk adjusted performance of the UK Investment Trusts through the applications of the Sharpe and Jensen measure. The study concluded that no trust had exhibited superior performance compared to the London Stock Exchange Index.

Dr. Ajay and Dr. Singh (1979)9 in their article captioned, “A Study of certain aspects of Household Savings Behaviour in New Delhi” studied the reasons for savings, attitude towards savings and extent of risk taken by respondents in Delhi. The authors have said that, while investing, savings behaviour, risk tolerance, savings ratio and satisfaction with the level of savings and the change in reasons to save, the needs of household varies as the household heads progress in age and occupational status. The author found that the satisfaction level of savings is higher for household heads belonging to Delhi or those who have stayed for more than 41 years in Delhi. The study concluded that the persons who are residing in their own houses, have higher income, higher savings, more than two earners and no dependent girl are found to be more satisfied with their savings.

Arnold and Moizer (1984)10 in their article titled “A Survey of the Methods used by the U.K. Investment Analyses to Appraise the Investment in the Ordinary Shares” says the respondents in this study were the investment analysts and not the investors. The study opined that investment analysts are both investors in their own right and also advisers to other institutional and individual investors. Arnold and Moizer found that the principal share appraisal technique used by investment analysis was fundamental analysis. Although some of the principles of technical analysis like price earning ratio and dividend yield were used for appraisal, none of them mentioned that they used technical analysis. The study has provided that the most influential sources of information according to investment analysis perception were found to be the company‘s annual profit and loss account, balance sheet and its interim results.

Alagarswamy (1989)13 in his study "Tax planning of the Employees of Madurai Kamaraj University" analysed the various Tax savings schemes under sec 80C, 80CC, 80G, 80CCA, 80GG and 80 L of Income Tax Act 1961 with cases.

Warren et.al. (1990)14 in their article "Using Demographic and Life Style Analysis to Segment Individual Investors" attempted to develop life style and demographic profiles of investors based on the value and types of investment holdings. The authors pointed out that in a diversified market, demographic characteristics alone may not be sufficient to serve as a basis for segmenting individual investors. This study was based on mailed questionnaires to 600 households. Only 152 usable responses were obtained. Multiple discriminate analysis were used to determine whether investment patterns differed according to demographic and life style dimensions. The results indicated that life style dimensions not only helped to differentiate between investor behaviour types (active/passive), but was also useful in differentiating between light and heavy investors in particular investments i.e. Stocks and Bonds.

Bhagawati Prasad and Subhas. M.S (1991)15 in their study entitled, "Problems faced by the Investors" have examined the problems faced by the investors by surveying 200 small investors. The study reveals that majority of the investors in the middle income group were very active. High returns motivated them to invest in capital market and majority of the share holders were not satisfied with the content of published information.

Pandit.B.L (1991)16 in his study "The Growth and Structure of Savings in India" have established a relationship between savings and factors affecting savings households, private corporate sector and government sector. Thus, the findings have revealed that the main factor affecting savings rate in India are the growth in Income, sectoral and functional distribution of income.

Jawaharlal (1992)17 in his study entitled "Understanding Indian Investors" identified the behaviours of individual investors using a questionnaire method. The study covered major cities in India. 1200 share holders and debenture holders were selected at random for the study. The study revealed that individual investors generally invest in more than five companies and preferred a large portfolio. They lacked knowledge and experience in accounting matters. There was a strong positive association between level of understanding and volume of shareholdings. The study indicated that the disclosures made by the companies, need to be improved for the benefit of the investors.

Nandal.D.S (1992)18 has examined that "Pattern of Income, Investment, Expenditure and savings of Selected Demonstration Farms in Haryana" the pattern of income, expenditure and savings of selected demonstration farms in Haryana has found that the negative savings, income ratio was due to low income and high consumption expenditure.

Rathnavel (1992)19 in his Research Study "Evaluation of Tax Saving Investment Schemes" listed the various tax reducing investment schemes in which he found that provident fund and mutual fund investments stood in the first two places.

Gupta and Ramesh (1993)21 conducted a study entitled "Portfolio Management for an Individual Investor" studied the importance of considering individuals characteristics in portfolio management. An analysis of an Individual Investors' situation requires a study of his personal characteristics such as age, health condition, personal habits, family responsibility, business or professional situation and tax status. All these factors affect the investor's willingness to take risks.

Pandurangan.G (1993)22 in his research study titled "A Study on Investors Attitude Towards Investment in Securities" found that the youngsters between 20 to 40 years preferred these modes of investment and Investors in the age group of 50 and above were not much interested in these investment.

Ganti Subramanyam et.al. (1994)23 in their paper on "Disintermediation in India's Household Sector Financial Portfolio" explored the fact that the flow of household savings into bank deposits declined as more and more market instruments attracted savings. This decline posed the biggest threat in the business of banks. This study also led to an econometric investigation of household preference of deposit form of savings vis – a - vis the forms of financial savings. They found the household sectors saving pattern during the last two decades encouraging Gross Domestic Savings ratio was reported to have increased from 10.1 per cent in 1951-52 to 21.2 per cent in 1980-81.

Radha.V (1995)25 in her study titled "A Study of Investment Behaviour of Investors of Corporate Securities" have examined the investment plan of corporate security investors in Tamil Nadu. The analysis revealed that the largest segment of the sample was constituted by young generation investors. They were generally better educated and male investors were reported to have dominated the investment scene. Salaried group investors were reported to have dominated the share ownership position. Most of the investors intended to divert a part of the savings safely in fixed income securities, so that they could make use of the balance in speculative activities. While probing the pre-investment behaviour and investment objectives, it was found that investors formed certain primary objectives and gave importance to them while making investment plans. Capital appreciation was considered to be most important objective. The success of the investment decision depends upon the successful performance of industry. Hence all information relating to the industry was helpful for making investment decisions.

Meera.E (1995)24 in her research work titled "Equity Investment Strategy and Portfolio Selection" formulate strategies for equity investment and portfolio selection and portfolio evaluation

Mr.K.E.Job (1995)26 in his article "A Study on Investment Planning with Special Reference to State Government Officers in Palakkad District" identifies the relationship between Income and

Savings schemes of employees. This study also analysis the reasons for preferring a particular investment scheme and utilisation of tax concessions by the employees. The findings of the study are, a. The savings are made to get regular income in future. b. Profitability, liquidity, safety, tax concession and appreciation are the main reasons for Investments.

Dash R.K. and Panda.J (1996)28 in their article captioned "Investors Protection and Analysis" critically examined the need for investors protection. They found that unincorporated bodies and Nithis whose deposit acceptance activities did not come under the guidelines of the Reserve Bank of India shook the investors' confidence for the past several years. They stated that the poor growth level, dearth of innovative schemes, poor marketing and unsatisfactory servicing etc., were the reasons for the low level of confidence. They strongly emphasized the importance of installing the confidence in the minds of the investors.

Srinivasan.R (1996)27 in his study titled "Investors Protection – A Study on Legal Aspects" attempted to point out lapses in the various legal provisions which all meant for safeguarding the interest of investors in corporate segments. He has examined the present state of capital and stock market operations. It had been observed that the capital market has emerged as a major source of finance for Indian corporate sectors and also served as a gateway to the investors to employ their savings.

Pulpre Balakrishnan (1996)29 in his study "Savings Rate in Indian Economy Since 1991" explained the latest trends in savings behaviour in India. At the national level, three institutions published and estimated figures of savings. In his view the CSO's estimates were the most detailed and comprehensive and followed by the estimates of Planning Commission and RBI. It was found that the total savings during the study were about 22 per cent and household sector alone contributed to 19 per cent of the total savings, financial assets accounted for 15 per cent and the rest seven per cent were physical assets.

Process of Individual Investors" studied the views of individual share investors on their investment objective basis, approach to investment decisions and the nature of their equity portfolio. 201 investors of Coimbatore city were selected at random and interviewed. Chi-square test and analysis of variance were used to analyze the data. The study revealed tha

Shetty.S.L (1997)32 in his article “Inadequacy of Domestic Savings and other Macro-Economic Issues” identified the two fundamental limitations of inadequacy of domestic savings which are the narrowness of the domestic market, gradual reduction in the Government‘s development expenditure.

Rajarajan.V (1997)31 in his article ―Investment Size Based Segmentation of Individual Investor” revealed that Investors‘ characteristics are based on their investment size. The smaller the investment, the risk taking behaviour among the investors is seen as high. Thus, he identifies that the higher investment leads to both lesser risky investment and also diversification in the investments.

Shanmugam.R (1997)30 in his research work titled “Decision Process of Individual Investors” analysed the primary data of Coimbatore investors, who invested in equity shares. The study dealt with the characteristics and goals of investors and the nature of investment patterns. The study used a chi-square test and the analysis of variance. The major findings of the study were: The investors mainly belong to salaried group and they made investments on long term basis. Most of the investors were young and first operation investors. The study is limited to Coimbatore only which considered only equity investors. The study provided insights for the preparation of a questionnaire for primary data and for forming a general appraisal about the investors.

Uma Datta Roy Choudhury (1997)33 in her article entitled “Savings and Its Measure in the Unorganized Sector” explained that the household sector savings in the financial assets are estimated instruments-wise namely currency, deposits, investments in shares, debentures issued by the corporate sector and Central and State Government securities. The savings in physical assets are exclusive in nature namely household residential constructions, fixed assets formation and equipments in Industry.

Shanmugam.R and Muthusamy.P (1998)35 in their article entitled "Decision t majority of the share holders were young first generation investors belonging to the salaried class. The time spent on investment analysis was inadequate and equity portfolio diversification was moderate. Regional industry had its impact on industrial portfolio. The educational level of investors had its impact on the use of technical analysis and the occupational category had an impact on the use of fundamental approach.

Madhumathi.R (1998)36 in her study entitled "Risk Perception of Individual Investors and its Impact on their Investment Decisions" examined the risk perception of 450 individual investors, selected at random from major metropolitan cities in India, dividing them into three groups as risk seekers, risk bearers and risk avoiders. The major findings of the study revealed that majority of the investors were risk bearers and they had the tendency to use the company's performance as a basic factor to take investment decisions. They also depend on the advice of share brokers and investment consultants. The risk seekers generally took decisions based on market conditions, industrial positions and social changes. They relied on newspapers and reports for information. Risk avoiders did not have any specific traits. They were very objective and looked for facts and certainty in their investment decisions. They relied on the advice of their friends and relatives.

Chandra Sekar.K and Geetha K.T (1998)37 in their paper entitled "National Savings and Economic Growth" confirmed that there was a strong association between a nations savings rate and the rate of growth of per capita income. It was found that the gross savings rate was just 18.7 per cent in 1986-87 but started increasing afterwards mainly because of household savings. In 1994-95 the gross domestic savings touched an all time high level of 24.4 per cent.

A survey was conducted by "Intelligent Investors" (A Fortnightly magazine) (1998)38 about the home instincts of investors. The survey was intended to disclose the average Indian's attitude to housing, living space and real estate. Forty Per cent of male category opted for 500-800 square feet spacious house to a family of four members, whereas 50 Per cent of female respondents needed a house of 801-1200 square feet. Sixty Per cent of Chennai based respondents preferred even smaller space (500-800. sq. feet) for a family of four members, 34 Per cent of male and 28 Percent of female respondents expressed their willingness to have a house of their own even before their marriage. But among the total respondents, 34 Per cent wanted their own house after having children. Fifty eight per cent of Calcutta based respondents and 48 Per cent of Chennai based respondents were willing to own a house atleast before their retirement.

An All India Survey (1998)39 titled ―Household Investors" Problems, Needs and Attitudes conducted by The Society of Capital Market Research and Development revealed the fact that majority of the retail investors lost confidence in various agencies like SEBI, credit rating agencies etc., A cross section analysis showed that 79 per cent of investors had low confidence or no confidence in company management, 55 per cent in SEBI, 64 per cent in auditors and 78 per cent in share brokers. The study noticed a significant shift of investors from equity shares to high quality of domestic financial instruments. However, bonds were still far behind shares in terms of market penetration. An important note was that a majority of retail investors were not influenced by credit rating and also expressed their confidence in these agencies.

V.K.Somasundaram (1999)40 in his research work titled "A Study on the Savings and Investment Pattern of Salaried Class in Coimbatore District" made an attempt to analyse the savings and investment pattern of salaried class investors. An indepth analysis is done to identify the level of awareness, attitude, factors which influence the investors to save and invest, average savings of investors, pattern of savings, conversion of savings into investments, investment preference etc. Questions like why people save and what make them not to invest are also analysed and interpreted. In this study, the researcher has identified the problems faced by the savers and investors along with their expectations. The pending problems could be solved by taking necessary steps in the right direction. Hence appropriate recommendations have been made to make the investment climate more congenial and attractive to the investing community

A survey was conducted by AnandaVikatan (A Tamil weekly magazine) during January (1999)41 the public were interviewed on the aspect of savings and their savings habits. One salaried class investor admitted that he was in the habit of allocating 20 Per cent of his savings every month in the form of either a fixed deposit or a recurring deposit. In addition, he would earmark a certain amount and deposit it in a bank or a nonbanking financial company. In the event of his getting substantial pay arrears, he would deposit the entire amount in banks keeping in mind his children's future. He admitted that he had never fallen into debts so far due to his proper savings plan. Another investor, being a housewife said that she had invested in real estate and gold and rarely she save in non-banking financial companies.

Durga Bhavani and V.Samatha (1999)43 in their article titled "Media habits of shareholders – a Survey" concluded that majority of the respondents depends on the print media for their share transactions. Among the print media, Business Newspapers followed by Regional and National newspapers were the main sources of information for the respondents. Education and Economic status have a partial impact on the investments made by the respondents. Thus, from the study it is identified that majority of the respondents depends on the print media for their share transactions.

Naramisimhan.M.S and Somasundram.L (2000)45 in their research study titled " Small – Savings: Time for the Government to quit" have revealed that escalating fiscal deficit caused increased in government borrowings, which in turn, crowded out credit availability for investment and also keeps interest rate high. The study has found out that, when government reduced the interest rate on small savings by 1%, it had definitely reduced the interest burden on government finances. The study has concluded that it was time to indicate interest rate reforms. One key suggestion of researchers to the government was to make interest rate on small savings ‗market – oriented'. Alternatively, for the existing deposits the interest rate could be fixed at 11% for the next 3 to 5 years and introduce the market – related rates for the new deposits. Center has to work on a solution to this problem. Further it has been concluded that as there are many banks with huge networks to mobilize retail savings, the government might now stop accepting small savings.

Rajarajan.V (2000)46 conducted a study entitled “Investors Life Cycle and Investment Characteristics” with the objective of analysing the investors life style and to analyse the investment size, pattern, preference of individual investor on the basis of their life style. Data was collected from 405 investors in Madras using questionnaire method. The investors were classified into three groups viz. active investors, individualists and passive investors. Cluster analysis, Correspondence analysis and Krushal Wallis test were used to study the association between life style groups and various investment related characteristics. Active investors group was dominated by officers, individuals group by clerical cadre and passive investors group by professionals. The expected rate of return from investment varied between investment styles. The study clearly indicated that market position of the shares, company‘s operating level, capital performance and the expectation of the investor were found to influence the risk perception of the investor

SEBI along with National Council of Applied Economic Research (NCAER) (2000)47 conducted a comprehensive survey of the Indian Investor Households entitled “Survey of Indian Investors” in order to study the impact of the growth of the securities market on the household and to analyse the quality of its growth, 25,000 investors were drawn from all over India and the data were collected by administering a questionnaire and through personal interviews. The survey was conducted with the major objective of drawing a profile of the household and investor and to describe the demographic, economic and financial and equity ownership characteristics. The study also was conducted to understand the investor‘s preference for equity as well as other savings instruments, their perception about market risk, their exceptions, nature of their grievances and difficulties to estimate the number of households which had refrained from investing in equity market and the reasons for their reluctance. The survey revealed that age, educational qualification, occupation and income were found to influence the attitude of an investor towards investments. The urban investor household had a higher proportion of investment in equity shares, debentures and mutual funds as compared to the rural households. Income level and investment of household in capital market were found to be closely associated. A majority of the equity investors has long term motive in investments. Hence, the Investors revealed that they had a number of broker related problems than issue related problems.

K.Kanagasabapathy (2001) 48 in his article titled “A Technical Note on Savings and Savers as Stakeholders” puts across the concept that in the economic sense, the savings behaviour influence a nation‘s consumption behaviour. Savings may be influenced by the investment opportunities or investment demands, which in turn depends upon the growth prospects and the potential returns available. The level of savings will also depend upon the avenues available in the economy for mobilising such savings particularly from the household sector in the form of well developed financial system with a variety of institutions and markets for different instruments. The study also concluded that nation‘s economic policy also influences the savings behaviour of its citizens.

Gupta L.C et.al (2001)49 in their article “Indian Household’s Investment Preference” found that there is a significant shift in the investor‘s interest from shares to high quality bonds. The popular belief of investing in bonds requires greater sophistication than investing in shares. The bondholders come from higher income class than shareholders. The causes behind the erosion of investor‘s confidence are due to weakness of corporate governance levels and secondary market price volatility. Thus, the study analysed that there is a significant shift in the investor‘s interest from shares to high quality bonds

Ranjith. V.K (2002)50 in his article entitled “Risk Preference of Investors in the City of Ahmadabad” revealed that the increase in age leads to the increase in tendency to invest and to take risk declines. Working class People are actively involved in share business. The respondents who are graduates actively participate in investment activities. Therefore, the study reveals that the investors‘ awareness about the investment decisions is limited to financial performance of the company.

Prasada Rao (2002)51 in his article titled “A Study of Income-Savings among Cultivators in Sagar District of Madhya Pradesh” concluded that the cultivators are very much interested in purchasing durable assets with their savings and they would like to spend more on children‘s education. The cultivators would like to invest on farms to develop their Agri-business. The managerial propensity to save among big farmers is greater than among the small and medium farmers.

SECONDARY DATA

Chapter 3 - INTRODUCTION TO THE TOPIC

3.1 DEFINATION OF INVESTMENT

3.2 WHAT IS INVESTMENT

3.3 NEED FOR INVESTMENT

3.4 TYPES OF INVESTMENTS

3.1 DEFINITION OF INVESTMENT

Investment is the commitment of money or capital to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income, or appreciation of the value of the instrument. Investment is related to saving or deferring consumption. An investment involves the choice by an individual or an organization such as a pension fund, after some analysis or thought, to place or lend money in a vehicle, instrument or asset, such as property, commodity, stock, bond, financial derivatives (e.g. futures or options), or the foreign asset denominated in foreign currency, that has certain level of risk and provides the possibility of generating returns over a period of time. When an asset is bought or a given amount of money is invested in the bank, there is anticipation that some return will be received from the investment in the future.

Investment is a term frequently used in the fields of economics, business management and finance.

1. INVESTMENT IN TERMS OF ECONOMICS:

According to economic theories, investment is defined as the per-unit production of goods, which have not been consumed, but will however, be used for the purpose of future production. Examples of this type of investments are tangible goods like construction of a factory or bridge and intangible goods like 6 months of on-the-job training. In terms of national production and income, gross domestic product (GDP) has an essential constituent, known as gross investment.

2. INVESTMENT IN TERMS OF BUSINESS MANAGEMENT:

According to business management theories, investment refers to tangible assets like machinery, equipment and buildings and intangible assets like copyrights or patents and goodwill. The decision for investment is also known as capital budgeting decision, which is regarded as one of the key decisions.

3. INVESTMENT IN TERMS OF FINANCE:

In finance, investment refers to the purchasing of securities or other financial assets from the capital market. It also means buying money market or real properties with high market liquidity. Some examples are gold, silver, real properties, and precious items.

3.2 WHAT IS INVESTMENT?

By making an investment, an individual uses the money that would otherwise have been consumed by spending on buying groceries, car, taking a vacations or building a house. An individual is sacrificing these pleasures by making an investment. There ought to be some reward for this sacrifice. The reward is that he expects to get back more than what he has put in. He can then consume the increased amount at a later date. In economic terms, in making investments an individual trades current consumption with future consumption.

Thus, the basic theory driving investment as acceptable is that an individual believes that the pleasure derived from future consumption will be more than pleasure foregone today. It refers to commitment of funds to one or more assets that will be held over a certain time period. Anything not consumed today and saved for future use with some risk can be considered as an investment.

Thus all three: - investment, wealth and consumption are interrelated. This is an investment consumption cycle.

INVESTMENT → CREATES WEALTH → LEADS TO CONSUMPTION

3.3 NEED FOR INVESTMENT

1. PROTECTING FROM INFLATION

Inflation decreases the value of money. If you have Rs.1000 today and the rate of inflation is 8% then RS.1000 will Rs.926 next years and if inflation continues at the rate of 9% every year RS.1000 will be Rs.501 after 9 years. This will be happened to your money if you are not investing your money in any investment scheme. Investing your money in any investment schemes can help you to save your money from inflation.

2. GOOD RETURN FROM YOUR IDEAL MONEY

When you keep your money ideally in a savings account, you won't get much benefit. If you invest your money in risky instruments you can save your money as well as enjoy the growth of money and money value. Higher the risk taken higher can be return. Thus risk and return are directly related.

3. TO SATISFY YOUR FUTURE FINANCIAL GOALS

One has to accomplish many financial goals such as marriage of self or children, education, buying a residential accommodation, good retirement income, good medical facility, etc. To satisfy these financial goals one has to invest money regularly from existing source of income.

4. PROVIDE ENOUGH MONEY FOR MEETING UNCERTAINTIES

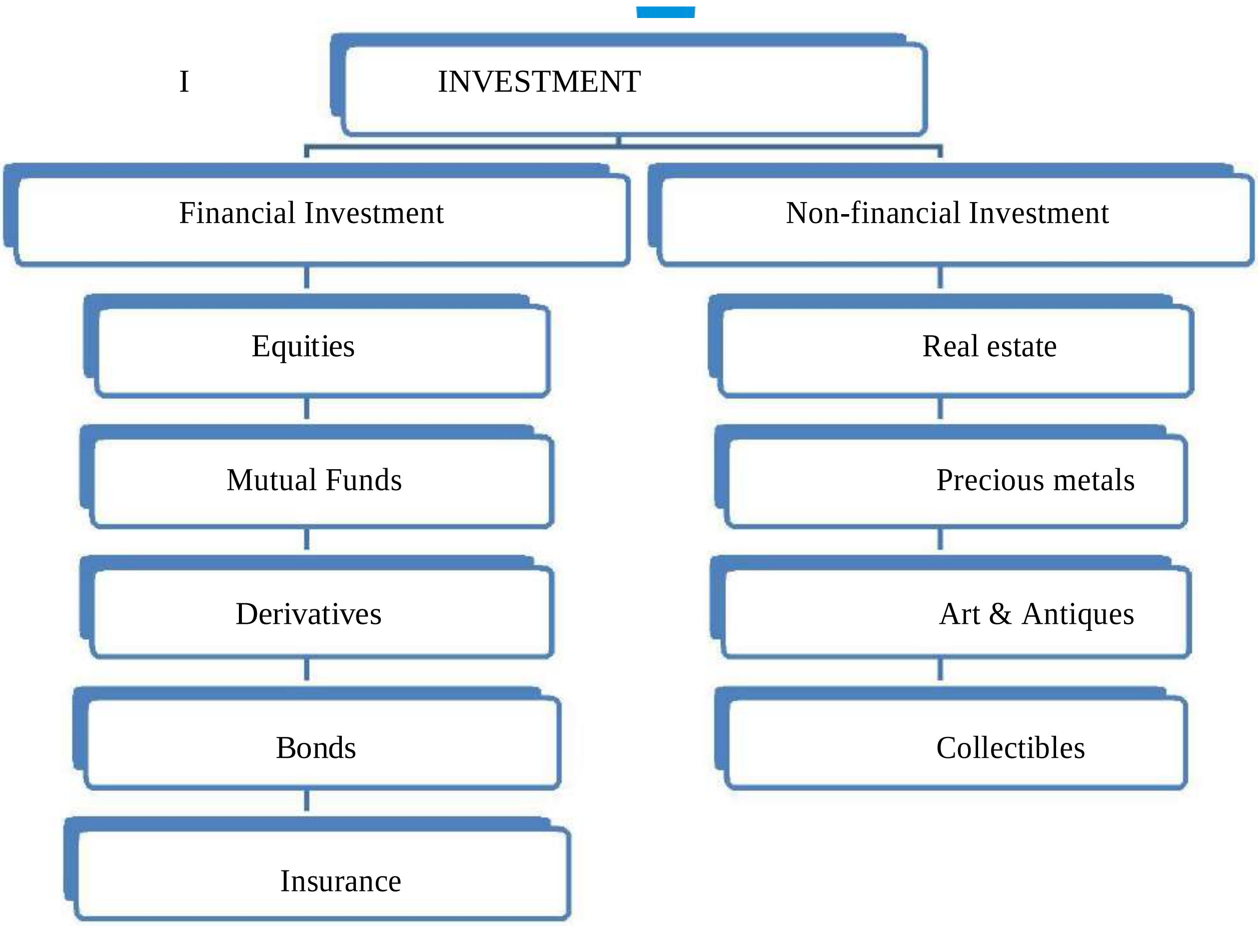
Some financial needs cannot be predicted early such as medical treatment of any critical illness or accident, death of the bread earner of one's family, etc. So you

have to make enough provision for meeting such uncertain needs. Insurance and retirement schemes will help in this case. So it is necessary to invest your money and make a habit of saving and investment to get a good stern stand in your financial needs and emergences.

5. SAVING IS DIFFERENT FROM INVESTMENT

Investment is an activity that results from savings of an individual. Investments are made from savings or it can be said people invest their savings. But all savers are not investors. Saving is something, which an individual put into piggybank, bank account, fixed deposits or any other interest bearing securities, while investment is the saving with the desire to earn better return with some risk.

3.4 TYPES OF INVESTMENT



CHAPTER 4- SMALL SAVINGS SCHEMES AND FIXED INCOME INSTRUMENTS

SAVING SCHEMES

These are basically savings avenues, where an individual puts his/her savings. These can be classified in two parts:

a) Small saving schemes: they are designed to provide safe and attractive investment options to the public and at the same time to mobilize resources for development of economy.
b) Other saving scheme: these are all other schemes, which are not covered by small saving schemes like bank fixed deposit, company fixed deposits, etc.

SMALL SAVING SCHEMES

Traditionally schemes like public provident fund and national saving certificate have been associated with attractive returns and tax benefits. Most importantly these schemes offer assured returns thereby appealing to a large section of investor community. National savings organization (NSO) is responsible for national level promotion of small saving schemes. These schemes are primarily meant for small urban and rural investors. Institutions and NRI's are not eligible to invest in small savings schemes. The following schemes come under small saving schemes:

1. Post office savings account
2. Post office time deposit account
3. Post office recurring deposit account
4. National saving certificate (NSC)
5. Post office monthly income scheme (POMIS)
6. Public provident fund (PPF)
7. Senior citizen saving scheme.

1. **POST OFFICE SAVINGS ACCOUNT**

ACCOUNT CAN BE OPENED BY:	A SINGLE ADULT OR TWO/THREE ADULTS JOINTLY A MINOR WHO HAS ATTAINED 10 YEARS OF AGE OR GUARDIAN ON BEHALF OF MINOR GROUP ACCOUNTS BY PROVIDENT FUND, SUPERANNUATING FUND, GRATUITY FUND A COOPERATIVE SOCIETY OR A COOPERATIVE BANK PUBLIC ACCOUNT BY A LOCAL AUTHORITY/BODY, ETC
DEPOSITS	ACCOUNT CAN BE OPENED WITH MINIMUM OF RS.20
MATURITY PERIOD	THERE IS NO LOCK-IN/MATURITY PERIOD PRESCRIBED
WITHDRAWAL	ANY AMOUNT SUBJECT TO KEEPING MINIMUM BALANCE OF RS.50 IN SIMPLE AND RS.500 FOR CHEQUE FACILITY ACCOUNT

INTEREST	CURRENT INTEREST RATE IS 4% PA
NOMINATION	NOMINATION FACILITY IS AVAILABLE
PASS BOOK	DEPOSITOR IS PROVIDED WITH A PASS BOOK
SILENT ACCOUNT	AN ACCOUNT NOT OPERATED DURING 3 COMPLETED YEARS, SHALL BE TREATED AS SILENT ACCOUNT. A SERVICE CHARGE OF RS.20 PER YEAR IS CHARGED ON THE LAST DAY OF EACH YEAR UNTIL IT IS REACTIVATED
INCOME TAX BENEFIT	EXEMPTED U/S 10 OF IT ACT

2. POST OFFICE TIME DEPOSIT ACCOUNT

TYPES OF ACCOUNTS	1,2,3 & 5 YEAR MATURITY
ACCOUNT CAN BE OPENED BY :-	A SINGLE ADULT OR TWO/THREE ADULTS JOINTLY A MINOR WHO HAS ATTAINED 10 YEARS OF AGE OR GUARDIAN ON BEHALF OF MINOR GROUP ACCOUNTS BY PROVIDENT FUND, SUPERANNUATING FUND, GRATUITY FUND A COOPERATIVE SOCIETY OR A COOPERATIVE BANK PUBLIC ACCOUNT BY A LOCAL AUTHORITY/BODY, ETC
MODE OF ACCOUNT HOLDING	A DEPOSITOR CAN HOLD MORE THAN 1 ACCOUNT IN HIS NAME OR JOINTLY WITH ANOTHER, EITHER IN SAME POST OFFICE OR IN DIFFERENT POST OFFICES.

DEPOSITS	MINIMUM OF RS. 200. MAXIMUM NO LIMIT
TRANSFERABILITY	TRANSFERABLE FROM ONE PERSON TO ANOTHER
MATURITY PERIOD	THE DEPOSITED AMOUNT IS REPAYABLE AFTER EXPIRY OF THE PERIOD
INTEREST	1YEAR- 8.2% 2YEAR- 8.3% 3YEAR- 8.4% 5YEAR- 8.5%
NOMINATION	NOMINATION FACILITY IS AVAILABLE
PASS BOOK	DEPOSITOR IS PROVIDED WITH A PASS BOOK
INCOME TAX BENEFIT	TAX EXEMPTION U/S 80C FOR 5 YEAR TERM DEPOSIT
PREMATURE WITHDRAWAL	WITHDRAWN WITHIN 6 MONTHS- NO INTEREST

	AFTER 6 MONTHS- 4% AFTER 1 YEAR- 1% LESS RATE SPECIFIED FOR THE PERIOD

3. POST OFFICE RECURRING DEPOSIT ACCOUNT

ACCOUNT CAN BE OPENED BY:-	A SINGLE ADULT OR TWO ADULTS JOINTLY A GUARDIAN ON BEHALF OF A MINOR OR A PERSON OF UNSOUND MIND A MINOR WHO HAS ATTAINED THE AGE OF 10 YEARS IN HIS OWN NAME
MATURITY	PERIOD OF MATURITY OF AN ACCOUNT IS 5 YEARS
DEPOSITS	60 EQUAL MONTHLY DEPOSITS IN MULTIPLE OF RS.5 SUBJECT TO MINIMUM OF RS.10
DEFAULTS IN DEPOSIT	ACCOUNTS WITH NOT MORE THAN 4 DEFAULTS CAN BE REGULARIZED WITHIN A PERIOD OF TWO MONTHS ON

	PAYMENT OF DEFAULT FEE. ACCOUNT BECOMES DISCONTINUED AFTER MORE THAN 4 DEFAULTS
RATE OF INTEREST	8.4% PA
REPAYMENT ON MATURITY	THE DEPOSITED AMOUNT IS REPAYABLE AFTER EXPIRY OF THE PERIOD
NOMINATION	NOMINATION FACILITY IS AVAILABLE
PASS BOOK	DEPOSITOR IS PROVIDED WITH A PASS BOOK
LOAN FACILITY	LOAN UP TO HALF OF THE DEPOSIT MAY BE TAKEN AFTER 1 YEAR AND BEFORE MATURITY. THIS MUST BE REPAID TOGETHER WITH THE INTEREST IN ONE OR MORE INSTALLMENTS. LOAN NOT REPAID IS DEDUCTED TOGETHER WITH INTEREST FROM THE AMOUNT PAYABLE AT THE TIME OF CLOSURE OF THE ACCOUNT.

PREMATURE CLOSURE	PREMATURE CLOSURE IS PERMISSIBLE AFTER EXPIRY OF 3 YEARS PROVIDED THAT INTEREST RATE APPLICABLE TO POST OFFICE SAVINGS ACCOUNT SHALL BE PAYABLE ON SUCH PREMATURE CLOSURE OF ACCOUNT.

4. NATIONAL SAVING CERTIFICATE

WHO CAN PURCHASE	AN ADULT, A MINOR, A TRUST, HINDU UNDIVIDED FAMILY
WHERE AVAILABLE	AVAILABLE AT POST OFFICES
MATURITY	5 YEARS AND 10 YEARS
NOMINATION	NOMINATION FACILITY IS AVAILABLE
TRANSFERABILITY	

	CERTIFICATES CAN BE TRANSFERRED FROM ONE POST OFFICE TO ANOTHER AND ALSO FROM ONE PERSON TO ANOTHER.
DEPOSIT LIMITS	CERTIFICATES ARE AVAILABLE IN DENOMINATIONS OF RS.100, RS.500, RS.1000, RS.5000, RS.10000. THERE IS NO MAXIMUM LIMIT FOR PURCHASE OF THE CERTIFICATES.
INTEREST RATE	5 YEARS - 8.6% PA 10 YEARS - 8.9% PA
MATURITY VALUE	INTEREST ACCRUED ON THE CERTIFICATES EVERY YEAR IS LIABLE TO INCOME TAX BUT DEEMED TO HAVE BEEN REINVESTED.
PREMATURE ENCASHMENT	NOT PERMISSIBLE EXCEPT IN CASE OF DEATH OF THE HOLDER, FORFEITURE BY PLEDGEE AND WHEN ORDERED BY A COURT OF LAW.

PLACE OF ENCASHMENT	CAN BE ENCHASED AT THE PLACE OF POST OFFICE WHERE IT IS REGISTERED OR ANY OTHER POST OFFICE.
INCOME TAX BENEFIT	DEDUCTION FOR AMOUNT INVESTED U/S 80C OF IT ACT. THIS DEDUCTION CAN BE CLAIMED BY THE PERSON WHO HAS CONTRIBUTED THE MONEY OUT OF HIS CHARGEABLE INCOME TAX. IT CAN BE CLAIMED BY THE FIRST NAME PERSON IN JOINT HOLDING IF FIRST NAME OF THE PERSON HAS CONTRIBUTED THE AMOUNT.

5. POST OFFICE MONTHLY INCOME SCHEME:

WHO CAN OPEN	A SINGLE ADULT OR TWO ADULTS JOINTLY A MINOR WHO HAS ATTAINED AGE OF 10 YEARS OR

	A GUARDIAN ON BEHALF OF MINOR MORE THAN ONE ACCOUNT CAN BE OPENED SUBJECT TO MAXIMUM DEPOSIT LIMITS
WHERE CAN BE OPENED	AT ANY POST OFFICE
MATURITY	5 YEARS
DEPOSITS	ONLY ONE DEPOSIT
DEPOSIT LIMIT	MINIMUM RS.1500 AND MAXIMUM RS.450000 IN CASE OF SINGLE AND RS.900000 IN CASE OF JOINT ACCOUNT.
INTEREST	8.5% PA
BONUS	DISCONTINUED
PREMATURE CLOSURE	AFTER 1 YEAR BUT BEFORE 3 YEARS – DEDUCTION OF 2% DEPOSIT AMOUNT – DEDUCTION OF 1%

	AFTER 3 YEARS DEPOSIT AMOUNT
NOMINATION	NOMINATION FACILITY IS AVAILABLE
CLOSURE OF ACCOUNT	ACCOUNT SHALL BE CLOSED AFTER EXPIRY OF 5 YEARS
INCOME TAX BENEFIT	NO TDS IS DEDUCTED. INTEREST RECEIVED IS TAXABLE

<u>6. PUBLIC PROVIDENT FUND SCHEME</u>

ACCOUNT CAN BE OPENED **BY**	AN INDIVIDUAL IN HIS/HER OWN NAME OR ON BEHALF OF A MINOR

ACCOUNTS CAN BE OPENED	AT POST OFFICES AND AT BRANCHES OF PUBLIC SECTOR BANKS
MATURITY PERIOD	15 YEARS
EXTENSION AFTER MATURITY	ACCOUNT CAN BE CONTINUED WITH OR WITHOUT SUBSCRIPTIONS AFTER MATURITY FOR BLOCK PERIODS OF 5

7. SENIOR CITIZEN SAVINGS SCHEME

ACCOUNT CAN BE OPENED BY INDIVIDUAL	WHO HAS ATTAINED AGE OF 60 YEARS WHO HAS ATTAINED 55 YEARS OF AGE OR MORE BUT LESS THAN 60 YEARS AND HAS RETIRED UNDER VRS NO AGE LIMIT FOR RETIRED PERSONNEL OF DEFENSE SERVICE NRI'S AND HUF ARE NOT ELIGIBLE.
POINT OF SALE	24 NATIONALIZED BANKS, 1 PRIVATE SECTOR BANK AND POST OFFICES
DEPOSIT LIMIT	MAXIMUM RS.15 LAKHS AND IN MULTIPLE OF RS.1000
MATURITY	MATURITY 5YEARS AND DEPOSITOR MAY EXTEND THE ACCOUNT FOR FURTHER PERIOD OF 3 YEARS. NO WITHDRAWAL SHALL BE PERMITTED

PREMATURE CLOSURE	AFTER 1 YEAR BUT BEFORE 2 YEARS – DEDUCTION OF 1.5% OF THE DEPOSIT AFTER 2 YEARS BUT BEFORE MATURITY – DEDUCTION OF 1% OF THE DEPOSIT IN CASE OF DEATH BEFORE MATURITY, THE ACCOUNT SHALL

	BE CLOSED AND DEPOSIT IS REFUNDED WITHOUT ANY DEDUCTION ALONG WITH INTEREST.
INTEREST	9.3% PA
NOMINATION	NOMINATION FACILITY IS AVAILABLE
INCOME TAX BENEFIT	INVESTMENT ELIGIBLE FOR DEDUCTION U/S 80C. INTEREST EARNED IS LIABLE FOR TDS.
WEALTH TAX	NO WEALTH TAX EXEMPTION

FIXED INCOME INSTRUMENTS

GOVERNMENT OF INDIA SAVINGS BONDS

ELIGIBILITY	AN INDIVIDUAL, NOT BEING AN NRI A HINDU UNDIVIDED FAMILY CHARITABLE INSTITUTION AND UNIVERSITY
POINT OF SALE	BONDS ARE SOLD BY RBI THROUGH DESIGNATED BANKS AND STOCK HOLDING CORPORATION OF INDIA LTD ON BEHALF OF GOVERNMENT OF INDIA
INTEREST	8% PA
ISSUE PRICE	BONDS ARE ISSUED AT PAR AND HAVE FACE VALUE OF RS.1000. NO UPPER LIMIT ON INVESTMENT.
MATURITY	6 YEARS
NOMINATION	NOMINATION FACILITY IS AVAILABLE
TDS	TAX IS DEDUCTED AT SOURCE FROM INTEREST AMOUNT IF INTEREST EXCEEDS RS.10000 IN A YEAR.
WEALTH TAX	EXEMPT

BANK FIXED DEPOSITS

ELIGIBILITY	RESIDENT INDIVIDUALS NON RESIDENT INDIANS MINOR THROUGH GUARDIANS HINDU UNDIVIDED FAMILY SOLE PROPRIETORSHIP FIRM PARTNERSHIP FIRM LIMITED COMPANIES TRUST
INTEREST RATE	INTEREST RATE DIFFERS FROM BANK TO BANK
MATURITY	FROM 7 DAYS TO 5 YEARS
TDS	TDS IS DEDUCTED IF INTEREST EXCEEDS RS.10000 IN ANY FINANCIAL YEAR. INDIVIDUALS CAN FILE FORM 15H OR 15G TO CLAIM EXEMPTION FROM TDS DEDUCTION
INCOME TAX BENEFIT	FIXED DEPOSIT OF TERM 5 YEARS OR MORE ARE ELIGIBLE FOR DEDUCTION U/S 80C.

COMPANY FIXED DEPOSITS

WHO CAN ACCEPT DEPOSIT?	MANUFACTURING COMPANIES HOUSING FINANCE COMPANIES NON-BANKING FINANCE COMPANIES FINANCIAL INSTITUTIONS GOVERNMENT COMPANIES
ELIGIBILITY	RESIDENT INDIVIDUALS NON RESIDENT INDIANS MINOR THROUGH GUARDIANS HINDU UNDIVIDED FAMILY SOLE PROPRIETORSHIP FIRM PARTNERSHIP FIRM

CHAPTER 5– CAPITAL MARKET

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE

B.G.P.S.

5.1 DEFINITION OF A STOCK

Stock is a share in the ownership of a company. Stock represents a claim on the company's assets and earnings. As you acquire more stock, your ownership stake in the company becomes greater. Whether you say shares, equity, or stock, it all means the same thing. Over the last few decades, the average person's interest in the stock market has grown exponentially. What was once a toy of the rich has now turned into the vehicle of choice for growing wealth? This demand coupled with advances in trading technology has opened up the markets so that nowadays nearly anybody can own stocks.

BEING AN OWNER

Holding a company's stock means that you are one of the many owners (shareholders) of a company and, as such, you have a claim to everything the company owns. As an owner, you are entitled to your share of the company's earnings as well as any voting rights attached to the stock.

A stock is represented by a share certificate. This is a fancy piece of paper that is proof of your ownership. In today's computer age, you won't actually get to see this document because your broker or DP keeps these records electronically, which is also known as holding shares "in street name".

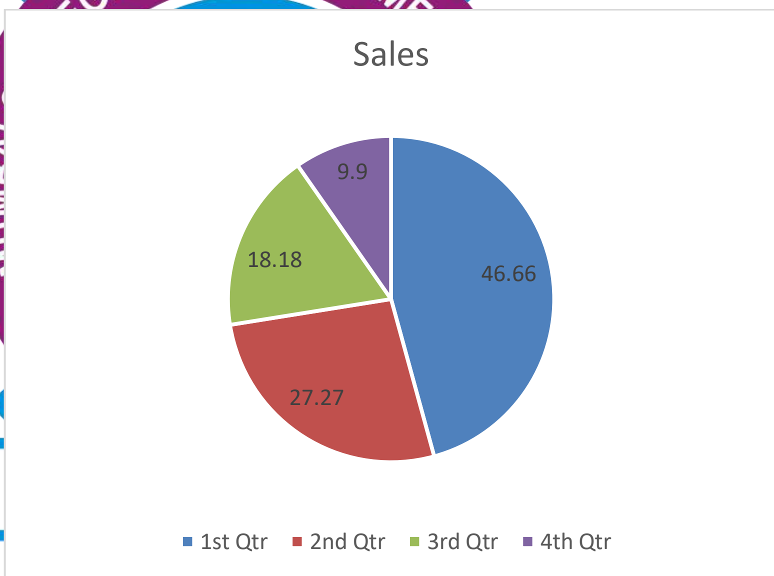
The importance of being a shareholder is that you are entitled to a portion of the company's profits and have a claim on assets. Profits are sometimes paid out in the form of dividends.

The more shares you own, the larger the portion of the profits you get. Your claim on assets is only relevant if a company goes bankrupt. In case of liquidation, you'll receive what's left after all the creditors have been paid.

Another extremely important feature of stock is its limited liability, which means that, as an owner of a stock, you are not personally liable if the company is not able to pay its debts.

Owning stock means that, no matter what, the maximum value you can lose is the value of your investment. Even if a company of which you are a shareholder goes bankrupt, you can never lose your personal assets.

RISK TOLERANCE



1.PURPLE (9.9)	Less than 15%
2.GREEN (18.18)	15% to 45%
3.RED (27.27)	35% to 45%
4.BLUE (46.66)	Above 45%

DEBT VS. EQUITY

It is important that you understand the distinction between a company financing through debt and financing through equity. When you buy a debt investment such as a bond, you are guaranteed the return of your money (the principal) along with promised interest payments. This isn't the case with an equity investment. By becoming an owner, you assume the risk of the company not being successful - just as a small business owner isn't guaranteed a return, neither is a shareholder. As an owner, your claim on assets is less than that of creditors. This means that if a company goes bankrupt and liquidates, you, as a shareholder, don't get any money until the banks, bondholders and other creditors have been paid out; we call this absolute priority. Shareholders earn a lot if a company is successful, but they also stand to lose their entire investment if the company isn't successful.

RISK AND RETURN

Returns on equity are affected by risks like business risk, financial risk, industry risk, management risk, political, economic and exchange rate risk, market risk, etc. It must be emphasized that there are no guarantees when it comes to individual stocks. Some companies pay out dividends, but many others do not. And there is no obligation to pay out dividends even for those firms that have traditionally given them. Without dividends, an investor can make money on a stock only through its appreciation in the open market. On the downside, any stock may go bankrupt, in which case your investment is worth nothing.

Although risk might sound all negative, there is also a bright side. Taking greater risk demands a greater return on your investment. This is the reason why stocks have historically outperformed other investments such as bonds or savings accounts. Over the long term, an investment in stocks has historically had an average return of around 10-12% annually.

DIFFERENT TYPES OF STOCK

I. COMMON STOCK (EQUITY SHARES)

When people talk about stocks they are usually referring to this type. In fact, the majority of stock is issued is in this form. Common shares represent ownership in a company and a claim (dividends) on a portion of profits. Investors get one vote per share to elect the board members, who oversee the major decisions made by management. The holder of common stock has limited liability up to amount of share capital contributed.

Over the long term, common stock, by means of capital growth, yields higher returns than almost every other investment. This higher return comes at a cost since common stocks entail the most risk. If a company goes bankrupt and liquidates, the common shareholders will not receive money until the creditors, bondholders and preferred shareholders are paid

II. PREFERRED STOCK (PREFERENCE SHARE)

Preferred stock represents some degree of ownership in a company but usually doesn't come with the same voting rights. (this may vary depending on the company.) With preferred shares, investors are usually guaranteed a fixed dividend forever. This is different than common stock, which has variable dividends that are never guaranteed.

Another advantage is that in the event of liquidation, preferred shareholders are paid off before the common shareholder (but still after debt holders). Preferred stock may also be callable, meaning that the company has the option to purchase the shares from shareholders at any time for any reason (usually for a premium).

5.2 INVESTMENT IN EQUITIES

1. THROUGH THE PRIMARY MARKET
2. THROUGH THE SECONDARY MARKET

PRIMARY MARKET

Primary market provides an opportunity to the issuers of securities, both government and corporations, to raise resources to meet their requirements of investment. It's in this market that firms sell new stocks to the public for the first time. For our purposes, you can think of the primary market as being synonymous with an initial public offering (IPO). An IPO occurs when a private company sells stocks to the public for the first time. Securities, in the form of equity can be issued in domestic /international markets at face value with discount or premium. The primary market issuance is done either through public issues or private placement. Under

company's act, 1956, an issue is referred as *public* if it results in allotment of securities to 50 investor's or more. However, when the issuer makes an issue of securities to a select group of persons not exceeding 49 and which is neither a right issue nor a public issue, it is called a private placement. The important thing to understand about the primary market is that securities are purchased directly from an issuing company.

SECONDARY MARKET

Secondary market refers to a market where securities are traded after being offered to the public in the primary market or listed on the stock exchange. Secondary market comprises of equity, derivatives and the debt markets. The secondary market is operated through two mediums, namely, the over-the-counter (OTC) market and the exchange-traded market. OTC markets are informal markets where trades are negotiated.

The secondary market is what people are talking about when they refer to the "stock market". This includes the national stock exchange (NSE), Bombay stock exchange (BSE) and other major exchanges around the world. That is, in the secondary market, investor's trade previously issued securities without the involvement of the issuing companies.

5.3 TYPES OF INVESTORS IN EQUITY MARKET

a. THE BULL MARKET

A bull market is when everything in the economy is great, people are finding jobs, gross domestic product (GDP) is growing, and stocks are rising. Picking stocks during a bull market is easier because everything is going up. Bull markets cannot last forever though, and sometimes they can lead to dangerous situations if stocks become overvalued. If a person is optimistic and believes that stocks will go up, he or she is called a "bull" and is said to have a "bullish outlook".

b. THE BEAR MARKET

A bear market is when the economy is bad, recession is looming and stock prices are falling. Bear markets make it tough for investor's to pick profitable stocks. One solution to this is to make money when stocks are falling using a technique called short selling. Another strategy is to wait on the sidelines until you feel that the bear market is nearing its end, only starting to buy in anticipation of a bull market. If a person is pessimistic, believing that stocks are going to drop, he or she is called a "bear" and said to have a "bearish outlook".

c. THE OTHER ANIMALS ON THE FARM - CHICKENS AND PIGS

Chickens are afraid to lose anything. Their fear overrides their need to make profits and so they turn only to money-market securities or get out of the markets entirely. While it's true that you should never invest in something over which you lose sleep, you are also guaranteed never to see any return if you avoid the market completely and never take any risk, Pigs are high-risk investor's looking for the one big score in a short period of time. Pigs buy on hot tips and invest in companies without doing their due diligence. They get impatient, greedy, and emotional about their investments, and they are drawn to high-risk securities without putting in the proper time or money to learn about these investment vehicles. Professional traders love the pigs, as it's often from their losses that the bulls and bears reap their profits.

INVESTMENT STYLES:

Different investor invests differently. Two most common ways of investment style in equity are-

VALUE INVESTING:

Value investing is wherein fund managers or investor's tend to look for companies trading below their intrinsic value, but whose true worth they believe will eventually be recognized.

These securities typically have low prices relative to earnings or book value and a higher dividend yield.

GROWTH INVESTING:

Growth investing is wherein fund managers or investor's look for companies with above average earnings growth and profits, which they believe will be even more valuable in the future. They also look for companies that are well position to capitalize on long term growth trends that may drive earnings higher. Because these companies tend to grow earnings at a fast pace, they typically have higher prices relative to earnings.

5.4 INVESTMENT APPROACH

TOP DOWN APPROACH

Under this investment approach, fund managers or investor's start from big horizon in the economy and the financial world and then go on breaking these into smaller parts to find a good company to invest in. After looking at the bigger horizon, the different industrial sectors are analyzed and identified in order to select those that are expected to outperform market. After deciding on the industry and sector, the stock of specific companies within the sector or industry is further analyzed and those that are believed to be worth investing are chosen as investments.

BOTTOM UP APPROACH:

This is opposite of top down approach, instead of looking at big horizon and then at industry and then at companies with the industry, this approach focuses on identifying the stock directly and believes that an individual company in any industry can do well even if the sector is not performing.

CHAPTER 6 – MUTUAL FUND

6.1 CONCEPT OF MUTUAL FUNDS

6.2 HOW TO MUTUAL FUND SCHEME OPEEATE?

6.3 ADVANTAGES OF MUTUAL FUNDS

6.4 LIMITATIONS OF MUTUAL FUNDS

6.1 CONCEPT OF MUTUAL FUND

Mutual funds are a vehicle to mobilize moneys from investor's, to invest in different markets and securities, in line with the investment objectives agreed upon, between the mutual fund and the investors.

ROLE OF MUTUAL FUNDS

Mutual funds perform different roles for different constituencies:

Their primary role is to assist investors in earning an income or building their wealth, by participating in the opportunities available in various securities and markets. It is possible for mutual funds to structure a scheme for any kind of investment objective. Thus, the mutual fund structure, through its various schemes, makes it possible to tap a large corpus of money from diverse investors. The money that is raised from investor's, ultimately benefits governments, companies and other entities, directly or indirectly, to raise moneys to invest in various projects or pay for various expenses.

As a large investor, the mutual funds can keep a check on the operations of the investee company, their corporate governance and ethical standards.

The projects that are facilitated through such financing, offer employment to people; the income they earn helps the employees to buy goods and services offered by other companies, hus supporting projects of these goods and services companies. Thus, overall economic development is promoted.

The mutual fund industry itself, offers livelihood to a large number of employees of mutual funds, distributors, registrars and various other service providers. Higher employment, income and output in the economy boost the revenue collection of the government through taxes and other means. When these are spent prudently, it promotes further economic development and nation building.

Mutual funds can also act as a market stabilizer, in countering large inflows or outflows from foreign investors. Mutual funds are therefore viewed as a key participant in the capital market of any economy.

6.2 HOW DO MUTUAL FUND SCHEMES OPERATE?

- Mutual fund schemes announce their investment objective and seek investments from the public. Depending on how the scheme is structured, it may be open to accept money from investors, either during a limited period only or at any time.
- The investment that an investor makes in a scheme is translated into a certain number of 'units' in the scheme. Thus, an investor in a scheme is issued units of the scheme.
- Under the law, every unit has a face value of RS10. The face value is relevant from an accounting perspective. The number of units multiplied by its face value (RS10) is the capital of the scheme – its unit capital.
- Running the scheme leads to its share of operating expenses
- When the investment activity is profitable, the true worth of a unit goes up; when there are losses, the true worth of a unit goes down. The true worth of a unit of the scheme is otherwise called net asset value (NAV) of the scheme.
- When a scheme is first made available for investment, it is called a 'New Fund Offer' (NFO). During the NFO, investors may have the chance of buying the units

at their face value. Post-NFO, when they buy into a scheme, they need to pay a price that is linked to its nav.

- The money mobilized from investors is invested by the scheme as per the investment objective committed. Profits or losses, as the case might be, belong to the investors. The investor does not however bear a loss higher than the amount invested by them.
- Various investors subscribing to an investment objective might have different expectations on how the profits are to be handled. Some may like it to be paid off regularly as dividends. Others might like the money to grow in the scheme. Mutual funds address such differential expectations between investors within a scheme, by offering various options, such as dividend payout option, dividend re-investment option and growth option.

- The relative size of mutual fund companies is assessed by their assets under management (AUM). When a scheme is first launched, assets under management would be the amount mobilized from investors. Thereafter, if the scheme has a positive profitability metric, its AUM goes up; a negative profitability metric will pull it down.

- Further, if the scheme is open to receiving money from investors even post-info, then such contributions from investors boost the AUM. Conversely, if the scheme pays any money to the investors, either as dividend or as consideration for buying back the units of investors, the AUM falls.

- The AUM thus captures the impact of the profitability metric and the flow of unit-holder money to or from the scheme.

6.3 ADVANTAGES OF MUTUAL FUNDS FOR INVESTORS

1. PROFESSIONAL MANAGEMENT

Mutual funds offer investors the opportunity to earn an income or build their wealth through professional management of their investible funds. There are several aspects to such professional management viz. investing in line with the investment objective, investing based on adequate research, and ensuring that prudent investment processes are followed.

2. AFFORDABLE PORTFOLIO DIVERSIFICATION

Units of a scheme give investors exposure to a range of securities held in the investment portfolio of the scheme. Thus, even a small investment of RS.5,000 in a mutual fund scheme can give investors a diversified investment portfolio.

With diversification, an investor ensures that all the eggs are not in the same basket. Consequently, the investor is less likely to lose money on all the investments at the same time. Thus, diversification helps reduce the risk in investment. In order to achieve the same diversification as a mutual fund scheme, investors will need to set apart several lakh of rupees. Instead, they can achieve the diversification through an investment of a few thousand rupees in a mutual fund scheme.

3. ECONOMIES OF SCALE

The pooling of large sums of money from so many investors makes it possible for the mutual fund to engage professional managers to manage the investment. Individual investors with small amounts to invest, cannot, by themselves afford to engage such professional management.

Large investment corpus leads to various other economies of scale. For instance, costs related to investment research and office space get spread across investors. Further, the higher transaction volume makes it possible to negotiate better terms with brokers, bankers and other service providers.

4. LIQUIDITY

At times, investors in financial markets are stuck with a security for which they can't find a buyer –worse; at times they can't find the company they invested in! Such investments, whose value the investor cannot easily realize in the market, are technically called illiquid investments and may result in losses for the investors.

Investors in a mutual fund scheme can recover the value of the moneys invested, from the mutual fund itself. Depending on the structure of the mutual fund scheme, this would be possible, either at any time, or during specific intervals, or only on closure of the scheme. Schemes where the money can be recovered from the mutual fund only on closure of the scheme are listed in a stock exchange. In such schemes, the investor can sell the units in the stock exchange to recover the prevailing value of the investment.

5. TAX DEFERRAL

Mutual funds are not liable to pay tax on the income they earn. If the same income were to be earned by the investor directly, then tax may have to be paid for the same financial year. Mutual funds offer options, whereby the investor can let the moneys grow in the scheme for several years. By selecting such options, it is possible for the investor to defer the tax liability. This helps

investors to legally build their wealth faster than would have been the case, if they were to pay tax on the income each year.

6. TAX BENEFITS

Specific schemes of mutual funds (equity linked savings schemes) gives investors the benefit of deduction of the amount invested, from their income that is liable to tax. This reduces their taxable income, and therefore the tax liability. Further, the dividend that the investor receives from the scheme is tax-free in their hands.

7. CONVENIENT OPTIONS

The options offered under a scheme allow investors to structure their investments in line with their liquidity preference and tax position.

8. INVESTMENT COMFORT

Once an investment is made with a mutual fund, they make it convenient for the investor to make further purchases with very little documentation. This simplifies subsequent i nvestment activity

9. REGULATORY COMFORT

The regulator, securities & exchange board of India (SEBI) has mandated strict checks and balances in the structure of mutual funds and their activities. Mutual fund investors benefits from such protection.

10. SYSTEMATIC APPROACH TO INVESTMENTS

Mutual funds also offer facilities that help investor to invest amounts regularly through a systematic investment plan (sip); or withdraw amounts regularly through a systematic withdrawal plan (SWP); or move moneys between different kinds of schemes through a systematic transfer plan (ATP). Such systematic approaches promote an investment discipline, which is useful in long term wealth creation and protection.

6.4 LIMITATIONS OF A MUTUAL FUND

1. LACK OF PORTFOLIO CUSTOMIZATION

Some securities houses offer portfolio management schemes (PMS) to large investors. In a PMS, the investor has better control over what securities are bought and sold on his behalf. On the other hand, a unit-holder is just one of several thousand investors in a scheme. Once a unit-holder has bought into the scheme, investment management is left to the fund manager (within the broad parameters of the investment objective). Thus, the unit-holder cannot influence what securities or investments the scheme would buy.

Large sections of investors lack the time or the knowledge to be able to make portfolio choices. Therefore, lack of portfolio customization is not a serious limitation in most cases.

2. CHOICE OVERLOAD

Over 800 mutual fund schemes offered by 38 mutual funds – and multiple options within those schemes – make it difficult for investors to choose between them. Greater dissemination of industry information through various media and availability of professional advisors in the market should help investors handle this overload.

3. NO CONTROL OVER COSTS

All the investor's moneys are pooled together in a scheme. Costs incurred for managing the scheme are shared by all the unit-holders in proportion to their holding of units in the scheme. Therefore, an individual investor has no control over the costs in a scheme.

SEBI has however imposed certain limits on the expenses that can be charged to any scheme. These limits vary with the size of assets and the nature of the scheme.

CHAPTER 7 – INSURANCE

7.1 WHAT IS INSURANCE?

7.2 TYPES OF INSURANCE

7.3 TYPES OF LIFE INSURANCE

INTRODUCTION

It is the wish of most individuals to have enough assets, so that one can meet life's necessities and luxuries. Individual save to provide for these necessities and luxuries. The earning power of an individual is reduced in retirement or by unforeseen disability or for any unexpected happening. Many individuals also love to leave enough assets to assure continuation of these necessities and luxuries to their dependents. Insurance takes care of these risks. Insurance allows a person to join a large group of people to share losses. The group guarantees to pay a sum of money to the person, to his family or to other beneficiaries as intended by the insured upon the happening of an uncertain specified event like death, fire, etc. In return, the person pays an agreed risk premium, also called premium to the insurance company. Japanese ranks first in life insurance ownership in the world, while USA and Canada are second and third.

7.1 WHAT IS INSURANCE?

Insurance is risk transfer mechanism wherein insured transfers the risk of unexpected financial loss to insurers by paying premium.

An individual buys an insurance policy → Individual pays a Premium to the Insurance company → The insurer agrees to pay a amount of money in case of a loss

7.2 TYPES OF INSURANCE

INSURANCE CAN BE BROADLY CLASSIFIED INTO TWO CATEGORIES:

TYPES OF INSUEANCE

LIFE INSURANCE

GENERAL INSURANCE

1. **MOTOR INSURANCE**
2. **FIRE INSURANCE**
3. **HEALTH INSURANCE**
4. **MARINE INSURANCE**

LIFE INSURANCE:

Life insurance is a contract between an insurance policy holder and an insurer, where the insurer promises to pay a designated beneficiary sum of money upon the death of the insured person. Life insurance deals with two risks that an individual face

a) Dying prematurely, leaving a dependent family and
b) Living long without adequate means of support.

It enables the head or earning member of the family to discharge the sense of responsibility that he feels for those dependent on him.

Life insurance includes term insurance, whole life insurance, endowment plan, money back plan, annuities and pension and unit linked insurance plans.

ADVANTAGES:

1. MENTAL PEACE

The most important benefit of life insurance is that it assures mental peace. When a person goes for life insurance, he and his family are relieved from worries of future. Thus, it ensures mental peace.

2. FINANCIAL SECURITY

The policy of life insurance provides economical security to the family of the policy holder in case of death of the breadwinner. On occurrence of this unfortunate event, the family is forced with a cash crunch. But by availing a life insurance policy, this problem of cash crunch is solved by a lump sum amount paid by the insurer.

3. LOAN IN CASE OF NEED

There are circumstances in life when the individual needs funds but is unable to get from various sources. The life insurance policy also provides a solution to this problem as loan can be taken against the policy and need not be repaid as the loan amount is deducted from the police value on maturity.

4. COVER FOR WHOLE LIFE

The life insurance policy provides coverage for the whole life of the policyholder. It also provides protection in cases of serious illness.

5. TAX-FREE SOURCE OF SAVING

In addition, it is a source of savings which is completely tax-free

6. SOURCE OF MITIGATING CERTAIN LIABILITIES

The life insurance policy provides a great source to satisfy certain needs and liabilities like loans and mortgages.

7. MAINTENANCE OF LIVING STANDARD

The life insurance policy helps in maintaining the living standard of the family even after the death of the breadwinner by providing financial benefits to the family.

8. ENHANCED COVERAGE

The policy provides enhanced coverage by providing for medical benefits.

DISADVANTAGES

1. EXPENSIVE

The life insurance can prove to be a costly affair, particularly when suffering from illness and regarded by insurers as high risk due to some reasons like old age etc.

2. IRRELEVANT IN CASE OF NO-FAMILY PERSON

The life insurance policy is irrelevant for an individual who is not having any family or dependents

3. INCREASING PREMIUMS

The premium payable increases with the increase in age. But the income gradually decreases which makes it difficult to strike a balance.

4. NO BENEFIT IN CASE OF LONG LIFE

Some policies do not provide any cash benefit on the policy holder surviving the policy term. In that case, amount paid for premiums is wasted.

GENERAL INSURANCE:

Any insurance other than 'life insurance' falls under the classification of general insurance. It comprises of:-

- Insurance of property against fire, theft, burglary, terrorism, natural disasters etc.
- Personal insurance such as accident policy, health insurance and liability insurance which covers legal liabilities.
- Errors and omissions insurance for professionals, credit insurance etc.
- Policy covers such as coverage of machinery against breakdown or loss or damage during the transit.
- Policies that provide marine insurance covering goods in transit by sea, air, railways, waterways and road and cover the hull of ships.
- Insurance of motor vehicles against damages or accidents and theft.

7.3 TYPES OF LIFE INSURANCE:

Depending on their objectives, there are at least three types of life insurance policy classifications.

A life insurance policy could offer pure protection (insurance), another variant could offer protection as well as investment while some others could offer only investment. In India, life insurance has been used more for investment purposes than for protection in one's overall financial planning.

1. PURE INSURANCE PRODUCTS

TERM PLANS

In the pure insurance category, there is only one product available which is called term insurance. Term insurance policy covers only the risk of your dying and provides temporary protection. Insured pays premium year on year to the insurance company and if he dies, the insurance amount, called the sum assured, is paid out to the nominees. If he survives, he won't get anything and lose the yearly premiums paid.

Since everything insured pays goes towards covering the risk on life, term insurance is the cheapest. There is no investment clubbed with a pure term insurance plan.

There is a variant of term insurance called level term insurance, decreasing term insurance, increasing term insurance, renewable term insurance, convertible term insurance and term-insurance-with-return-of-premium.

2. INSURANCE-CUM-INVESTMENT PRODUCTS

As the name goes, these are plans that provide insurance and along with it return on investments.

ENDOWMENT PLANS

Endowment plans are policies wherein premium is paid by policyholder for defined term and benefits are either payable on claim or maturity. In most endowment plans, premium payment term is equal to term of the policy. A bonus is added to the base policy every year depending upon the investment and mortality experience of life insurance company. The policy owner has no control over the investment pattern of the premiums paid by him. Majority of investments are made in government securities and other debt products. This result is conservative returns derived from such investments.

Policyholder on survival receives sum assured with total bonus declared under the policy during the term of the policy. On death nominees receive the sum assured along with accumulated bonus up to date of the claim.

There are two types endowment policies are without-profit endowment plans and with-profit endowment plans.

MONEY-BACK PLANS

Money-back plans are variants of endowment plans with one difference – the payout can be staggered through the policy term. Some part of the sum assured is returned to the policyholder at periodic intervals through the policy tenure. In case of death, the full sum assured is paid out irrespective of the payouts already made.

Bonus is also calculated on the full sum assured and not the balance money left. Because of these two reasons, premiums on money-back plans are higher than endowment plans.

WHOLE-LIFE PLANS

Term plans, endowment plans and money back plans offer insurance cover till a specified age, generally 70 years. Whole-life plans provide cover throughout your life. Usually, the policyholder is given an option to pay premiums till a certain age or a specified period (called maturity age).

The primary advantages of whole life are guaranteed death benefit, guaranteed cash values, fixed and known annual premiums, access to cash values and the fact that mortality and expense charges will not reduce the cash value shown in the policy. The primary disadvantage is premium inflexibility and internal rate of return in the policy may not be competitive with other savings alternatives.

On reaching the maturity age, the policyholder has the option to continue the cover till death without paying any premium or encasing the sum assured and bonuses.

UNIT-LINKED INSURANCE PLANS (ULIP)

In all the above mentioned insurance-cum-investment products, you have no say on where your money is invested. To keep your money safe, most of these products will invest in debt. Unit-linked insurance plans give you greater control on where your premium can be invested.

Think of them like mutual funds. The annual premium that policyholder pays can be invested in various types of funds that invests in debt and equity in a proportion that suits all types of investors. One can also switch from one fund plan to another freely and can also monitor the performance of your plan easily.

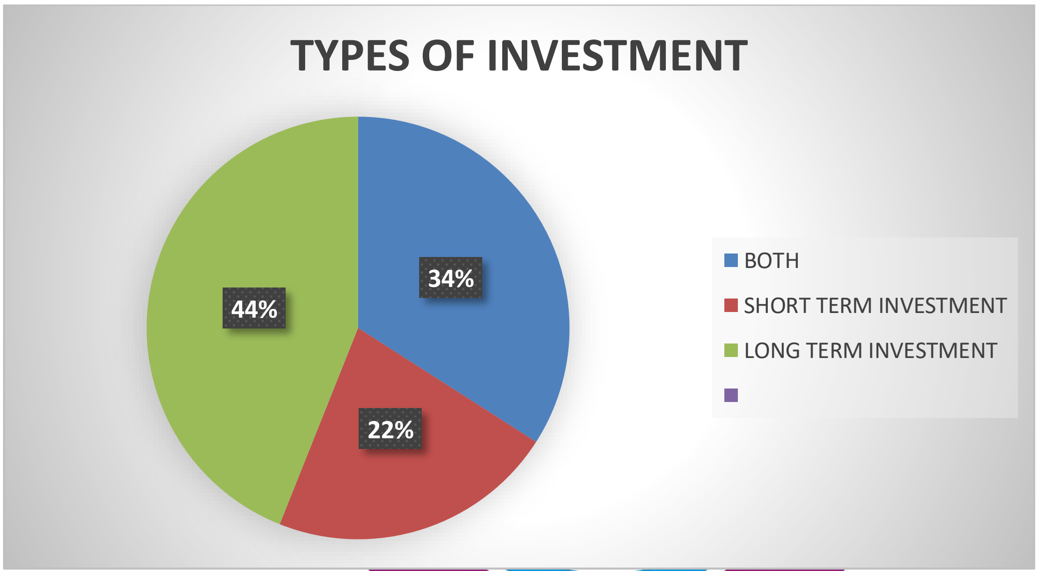
3. INVESTMENT PRODUCTS

PENSION PLANS

Pension plans are investment options that let you set up an income stream in your post retirement years by giving away your savings to an insurance company who invests it on your behalf for a fee. The returns you get depends on a host of factors like how much you contributed and when is it that you started, the number of years when you want the money to come to you and at what age that starts.

When you buy the pension plan contract, if the payment to you (called annuity) starts immediately it is called an immediate annuity contract. However, if the payout starts after some years of deferment, it is called a deferred annuity.

TYPES OF INVESTMENT



CHAPTER 8 – ALTERNATVE INVESTMENTS

8.1 ART 8.2 INVESTING IN GOLD 8.3 REAL ESTATE

Alternative investments can be defined as investments, which are not from the universe of traditional investments. Traditional investments, are investments availed by masses for a long period of time. For example: direct equity investment, bank savings, small savings scheme, real estate, etc. Alternative investments are complex in nature and extremely difficult to analyze.

The primary benefit that alternative investing offers to an otherwise traditional portfolio of financial assets is diversification. Many alternative investment strategies have extremely low correlations to price movements as compared to traditional financial securities. Maintaining a portion of a portfolio in assets whose returns are somewhat independent of the financial markets can be enticing from a risk control standpoint, especially when financial markets become overvalued. While opportunity for high returns might exist within the alternative investment arena, the primary reason to consider alternatives is for diversification and risk control.

Real estate, coins, stamps & books, fine art, wine, antiques, precious metals, vehicles, private equity, etc. are all example of alternative investments. However alternative investment comes with some warranties: -

a) Alternative investment segment mainly comprises the products, which are unregulated without any set of investment, buying selling module and thus is subject to risk in the manner of fraud and theft.
b) Being an unregulated market, these investments suffer from transparency in disclosing the style and the methodology of investment and in publishing the portfolio. They also lack in legal reporting requirements.
c) Deciding and finding alternative investment is complicated and equally difficult is to arrive at allocation, which can be marked for these investments. This is because historical data, investment strategies and more details about them are not available and thus a thorough research and understanding of investment is required to decide on these.

d) Being unregulated and the absence of historical data, it becomes very difficult to analyze performance as also there can a widening gap of investment performance compared to investment avenues which are regulated. Transparency bridges the gap between performances.

e) Liquidity is a big issue in alternative investments. It may not be suitable for a retail investor to get into these investments because of the fact of limited liquidity.

f) Being unregulated, issues like legal, tax and operational issues must be sorted out before investment.

MUMBAI COLLEGEOF ARTS, COMMERCE & SCIENCE

B.G.P.S.

8.1 ART

Although the concept of investing in art is relatively new in India, art has always been a viable investment option in the west. Art investment in India is gaining momentum with the works of M.F Husain, Tyeb Mehta and F.N Souza being lapped up by international collectors. FN Souza's work 'the birth' sold for $2.3 million, setting records in valuing Indian Art. Mf Husain and SH Raza are currently valued anywhere from $200,000 to $1 million. The growth in Indian contemporary art also reflects the same trend. The prices of works of several famous artists like CF John, TM Azis, Yusuf Arakaki, Atul Dodiya have increased considerably since Indian art reached the international stage.

Art and antiques are extremely vulnerable to fluctuations in public tastes and other factors, so they are considered high-risk, speculative investments. Most investment consultants feel that one should invest in art and antiques primarily because one likes them, and only secondarily because they may return a profit. Also not more than 10-15 percent of the value of the investment portfolio should not be kept into art and antiques.

ADVANTAGES

i. It survives economic downturn. However lower priced categories react quickly to worsening economic environment. An economic slowdown causes drop in demand and an increase in supply, leading to forced selling. This, however, does not apply at all or only rarely to artworks in the top price category. Consequently, top-quality art tends to be more stable than most financial investments in difficult times.

ii. The long term trend for art prices would tend to be upward simply because art is a scarce product and not reproducible at will. Rising incomes over the long-term ensure a steady rise in demand for works of art against falling supply.

iii. Art and antiques popularity as an investment option arises due to its low correlation with other financial assets.

LIMITATIONS

i. Successful investment in art requires not only extensive know-how about the artistic quality and authenticity but also the peculiar nuances of the art market. As each work of art is different, the markets are everything but transparent. Evaluating quality and price requires knowledge of the market inside out.

ii. Investment horizons typically run for years or even decades, and the market is generally illiquid, which significantly limits an investors' ability to convert a holding to cash.

iii. Transaction costs (auction fees, appraisal fees, insurance, handling costs etc.) Are by far larger than in other markets. Though there has been increase in availability of and access to data from art-research firms, websites dedicated to prices of art, indices of the art market and art auctions, it is far from adequate.

iv. The main trouble with investing in art is that it is almost impossible to identify an intrinsic value. When evaluating individual purchases, there are few risks that may not arise when investing in securities.

For example, there is no official registration office or certification authority that can authenticate the ownership of individual artworks. Other transaction risks include absence of clear title, forgery, mislabeling, and auction fraud.

v. The increase in the market rate of an art piece is also quite subjective and unpredictable – two contemporary paintings of different style or similar style paintings done in different periods by the same artist and of identical size and subject fetch drastically different prices. Market price is not entirely a function of demand and supply, but is considerably determined by what the critics and curators have to say about the value of the piece. And until the piece is sold, there is no income the investor receives like dividend in equity or interest in bonds. It is in the end an unregulated market.

vi. The minimum investment needed to begin investing in art is quite high and therefore this route is available to only very high net worth individuals.

8.2 INVESTING IN GOLD

Gold was in use as a form of money, in one form or another, at least from 100% be until the end of the Bretton woods system in 1971. It was used as a store of value both by individuals and countries for much of that period. However in recent times it is still considered as a store of value, a safe haven, anti-inflationary and as insurance in crisis situations.

Considering its high density and high value per unit mass, storing and transporting gold is very easy. Gold also does not corrode. Gold has the potential for appreciation (or depreciation), but lacks the two other components of total return: interest and interest. Besides physical gold now gold can be purchased through a gold exchange traded fund or in the form of gold certificate.

Why own gold?

There are six primary reasons why investors own gold:

a. As a hedge against inflation.
b. As a hedge against a declining dollar.
c. As a safe haven in times of geopolitical and financial market instability.
d. As a commodity, based on gold's supply and demand fundamentals.
e. As a store of value.
f. As a portfolio diversifier.

Gold is a monetary metal whose price is determined by inflation, by fluctuations in the dollar and u.s. stocks, by currency-related crises, interest rate volatility and international tensions, and by increases or decreases in the prices of other commodities.

The price of gold reacts to supply and demand changes and can be influenced by consumer spending and overall levels of affluence. Gold is different from other precious metals such as platinum, palladium and silver because the demand for these precious metals arises principally from their industrial applications.

Gold is produced primarily for accumulation; other commodities are produced primarily for consumption. Gold's value does not arise from its usefulness in industrial or consumable applications. It arises from its use and worldwide acceptance as a store of value. Gold is money. In contrast to other commodities, gold does not perish, tarnish or corrode, nor does gold have quality grades. Gold mined thousands of years ago is no different from gold mined today.

8.3 REAL ESTATE

The most basic definition real estate is "an interest in land". Broadening that definition somewhat, the word "interest" can mean either an ownership interest leasehold interest. In an ownership interest, the investor is entitled to the full rights of ownership of the land and must also assume the risks and responsibilities of a landowner. On the other side of the relationship, a leasehold interest only exists when a landowner agrees to pass some of his rights on to a tenant in exchange for a payment of rent. If you rent an apartment, you have a leasehold interest in real estate. If you own a home, you have an ownership interest in that home as a real estate investor, you will most likely be purchasing ownership interests and then earning a return on that investment by issuing leasehold interests to tenants, who will in turn pay rent.

Real estate that generates income or is otherwise intended for investment purposes rather than as a primary residence. It is common for investors to own multiple pieces of real estate, one of which serves as a primary residence, while the others are used to generate rental income and profits through price appreciation. The tax implications for investment real estate are often different than those for residential real estate.

CHARACTERISTICS OF REAL ESTATE INVESTMENTS

One of the beneficial features of real estate is that it produces relatively consistent total returns that are a hybrid of income and capital growth. In that sense, real estate has a coupon-paying bond-like component in that it pays a regular, steady income stream, and it has a stock-like component in that its value has a propensity to fluctuate the income return from real estate is directly linked to the rent payments received from tenants, minus the costs of operating the property and outgoing mortgage/financing payments. Your ability to keep the building full depends on the strength of the leasing market - that is, the supply and demand for space similar to the space you are trying to lease. In weaker markets with oversupply of vacancies or poor demand, you would have to charge less rent to keep your building full than in a strong leasing market. And unfortunately, if your rents are lower, your income returns are lower.

Capital appreciation of a property is determined by having the property appraised. If the appraiser thinks your property would sell for more than you bought it for, then you've achieved a positive capital return. Because the appraiser uses past transactions in judging values, capital returns are directly linked to the performance of the investment sales market.

OTHER CHARACTERISTICS

Some of the other characteristics that make real estate unique as compared to other investment alternatives are as follows:

1. NO FIXED MATURITY

Unlike a bond which has a fixed maturity date, an equity real estate investment does not normally mature. This attribute of real estate allows an owner to buy a property, execute a business plan, then dispose of the property whenever appropriate. An exception to this characteristic is an investment in fixed-term debt; by definition a mortgage would have a fixed maturity.

2. TANGIBLE

Real estate is tangible. You can visit your investment, speak with your tenants, and show it off to your family and friends. You can see it and touch it. A result of this attribute is that you have a certain degree of physical control over the investment - if something is wrong with it, you can try fixing it. You can't do that with a stock or bond.

3. **REQUIRES MANAGEMENT**

Because real estate is tangible, it needs to be managed in a hands-on manner. Tenant complaints must be addressed. Landscaping must be handled. And, when the building starts to age, it needs to be renovated.

4. INEFFICIENT MARKETS

An inefficient market is not necessarily a bad thing. It just means that information asymmetry exists among participants in the market, allowing greater profits to be made by those with special information, expertise or resources. In contrast, public stock markets are much more efficient - information is efficiently disseminated among market participants, and those with material non-public information are not permitted to trade upon the information. In the real estate markets, information is king, and can allow an investor to see profit opportunities that might otherwise not have presented themselves.

5. HIGH TRANSACTION COSTS

Private market real estate has high purchase costs and sale costs. On purchases, there are real-estate-agent-related commissions, lawyers' fees, engineers' fees and many other costs that can raise the effective purchase price well beyond the price the seller will actually receive. On sales, a substantial brokerage fee is usually required for the property to be properly exposed to the market. Because of the high costs of "trading" real estate, longer holding periods are common and speculative trading is rarer than for stocks.

6. LOWER LIQUIDITY

With the exception of real estate securities, no public exchange exists for the trading of real estate. This makes real estate more difficult to sell because deals must be privately brokered. There can be a substantial lag between the time you decide to sell a property and when it actually is sold - usually a couple months at least.

7. UNDERLYING TENANT QUALITY

When assessing an income-producing property, an important consideration is the quality of the underlying tenancy. This is important because when you purchase the property you’re buying two things: the physical real estate, and the income stream from the tenants. If the tenants are likely to default on their monthly obligation, the risk of the investment is greater.

8. VARIABILITY AMONG REGIONS

While it sounds cliché, location is one of the important aspects of real estate investments; a piece of real estate can perform very differently among countries, regions, cities and even within the same city. These regional differences need to be considered when making an investment, because your selection of which market to invest in has as large an impact on your eventual returns as your choice of property within the market.

BENEFITS OF INVESTING IN REAL ESTATE

a) DIVERSIFICATION VALUE

The positive aspects of diversifying your portfolio in terms of asset allocation are well documented. Real estate returns have relatively low correlations with other asset classes (traditional investment vehicles such as stocks and bonds), which adds to the diversification of your portfolio.

b) YIELD ENHANCEMENT

As part of a portfolio, real estate allows you to achieve higher returns for a given level of portfolio risk. Similarly, by adding real estate to a portfolio you could maintain your portfolio returns while decreasing risk.

c) INFLATION HEDGE

Real estate returns are directly linked to the rents that are received from tenants. Some leases contain provisions for rent increases to be indexed to inflation. In other cases, rental rates are increased whenever a lease term expires and the tenant is renewed. Either way, real estate income tends to increase faster in inflationary environments, allowing an investor to maintain its real return

d) ABILITY TO INFLUENCE PERFORMANCE

Real estate is a tangible asset. As a result, an investor can do things to a property to increase its value or improve its performance. Examples of such activities include: replacing a leaky roof, improving the exterior and re-tenanting the building with higher quality tenants. An investor has a greater degree of control over the performance of a real estate investment than other types of investments.

CONCULISION

AS WE NOW KNOW VARIOUS INVESTMENT OPTIONS ARE AVAILABLE IN INDIA I.E. SMALL SAVINGS SCHEMES, INSURANCE, MUTUAL FUNDS, EQUITY, REAL ESTATE, PRECIOUS METALS ETC, BUT ITS SELECTION DEPENDS UPON VARIOUS FACTORS. THE INVESTMENT DECISIONS ARE DRIVEN BY FACTORS LIKE RISK, REWARD, AGE, OCCUPATION, GENDER, MARITAL STATUS, TAX BENEFIT, INCOME, INVESTMENT OBJECTIVE, PERIOD OF INVESTMENT ETC.

THE ANALYSIS AND INTERPRETATIONS VERY CLEARLY SHOWS THAT THE INVESTORS HAVE DIFFERENT VIEWS LIKE INVESTMENT PATTERN BY MARKET MOVEMENT, FACTORS INFLUENCING THEIR DECISION, FREQUENCY OF INVESTMENT, ALTERNATIVES AVAILABLE AND INVESTMENT PREFERENCES TRULY INFLUENCE THEIR PERCEPTION TOWARDS DIFFERENT PRODUCTS AND SERVICES OF THE COMPANY.

THUS, THE STUDY SAYS THAT THE INDIAN INVESTMENT COMMUNITY HAVE SHOWN MUCH INTEREST IN INVESTING IN DIFFERENT FINANCIAL PRODUCTS AVAILABLE IN THE MARKET DUE TO THE SPIRALING GROWTH OF INDIAN GDP, BETTER PERFORMANCE BY THE COMPANIES, LIBERAL RULES AND REGULATIONS BY THE AUTHORITY LIKE SEBI TO PROTECT THE INVESTORS INTEREST AND THIS PROCESS WILL GROW MUCH MORE QUICKER IN THE FUTURE. THERE MIGHT BE A CHANCE THAT THE PERCEPTIONS OF THE INVESTORS' OF DIFFERENT NATURE ARE VARIED DUE TO DIVERSITY IN SOCIAL LIFE, LIVING PATTERN, INCOME LEVEL ETC THAT NEEDS TO BE STUDIED FURTHER THE FACTS WITH REGARD TO THE SEVERAL FACTORS SUCH AS RELATIONSHIP BETWEEN AGE AND RISK TOLERANCE LEVEL OF INDIVIDUAL INVESTORS ETC. IT HAS IMPORTANT IMPLICATIONS FOR INVESTMENT MANAGERS AS IT CAME OUT WITH CERTAIN INTERESTING FACETS OF AN INDIVIDUAL INVESTOR. THE INDIVIDUAL INVESTOR STILL PREFERS TO INVEST IN FINANCIAL PRODUCTS WHICH GIVE RISK FREE RETURNS. HENCE IT CONCLUDES THAT INDIAN INVESTORS EVEN IF THEY ARE OF HIGH INCOME, WELL EDUCATED, SALARIED, INDEPENDENT ARE CONSERVATIVE INVESTORS & PREFER TO PLAY SAFE.

SUGGESTIONS

The findings of the study will have some implications. The study has a direct bearing on the market for financial products such as shares, debentures, mutual funds, life insurance, post office saving schemes, fixed deposits and also real estate and gold/silver. Therefore, it is of special interest to policy makers and regulatory authorities concerned with financial market. The regulatory bodies can safeguard the interest of the new investors on the basis of the pattern of investing. The following suggestions may be worth considering in this respect:

1. It is suggested to the investors that instead of keeping long term investment time horizon, their time horizon should depends on their objectives and type of Investment Avenue.

2. Instead of making wrong decisions regarding investment it is advisable that investors should take help of financial planner.

3. Insurance is assurance and not investment so it is suggested to the investors instead of buying high premium charging policies they should invest in pure protection plans as premium is less and the surplus could be invested elsewhere and return can be earned.

4. From the observations it has been suggested that investors are doing their investments at the last movements and many a time it was found that they are doing wrong investments. So instead of last time rush investors must plan for their investments from the starting of the financial year.

5.It has been revealed that investors has invested in PPF, so it can be suggested to the investors that they should continue with their PPF after maturity by extending it till their retirement to get maximum from the PPF as it offers compounding interest and the whole amount received is tax exempted

6. Now a days the return on various investments are based on market scenario, so it is advisable to the investors that they should keep on upgrading themselves with new guidelines and changes in terms and conditions. Not only the investment avenues, they have invested but overall investment avenues

BIBLIOGRAPHY

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE

B.G.P.S.

GENERAL WEBSITES AND SEARCH ENGINES

WWW.INVESTOPEDIA.COM

WWW.MONEYCONTROL.COM

WWW.WIKIPEDIA.COM WWW.GOOGLE.COM

WWW.IRDAINDIA.ORG

WWW.REDIFFMAIL-MONEY-DERIVATIVES.HTM

WWW.AMFIINDIA.COM

BOOKS & PUBLICATIONS

NCFM COURSE PUBLICATIONS

NISM MUTUAL FUND PUBLICATION

ECONOMIC TIMES

BUSINESS STANDARDS

CAPITAL MARKET MAGAZINE

DALAL STREET MAGAZINE

University Of Mumbai

A PROJECT REPORT ON

"RISK MANAGEMENT IN BANKING SECTOR"

Bachelor of Management Studies

Semester VI

(2019 – 2020)

Submitted by

SUBHAN MUNAF SAKHARKAR

Seat No.: 1662767

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

University Of Mumbai

A PROJECT REPORT ON

“RISK MANAGEMENT IN BANKING SECTOR”

Bachelor of Management Studies

Semester VI

(2019 – 2020)

Submitted in

Partial Fulfilment of the requirements

For the Award of Degree of

Bachelor of Management Studies

By

SUBHAN MUNAF SAKHARKAR

Seat No.: 1162767

BGPS’

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

CERTIFICATE

This is to certify that **MR. SUBHAN MUNAF SAKHARKAR** **Seat No. 1162767** of Third Year B.M.S., Semester VI (2019 – 2020) has successfully completed the project on **RISK MANAGEMENT IN BANKING SECTOR** under the guidance of **Assistant Prof. DRAKSHA KHAN.**

Asst. Prof. Roshelle Salins
Project Guide

External Examiner

Asst. Prof. Draksha Khan
Course Coordinator

Dr. Subhash Vadgule
Principal

College Seal

DECLARATION

I, **MR. SUBHAN MUNAF SAKHARKAR** student of T.Y.B.M.S. Semester VI (2019 – 2020) hereby declare that I have completed the project on **RISK MANAGEMENT IN BANKING SECTOR.** The information submitted is true and original to the best of my knowledge.

SUBHAN MUNAF SAKHARKAR
Seat No.: 1162767

BGPS,

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

ACKNOWLEDGEMENT

I wholeheartedly appreciate everything who all have helped me for completing and making this project successful.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the competition of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal, Subhash Vadgule** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Course Coordinator Asst. Prof. Draksha Khan**, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Prof. Roshelle Salins** whose guidance and care made the project successful.

I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially **Annika Oberoi** who supported me throughout my project.

TABLE OF CONTENTS

CHAPTER NO. – I

INTRODUCTION

1.1 THEME OF THE STUDY

Risk management underscores the fact that the survival of an organization depends heavily on its capabilities to anticipate and prepare for the change rather than just waiting for the change and react to it. The objective of risk management is not to prohibit or prevent risk taking activity, but to ensure that the risks are consciously taken with full knowledge, purpose and clear understanding so that it can be measured and mitigated. It also prevents an institution from suffering unacceptable loss causing an institution to suffer or materially damage its competitive position. Functions of risk management should actually be bank specific dictated by the size and quality of balance sheet, complexity of functions, technical/ professional manpower and the status of MIS in place in that bank.

1.2 INTRODUCTION

Risk: the meaning of 'Risk' as per Webster's comprehensive dictionary is "a chance of encountering harm or loss, hazard, danger" or "to expose to a chance of injury or loss". Thus, something that has potential to cause harm or loss to one or more planned objectives is called Risk.

The word risk is derived from an Italian word "Risicare" which means "To Dare". It is an expression of danger of an adverse deviation in the actual result from any expected result.

Banks for International Settlement (BIS) has defined it as- "Risk is the threat that an event or action will adversely affect an organization's ability to achieve its objectives and successfully execute its strategies."

Risk Management: Risk Management is a planned method of dealing with the potential loss or damage. It is an on-going process of risk appraisal through various methods and tools which continuously

- Assess what could go wrong
- Determine which risks are important to deal with
- Implement strategies to deal with those risks

1.3 STUDY PROBLEM

Basel II norms came as an attempt to reduce the gap in point of views between conflict practices. Therefore, the implementation of those resolutions emerged by the banks. Regarding this issue the survey has been made.

Study problem can be stated as follows:

To what extent banks have implemented Basel II norms related to enhancing internal control in the banks?

1.4 OBJECTIVES

- Covering different aspects of risk assessment
- Identifying keys for effective risk management
- To understand the challenges and impact of Implementing Basel II
- To analyze the current progress of Basel II in Hubli.

1.5 METHODOLOGY

- Literature Review
- Data collection
    - Primary information: Personal interview/ Questionnaire
    - Secondary information: Through internet, Manuals, Journals, Audit/Annual reports
- The Benefits and limitation of Basel II
- The Challenges of Implementing Basel II
- Impact of Basel II
- Research method
- Findings and suggestions
- Conclusion

CHAPTER NO. – II

LITERATURE OVERVIEW

2.1 INTRODUCTION

Basel I Accord: The Basel Committee on Banking Supervision, which came into existence in 1974, volunteered to develop a framework for sound banking practices internationally. In 1988 the full set of recommendations was documented and given to the Central banks of the countries for implementation to suit their national systems. This is called the Basel Capital Accord or Basel I Accord. It provided level playing field by stipulating the amount of capital that needs to be maintained by internationally active banks.

Basel II Accord: Banking has changed dramatically since the Basel I document of 1988. Advances in risk management and the increasing complexity of financial activities / instruments (like options, hybrid securities etc.) prompted international supervisors to review the appropriateness of regulatory capital standards under Basel I. To meet this requirement, the Basel I accord was amended and refined, which came out as the Basel II accord.

The new proposal is based on three mutually reinforcing pillars that allow banks and supervisors to evaluate properly the various risks that banks have to face and realign regulatory capital more closely with underlying risks. Each of these three pillars has risk mitigation as its central board. The new risk sensitive approach seeks to strengthen the safety and soundness of the industry by focusing on:

- Risk based capital (Pillar 1)
- Risk based supervision (Pillar 2)
- Risk disclosure to enforce market discipline (Pillar 3)

2.2 BASEL II FRAMEWORK

The new proposal is based on three mutually reinforcing pillars that allow banks and supervisors to evaluate properly the various risks that banks face and realign regulatory capital more closely with underlying risks.

Basel II
Framework

Pillar I	**Pillar II**	**Pillar III**
Minimum Capital Requirements	**Supervisory Review Process**	**Market Discipline**

2.2.1 THE FIRST PILLAR – MINIMUM CAPITAL REQUIREMENTS

The first pillar sets out minimum capital requirement for the bank. The new framework maintains minimum capital requirement of 8% of risk assets.

Basel II focuses on improvement in measurement of risks. The revised credit risk measurement methods are more elaborate than the current accord. It proposes for the first time, a measure for operational risk, while the market risk measure remains unchanged.

2.2.2 THE SECOND PILLAR - SUPERVISORY REVIEW PROCESS

Supervisory review process has been introduced to ensure not only that bank have adequate capital to support all the risks, but also to encourage them to develop and use better risk management techniques in monitoring and managing their risks. The process has four key principles-

a) Banks should have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for monitoring their capital levels.

b) Supervisors should review and evaluate bank's internal capital adequacy assessment and strategies, as well as their ability to monitor and ensure their compliance with regulatory capital ratios.

c) Supervisors should expect banks to operate above the minimum regulatory capital ratios and should have the ability to require banks to hold capital in excess of the minimum.

d) Supervisors should seek to intervene at an early stage to prevent capital from decreasing below minimum level and should require rapid remedial action if capital is not mentioned or restored.

2.2.3 THE THIRD PILLAR – MARKET DISCIPLINE

Market discipline imposes strong incentives to banks to conduct their business in a safe, sound and effective manner. It is proposed to be effected through a series of disclosure requirements on capital, risk exposure etc. so that market participants can assess a bank's capital adequacy. These disclosures should be made at least semi-annually and more frequently if appropriate. Qualitative disclosures such as risk management objectives and policies, definitions etc. may be published annually.

2.3 TYPES OF RISKS

When we use the term "Risk", we all mean financial risk or unexpected financial loss. If we consider risk in terms of probability or occur frequently, we measure risk on a scale, with certainty of occurrence at one end and certainty of non-occurrence at the other end. Risk is the greatest phenomena where the probability of occurrence or non-occurrence is equal. As per the Reserve Bank of India guidelines issued in Oct. 1999, there are three major types of risks encountered by the banks and these are Credit Risk, Market Risk & Operational Risk. Further after eliciting views of banks on the draft guidelines on Credit Risk Management and market risk management, the RBI has issued the final guidelines and advised some of the large PSU banks to implement so as to gauge the impact. Risk is the potentiality that both the expected and unexpected events may have an adverse impact on the bank's capital or its earnings. The expected loss is to be borne by the borrower and hence is taken care of by adequately pricing the products through risk premium and reserves created out of the earnings. It is the amount expected to be lost due to changes in credit quality resulting in default. Where as, the unexpected loss on account of the individual exposure and the whole portfolio is entirely borne by the bank itself and hence care should be taken. Thus, the expected losses are covered by reserves/provisions and the unexpected losses require capital allocation.

2.3.1 CREDIT RISK

In the context of Basel II, the risk that the obligor (borrower or counterparty) in respect of a particular asset will default in full or in part on the obligation to the bank in relation to the asset is termed as Credit Risk.

Credit Risk is defined as-"The risk of loss arising from outright default due to inability or unwillingness of the customer or counter party to meet commitments in relation to lending, trading, hedging, settlement and other financial transaction of the customer or counter party to meet commitments".

Credit Risk is also defined, "as the potential that a borrower or counter party will fail to meets its obligations in accordance in agreed terms".

2.3.2 MARKET RISK

It is defined as “the possibility of loss caused by changes in the market variables such as interest rate, foreign exchange rate, equity price and commodity price”. It is the risk of losses in, various balance sheet positions arising from movements in market prices.

RBI has defined market risk as the possibility of loss to a bank caused by changes in the market rates/ prices. RBI Guidance Note focus on the management of liquidity Risk and Market Risk, further categorized into interest rate risk, foreign exchange risk, commodity price risk and equity price risk.

Market risk includes the risk of the degree of volatility of market prices of bonds, securities, equities, commodities, foreign exchange rate etc., which will change daily profit and loss over time; it’s the risk of unexpected changes in prices or rates. It also addresses the issues of Banks ability to meets its obligation as and when due, in other words, liquidity risk.

2.3.3 OPERATIONAL RISK

Operational risk is the risk associated with the operations of an organization. It is defined as “risk of loss resulting from inadequate or failed internal process, people and systems or from external events.”

It includes legal risk. It excludes strategic and reputational risks, as the same are not quantifiable.

Operational risk includes the risk of loss arising from fraud, system failures, trading error and many other internal organizational risks as well as risk due to external events such as fire, flood etc. the losses due to operation risk can be direct as well as indirect. Direct loss means the financial losses resulting directly from an incident or an event. E.g. forgery, fraud etc. indirect loss means the loss incurred due to the impact of an incident.

2.3.4 REGULATORY RISK

The owned funds alone are managed by an entity, it is natural that very few regulators operate and supervise them. However, as banks accept deposit from public obviously better governance is expected from them. This entails multiplicity of regulatory controls. Many Banks, having already gone for public issue, have a greater responsibility and accountability in this regard. As banks deal with public funds and money, they are subject to various regulations. The various regulators include Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Department of Company Affairs (DCA), etc. More over, banks should ensure compliance of the applicable provisions of The Banking Regulation Act, The Companies Act, etc. Thus all the banks run the risk of multiple regulatory-risks which inhibits free growth of business as focus on compliance of too many regulations leave little energy scope and time for developing new business. Banks should learn the art of playing their business activities within the regulatory controls.

2.3.5 ENVIRONMENTAL RISK

As the years roll the technological advancement takes place, expectation of the customers change and enlarges. With the economic liberalization and globalization, more national and international players are operating the financial markets, particularly in the banking field. This provides the platform for environmental change and exposure of the bank to the environmental risk. Thus, unless the banks improve their delivery channels, reach customers, innovate their products that are service oriented; they are exposed to the environmental risk.

2.4 BASEL'S NEW CAPITAL ACCORD

Bankers' for International Settlement (BIS) meet at Basel situated at Switzerland to address the common issues concerning bankers all over the world. The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities of G-10 countries and has been developing standards and establishment of a framework for bank supervision towards strengthening financial stability through out the world. In consultation with the supervisory authorities of a few non-G-10 countries including India, core principles for effective banking supervision in the form of minimum requirements to strengthen current supervisory regime, were mooted. The 1988 Capital Accord essentially provided only one option for measuring the appropriate capital in relation to the risk weighted assets of the financial institution. It focused on the total amount of bank capital so as to reduce the risk of bank solvency at the potential cost of bank's failure for the depositors. As an improvement on the above, the New Capital Accord was published in 2001 by Basel Committee of Banking Supervision. It provides spectrum of approaches for the measurement of credit, market and operational risks to determine the capital required. The spread and nature of the ownership structure is important as it impinges on the propensity to induct additional capital. While getting support from a large body of shareholders is a difficult proposition when the bank's performance is adverse, a smaller shareholder base constrains the ability of the bank to garner funds. Tier I capital is not owed to anyone and is available to cover possible unexpected losses. It has no maturity or repayment requirement, and is expected to remain a permanent component of the core capital of the counter party. While Basel standards currently require banks to have a capital adequacy ratio of 8% with Tier I not less than 4%, RBI has mandated the banks to maintain CAR of 9%. The maintenance of capital adequacy ratio is like aiming at a moving target as the composition of risk-weighted assets gets changed every now and then on account of fluctuations in the risk profile of a bank. Tier I capital is known as the core capital providing permanent and readily available support to the bank to meet the unexpected losses. In the recent past, owners of PSU banks, the government provided adequate capital to weaker banks to ease the burden. In doing so, the government was not acting as a prudent investor as return on such capital was never a consideration. Further, capital infusion did not result in any cash flow to the receiver, as all the capital was required to be reinvested in government securities yielding low returns. Receipt of capital was just a book entry with the only advantage of income from the securities.

2.5 CAPITAL ADEQUACY

Subsequent to nationalization of banks, capitalization in banks was not given due importance as it was felt necessary for the reason that the ownership of the banks rested with the government, creating the required confidence in the mind of the public. Combined forces of globalization and liberalization compelled the public sector banks, hitherto shielded from the vagaries of market forces, come by the condition of terms market realities, where certain minimum capital adequacy has to be maintained in the face of stiff norms in respect of income recognition, asset classification and provisioning. It is clear that multi pronged approach would be required to meet the challenges of maintaining capital at adequate levels in the face of mounting risks in the banking sector. In banks, asset creation is an event happening subsequent to the capital formation and deposit mobilization.

2.6 RISK AGGREGATION & CAPITAL ALLOCATION

Capital Adequacy in relation to economic risk is a necessary condition for the long-term soundness of banks. Aggregate risk exposure is estimated through Risk Adjusted Return on Capital (RAROC) and Earnings at Risk (EaR) method. Former is used by bank with international presence and the RAROC process estimates the cost of Economic Capital & expected losses that may prevail in the worst-case scenario and then equates the capital cushion to be provided for the potential loss. RAROC is the first step towards examining the institution's entire balance sheet on a mark to market basis, if only to understand the risk return trade off that have been made. As banks carry on the business on a wide area network basis, it is critical that they are able to continuously monitor the exposures across the entire organization and aggregate the risks so that an integrated view can be taken. The Economic Capital is the amount of the capital (besides the Regulatory Capital) that the firm has to put at risk so as to cover the potential loss under the extreme market conditions. In other words, it is the difference in mark-to-market value of assets over liabilities that the bank should aim at or target. As against this, the regulatory capital is the actual Capital Funds held by the bank against the Risk Weighted Assets. After measuring the economic capital for the bank as a whole, bank's actual capital has to be allocated to individual business units on the basis of various types of risks. This process can be continued till capital is allocated at transaction/customer level.

2.7 RISK BASED SUPERVISION (RBS)

The Reserve Bank of India presently has its supervisory mechanism by way of on-site inspection and off-site monitoring on the basis of the audited balance sheet of a bank. In order to enhance the supervisory mechanism, the RBI has decided to put in place, a system of Risk Based Supervision. Under risk based supervision, supervisors are expected to concentrate their efforts on ensuring that financial institutions use the process necessarily to identify measure and control risk exposure. The RBS is expected to focus supervisory attention in accordance with the risk profile of the bank. The RBI has already structured the risk profile templates to enable the bank to make a self-assessment of their risk profile. It is designed to ensure continuous monitoring and evaluation of risk profile of the institution through risk matrix. This may optimize the utilization of the supervisory resources of the RBI so as to minimize the impact of a crises situation in the financial system. The transaction based audit and supervision is getting shifted to risk focused audit. Risk based supervision approach is an attempt to overcome the deficiencies in the traditional point-in-time, transaction- validation and value based supervisory system. It is forward looking enabling the supervisors to differentiate between banks to focus attention on those having high-risk profile. The implementation of risk based auditing would imply that greater emphasis is placed on the internal auditor's role for mitigating risks. By focusing on effective risk management, the internal auditor would not only offer remedial measures for current trouble-prone areas, but also anticipate problems to play an active role in protecting the bank from risk hazards.

2.8 RISK MANAGEMENT:

KEYS FOR EFFECTIVE RISK MANAGEMENT:

- To direct risk behaviour & influence the shape of a firm's risk profile, management should use all available options. Using financial incentives and penalties to influence risk taking behaviour is effective management tool.

- Sharing of information by keeping confidentiality intact is also helpful to find out different ways for controlling the risk as valuable inputs may be received through this sharing. Even information on creditworthiness of counterparties that are known to take substantial risk can also help.

- Diversification is extremely important. As it lowers the variance in investor portfolios, improves corporate ability to raise debt, reduces employment risks, & heightens operating efficiency.

- Governance should never be ignored. Careful structuring of the alliance in advance of the deal and continual adjustment thereafter help to build a constructive relationship.

- One should not trust while in business. Personal chemistry is good but is no substitute for monitoring mechanism, co-operation incentives, & organizational alignment.

- Without support system within the organization itself, external alliances are doomed to fail.

2.8.1 MARKET RISK MANAGEMENT:

We may believe that there are limited tools available to mitigate this risk, but this is not so. Future, option, derivatives trading and its many sub types are some of the tools which help to investors to protect the investment or minimize there exposure toward market risk. In case of derivatives as in broader sense derivatives are considered to be used to hedge against market risk, but they can be used to mitigate various other types of risks, like credit risk, operational risk.

The importance of managing market risk has now been well understood by financial institutions and corporate across the world. Market risk has made the global financial conditions uncertain and unsettled and still recovery of problem is not visible in the near time.

2.8.2 CREDIT RISK MANAGEMENT

Tools of Credit Risk Management: The instruments and tools, through which credit risk is managed are: Exposure Ceilings, Review/Renewal, Risk Rating Model, Risk based scientific pricing, Portfolio Management, Loan Review Mechanism

2.8.3 OPERATIONAL RISK MANAGEMENT:

This risk can be reduced to great extent by effectively controlling organization as a whole by taking certain steps, like assuring that designed processes is carried out carefully & with the help of experts, and are followed in desired way.

2.9 COMPUTATION OF CAPITAL REQUIREMENT

2.9.1 CREDIT RISK APPROACHES

Credit Risk

Standardized approach | **Advanced Approach**

Foundation IRB | **Advanced IRB**

Standardized approach: the Basel committee as well as RBI provides a simple methodology for risk assessment and calculating capital requirements for credit risk called Standardized approach. This approach is divided into the following broad topics for simpler and easier understanding

1. **Assignment of Risk Weights**: All the exposures are first classified into various customer types defined by Basel committee or RBI. Thereafter, assignment of standard risk weights is done, either on the basis of customer type or on basis of the asset quality as determined by rating of the asset, for calculating risk weighted assets.

2. **External Credit Assessments**: The regulator or RBI recognizes certain risk rating agencies and external credit assessment institutions (ECAIs) and rating assigned by these ECAIs, to the borrowers may be taken as a basis for assigning risk weights to the borrowers. Better rating means better quality of assets and lesser risk weights and hence lesser requirement of capital allocation.

3. **Credit Risk Mitigation**: Basel recognized Collaterals and Basel recognized Guarantees are two securities that banks obtain for loans / advances to cover credit risk, which are termed as "Credit Risk Mitigants"

Advanced Approach: Basel II framework also provides for advanced approaches to calculate capital requirement for credit risk. These approaches rely heavily on a banks internal assessment of its borrowers and exposures. These advanced approached are based on the internal ratings of the bank and are popularly known as Internal Rating Based (IRB) approaches. Under Advanced Approaches, the banks will have 2 options as under

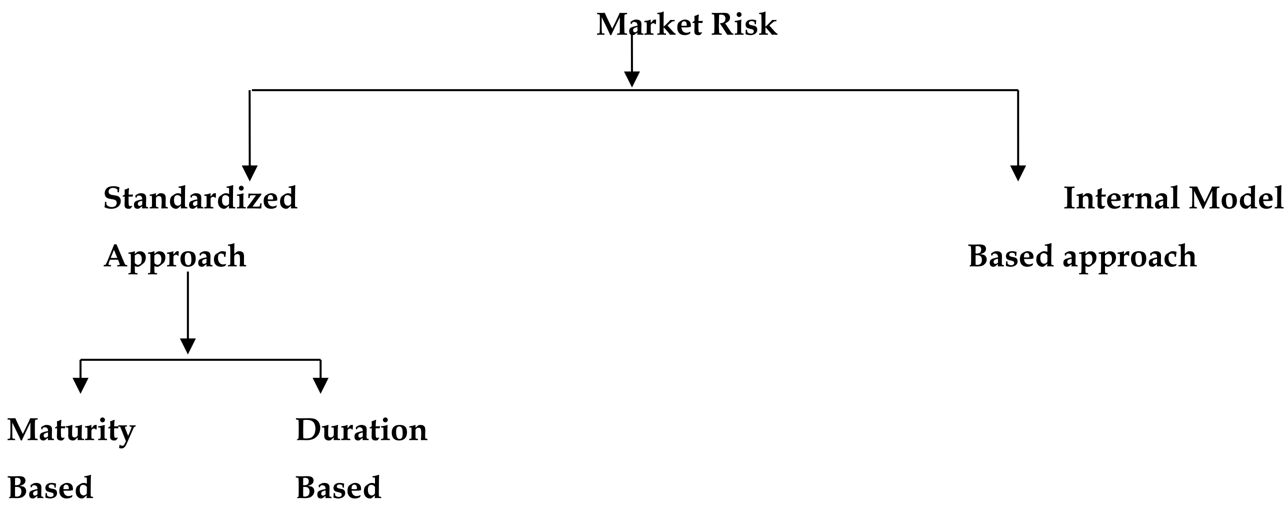
a) Foundation Internal Rating Based (FIRB) Approaches.

b) Advanced Internal Rating Based (AIRB) Approaches.

The differences between foundation IRB and advanced IRB have been captured in the following table: Table 2.9.1.1: The differences between foundation IRB and advanced IRB

Data Input	Foundation IRB	Advanced IRB
Probability of Default	Provided by bank based on own estimates	Provided by bank based on own estimates
Loss Given Default	Supervisory values set by the Committee	Provided by bank based on own estimates
Exposure at Default	Supervisory values set by the Committee	Provided by bank based on own estimates
Effective Maturity	Supervisory values set by the Committee	Provided by bank based on own estimates Or At the national discretion, provided by bank based on own estimates

2.9.2 MARKET RISK APPROACHES



RBI has issued detailed guidelines for computation of capital charge on Market Risk in June 2004. The guidelines seek to address the issues involved in computing capital charge for interest rate related instruments in the trading book, equities in the trading book and foreign exchange risk (including gold and precious metals) in both trading and banking book. Trading book will include:

- Securities included under the Held for trading category
- Securities included under the Available for Sale category
- Open gold position limits
- Open foreign exchange position limits
- Trading position in derivatives and derivatives entered into for hedging trading book exposures.

2.9.3 OPERATIONAL RISK APPROACHES

Operational Risk

Basic Indicator Approach | **Standardized Approach** | **Advanced Measurement Approach**

<u>Basic Indicator Approach</u>: Under the basic indicator approach, Banks are required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (15% - denoted as alpha) of annual gross income. Gross income is defined as net interest income plus net non-interest income, excluding realized profit/losses from the sale of securities in the banking book and extraordinary and irregular items.

<u>Standardized Approach</u>: Under the standardized approach, banks activities are divided into eight business lines. Within each business line, gross income is considered as a broad indicator for the likely scale of operational risk. Capital charge for each business line is calculated by multiplying gross income by a factor (denoted beta) assigned to that business line. Total capital charge is calculated as the three-year average of the simple summations of the regulatory capital across each of the business line in each year.

<u>Advanced Measurement Approach</u>: Under advanced measurement approach, the regulatory capital will be equal to the risk measures generated by the bank's internal risk measurement system using the prescribed quantitative and qualitative criteria.

2.10 BENEFITS OF BASEL II

1. **Better allocation of capital and reduced impact of moral hazard through reduction in the scope for regulatory arbitrage:** By assessing the amount of capital required for each exposure or pool of exposures, the advanced approach does away with the simplistic risk buckets of current capital rules.

2. **Improved signal quality of capital as an indicator of solvency:** the proposed rule is designed to more accurately align regulatory capital with risk, which will improve the quality of capital as an indicator of solvency.

3. **Encourages banking organizations to improve credit risk management:** One of the principal objectives of the proposed rule is to more closely align capital charges and risk. For any type of credit, risk increases as either the probability of default or the loss given default increases.

4. **More efficient use of required bank capital:** Increased risk sensitivity and improvements in risk measurement will allow prudential objectives to be achieved more efficiently.

5. **Incorporates and encourages advances in risk measurement and risk management**: The proposed rule seeks to improve upon existing capital regulations by incorporating advances in risk measurement and risk management made over the past 15 years.

6. **Recognizes new developments and accommodates continuing innovation in financial products by focusing on risk:** The proposed rule also has the benefit of facilitating recognition of new developments in financial products by focusing on the fundamentals behind risk rather than on static product categories.

7. **Better alignment of capital and operational risk and encourages banking organizations to mitigate operational risk:** Introducing an explicit capital calculation for operational risk eliminates the implicit and imprecise "buffer" that covers operational risk under current capital rules.

8. **Enhanced supervisory feedback:** all three pillars of the proposed rule aim to enhance supervisory feedback from federal banking agencies to managers of banks and thrifts. Enhanced feedback could further strengthen the safety and soundness of the banking system.

9. Enhanced disclosure promotes market discipline: The proposed rule seeks to aid market discipline through the regulatory framework by requiring specific disclosures relating to risk measurement and risk management.

10. Preserves the benefits of international consistency and coordination achieved with the 1988 Basel Accord: An important objective of the 1988 Accord was competitive consistency of capital requirements for banking organizations competing in global markets. Basel II continues to pursue this objective.

2.11 LIMITATIONS OF BASEL II:

1. Lack of sufficient public knowledge: knowledge about banks' portfolios and their future risk-weight, since this will also depend on whether banks will use the standardized or IRB approaches.

2. Lack of precise knowledge: as to how operational risk costs will be charged. The banks are expected to benefit from sharpening up some aspects of their risk management practices preparation and for the introduction of the operational risk charge.

3. Lack of consistency: at least at this stage, as to how insurance activities will be accounted for. One treatment outlined in the Capital Accord is that banks deduct equity and other regulatory capital investments in insurance subsidiaries and significant minority investments in insurance entities. An alternative to this treatment is to apply a risk weight age to insurance investments.

2.12 CHALLENGES FOR INDIAN BANKING SYSTEM UNDER BASEL II

- **Costly Database Creation and Maintenance Process:** The most obvious impact of BASEL II is the need for improved risk management and measurement. It aims to give impetus to the use of internal rating system by the international banks.

- **Additional Capital Requirement:** Here is a worrying aspect that some of the banks will not be able to put up the additional capital to comply with the new regulation and they may be isolated from the global banking system.

- **Large Proportion of NPA's:** A large number of Indian banks have significant proportion of NPA's in their assets. Along with that a large proportion of loans of banks are of poor quality. There is a danger that a large number of banks will not be able to restructure and survive in the new environment. This may lead to forced mergers of many defunct banks with the existing ones and a loss of capital to the banking system as a whole.

- **Increased Pro-Cyclicality:** The increased importance to credit ratings under Basel II could actually imply that the minimum requirements could become pro-cyclical as banks are required to raise capital levels for loans in times of economic crises.

- **Low Degree of Corporate Rating Penetration:** India has as few as three established rating agencies and the level of rating penetration is not very significant as, so far, ratings are restricted to issues and not issuers. While Basel II gives some scope to extend the rating of issues to issuers, this would only be an approximation and it would be necessary for the system to move to ratings of issuers. Encouraging ratings of issuers would be a challenge.

- **Cross Border Issues for Foreign Banks:** In India, foreign banks are statutorily required to maintain local capital and the following issues are required to be resolved;

1. Validation of the internal models approved by their head offices and home country supervisor adopted by the Indian branches of foreign banks.
2. Date history maintained and used by the bank should be distinct for the Indian branches compared to the global data used by the head office
3. capital for operational risk should be maintained separately for the Indian branches in India

2.14 IMPACT OF BASEL II IMPLEMENTATION ON THE INDIAN BANKING INDUSTRY

1. **Changes in Capital Risk Weighted Assets Ratio (CRAR):** Most of the banks are already adhering to the Basel II guidelines. However, the Government has indicated that a cushion should be maintained by the public sector banks and therefore their CRAR should be above 12%. Basel I focused largely on credit risk, whereas Basel II has 3 risks to be considered, viz., credit risk, operational risk and market risks. As Basel II considers all these 3 risks, there are chances of a decline in the Capital Adequacy Ratio.

2. **High costs for up-gradation of technology:** Full implementation of the Basel II framework would require up-gradation of the bank-wide information systems through better branch-connectivity, which would entail huge costs and may raise IT-security issues. The implementation of Basel II can also raise issues relating to development of HR skills and database management. Small and medium sized banks may have to incur enormous costs to acquire required technology, as well as to train staff in terms of the risk management activities. There will be a need for technological up gradation and access to information like historical data etc.

3. **Rating risks:** Problems embedded in Basel II norms include rating of risks by rating agencies. Whether the country has adequate number of rating agencies to discharge the functions in a Basel II compliant banking system, is a question for consideration. Further, to what extent the rating agencies can be relied upon is also a matter of debate.
Entry norms for recognition of rating agencies should be stricter. Only firms with international experience or background in ratings business should be allowed to enter. This is necessarily given that the Indian rating industry is in its growth phase, especially with the implementation of new Basel II capital norms that encourage companies to get rated.

4. **Improved Risk Management & Capital Adequacy:** One aspect that hold back the critics of Basel II is the fact that it will tighten the risk management process, improve capital adequacy and strengthen the banking system.

5. Curtailment of Credit to Infrastructure Projects: The norms require a higher weight age for project finance, curtailing credit to this is very crucial sector. The long-term impacts for this could be disastrous.

6. Preference for Mortgage Credit to Consumer Credit Lower Risk Weights to Mortgage credit: Preference for Mortgage Credit to Consumer Credit Lower Risk Weights to Mortgage credit would accentuate bankers' preference towards it vis-à-vis consumer credit.

7. Basel II: Advantage Big Banks: It would be far easier for the larger banks to implement the norms, raising their quality of risk management and capital adequacy. This combined with the higher cost of capital for smaller players would queer the pitch in favour of the former. The larger banks would also have a distinct advantage in raising capital in equity markets. Emerging Market Banks can turn this challenge into an advantage by active implementation and expanding their horizons outside the country.

8. IT spending: Advantage to Indian IT companies: On the flipside, Indian IT companies, which have considerable expertise in the BFSI segment, stand to gain. Major Indian IT companies such as I-flex and Infosys already have the products, which could help them develop an edge over their rivals from the developed countries.

CHAPTER NO. – III

PROJECT TASK

3.1 INTRODUCTION

The reason for conducting this survey was to establish how these new regulations were perceived in terms of priority, urgency and interest within the banks. In addition, aim is to provide a view on strategic issues and to report on key trends related to many aspects of compliance within the Basel II regulatory framework. Finally, to make recommendations on the opportunities offered by the new regulations for the risk management process.

3.2 STUDY PROBLEM

Basel II norms came as an attempt to reduce the gap in point of views between conflict practices. Therefore, the difference of bank implementation of those resolutions emerges. Study problem can be stated as follows:

To what extent banks have implemented Basel II norms related to enhancing internal control in the banks?

3.3 OBJECTIVES

- Covering different aspects of risk assessment
- Identifying keys for effective risk management
- To understand the challenges and impact of Implementing Basel II
- To analyze the current progress of Basel II in Hubli.

3.3.1 DATA COLLECTION

- Primary information: Personal interview/ Questionnaire
- Secondary information: Through internet, Manuals, Journals, Audit/Annual reports

3.4 STUDY COVERAGE AND SAMPLE

- Study coverage consists of all bank employees within internal control, risk management, operations department, and credit department. 10 questionnaires were distributed over 10 banks in Hubli, selected on random sampling technique.

The survey assesses the readiness of the banking industry for implementing the Basel II regulatory framework and provides a view of the strategic issues and key trends related to the many aspects of compliance within this framework.

3.5 SCOPE OF THE SURVEY

The Banking Industry has been assessed the readiness in seven areas:

- Awareness of regulations
- Organizational structure
- Reporting ability
- Compliance with Basel II
- Capital allocation
- Basel II action plan
- Technology

CHAPTER NO. – IV

ANALYSIS AND INTERPRETATION

4.1 AWARENESS OF REGULATIONS

Source: All the below analysis and interpretation is done from the survey conducted in Banks.

1. What is your assessment of your readiness for the new Basel proposals with respect to capital requirements?

   Table 4.1.1: Readiness for the new Basel proposal

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
FULLY PREPARED	8	9	9
PARTIALLY PREPARED	2	1	1
NOT YET PREPARED			

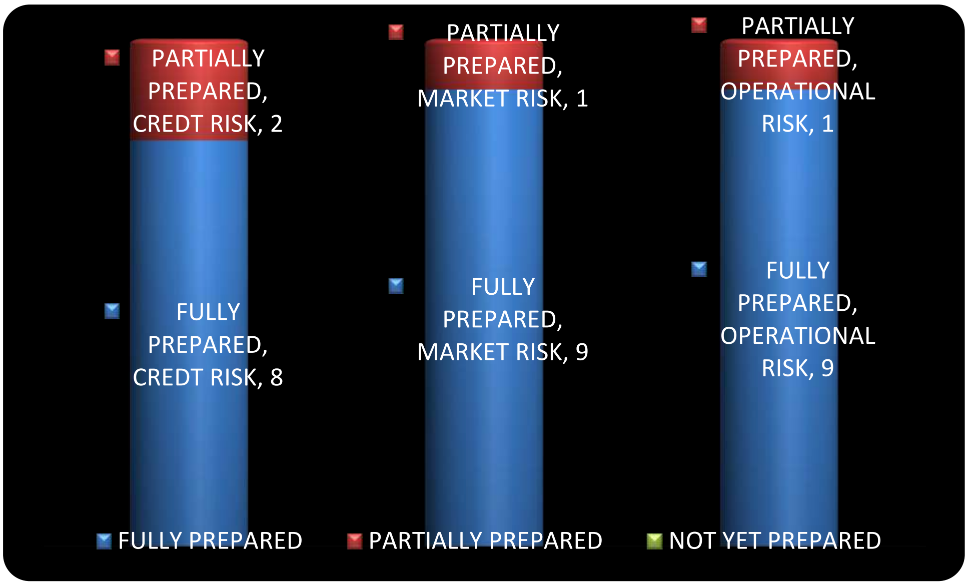


Figure 4.1.1 Readiness for the new Basel proposal

2. Have you done a gap analysis between current risk management practice and new capital requirements?

   Table 4.1.2: Gap analysis

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	9	5	9
NO	1	5	1

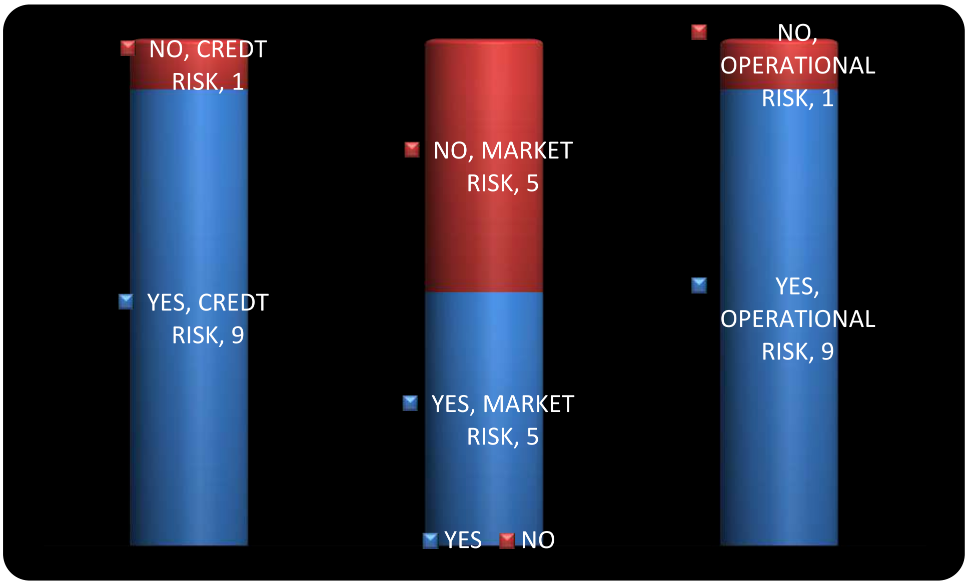


Figure 4.1.2 Gap analysis

3. What degree of priority do you address to the new Basel regulatory framework?

Table 4.1.3: Priority to new Basel regulatory framework

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
VERY IMPORTANT	9	9	10
IMPORTANT	1	1	
NOT IMPORTANT			

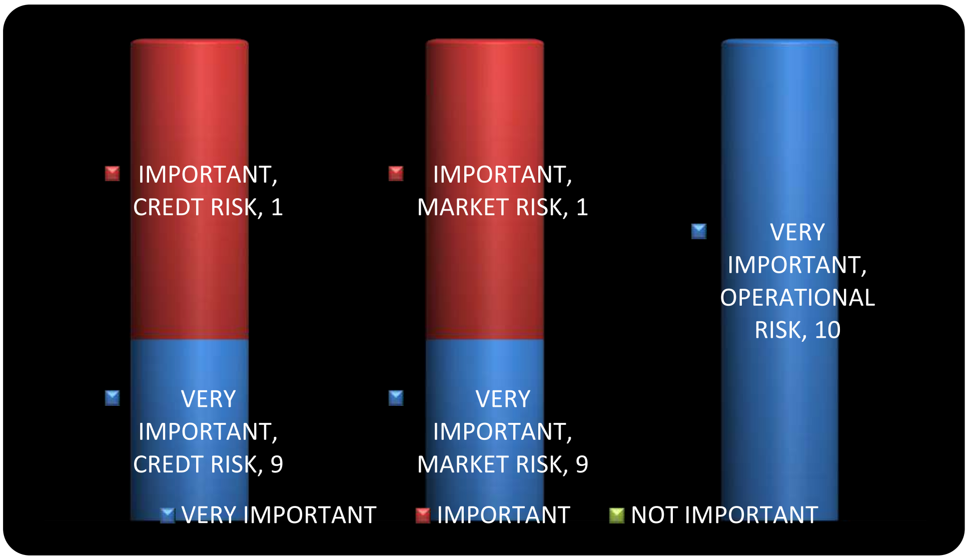


Figure 4.1.3 Priority to new Basel regulatory framework

4. How do you view Basel II regulation: as an opportunity to enhance the risk management process, or as a regulatory constraint?

Table 4.1.4: View of Basel II regulation

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
OPPORTUNITY	10	8	10
CONSTRAINT		2	

Figure 4.1.4: View of Basel II regulation

OBSERVATIONS

- The majority of banks consider themselves to be fully prepared.
- A majority of banks have performed a gap analysis between their current risk management practice and the new capital requirements.
- Only one bank does not view Basel II implementation as a high priority project.
- The banks largely believe that Basel II will provide them an opportunity to enhance risk management.

INTERPRETATION

- Although the Basel II regulations are considered important to very important by a strong majority of banks, some are only partly prepared for implementation.
- The banks aim to look beyond the regulatory aspects and aim to benefit from the new regulations as a means to enhanced risk management.

4.2 ORGANISTIONAL STRUCTURE

1. Do you have an assigned Credit risk, Market risk and Operational risk manager in your bank?

Table 4.2.1: Assignment of risk manager

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	10	9	9
NO		1	1

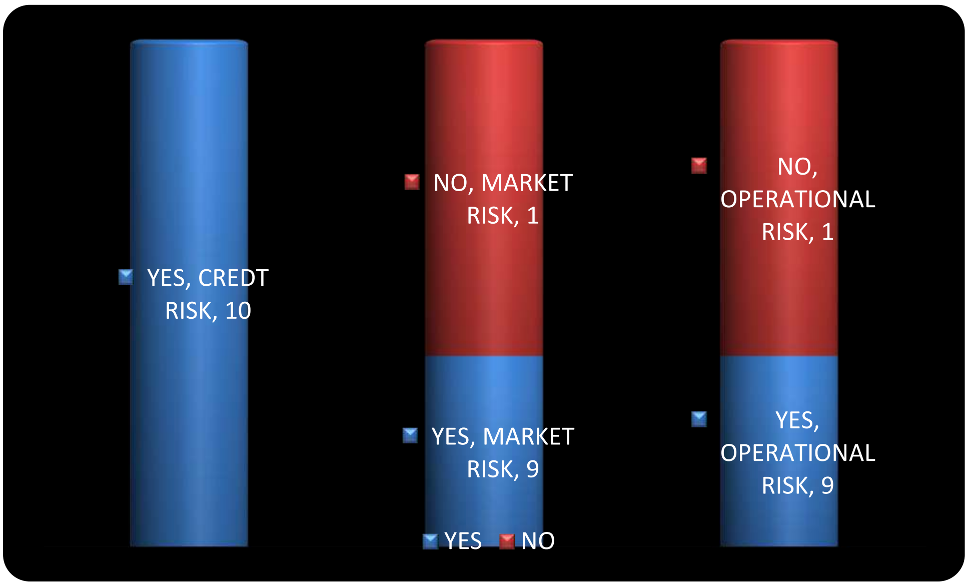


Figure 4.2.1: Assignment of risk manager

2. To whom does the Risk manager report?

Table 4.2.2: Whom does risk manager report

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
CHIEF EXECUTIVE OFFICER	4	6	6
CHIEF FINANCIAL OFFICER			
ASSETS AND LIABLITY MANAGER	2	1	1
CREDIT RISK OFFICER	4	2	2
OTHER SPECIFY			

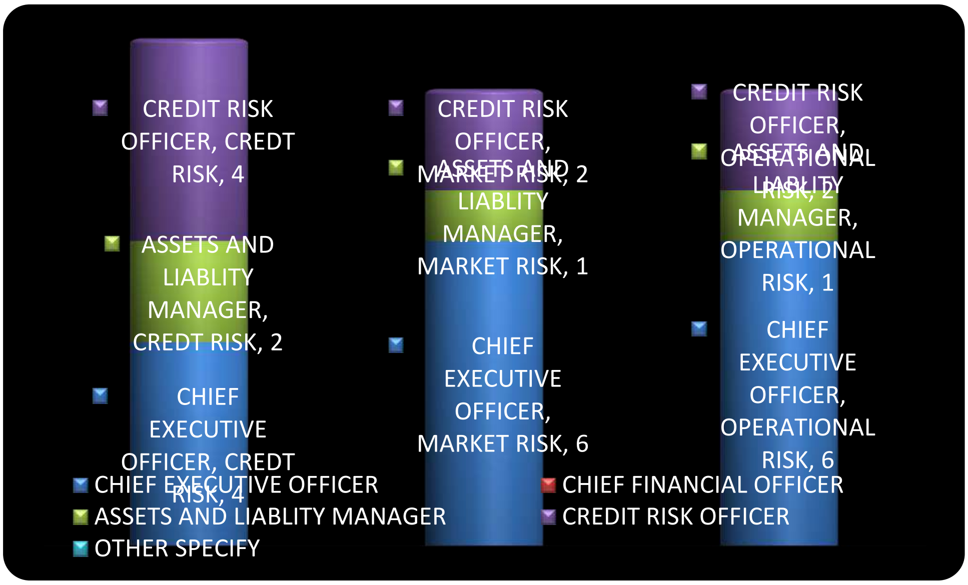


Figure 4.2.2: Whom does risk manager report?

3. What is the assigned manager's time dedicated to this activity?

Table 4.2.3: Time dedication

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
0-20%	2	4	2
20-50%	2	1	2
>50%	6	5	6

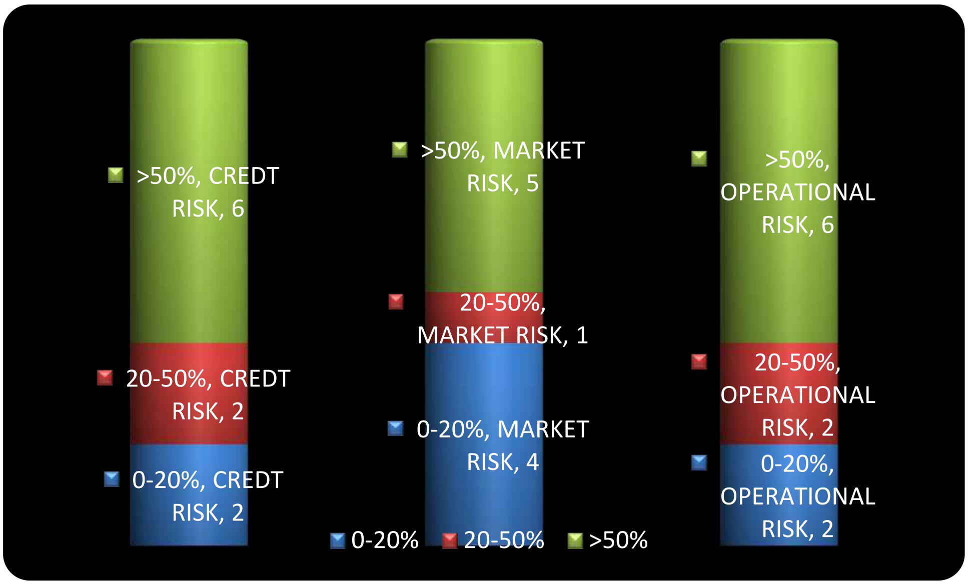


Figure 4.2.3: Time dedication

4. How many people work in these departments?

Table 4.2.4: Number of people work

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
1 - 3	2	4	1
3 - 5	6	4	5
5- 10	1	1	1
> 10	1	1	3

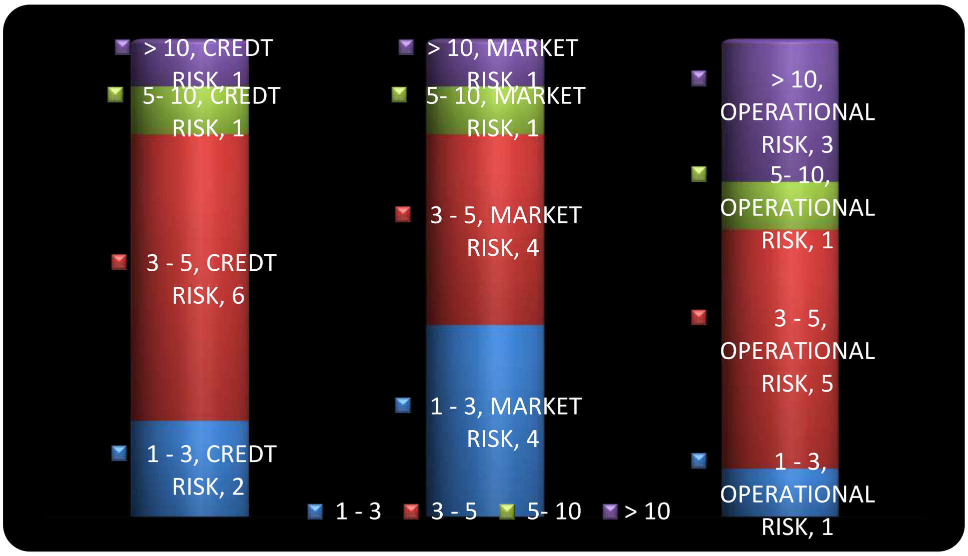


Figure 4.2.4: Number of people work

5. Do you have a Risk Committee?

Table 4.2.5: Risk Committee

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	6	5	6
NO	4	5	4

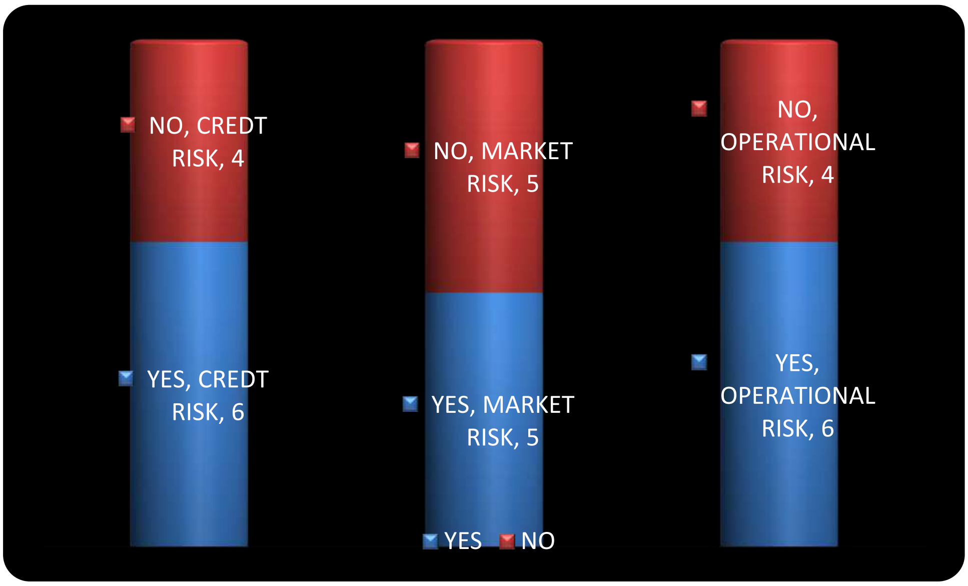


Figure 4.2.5: Risk Committee

OBSERVATIONS

- Almost all of the participating banks have a risk management departemnt.
- Most of the industry's risk managers' report to the Chief Executive Officer, Asset and liability manager and Chief Risk Officer accounting for the balance in equal proportions.
- Slightly more attention is paid to credit and operational risk than to Market risk, as 40 % of the banks operating do not have risk committee.

INTERPRETATION

- Despite the relatively small size of banks, they are generally well aware of the risk management function, and for this purpose, risk managers spend over half their time performing these functions.

4.3 REPORTING ABILITY

1. Are you producing reporting for

   Table 4.3.1: Reports produced for

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
REGULATORY PURPOSE	3	4	4
MONITORING	7	8	8
DECISION MAKING PURPOSE	7	4	4

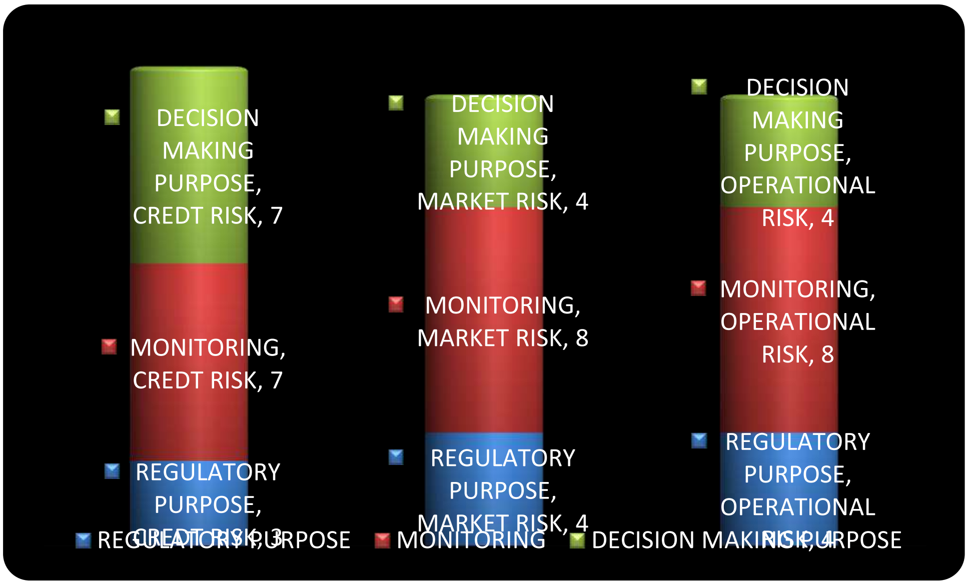


Figure 4.3.1: Reports produced for

2. Does external reporting drive your internal reporting?

   Table 4.3.2: External reporting drive internal reporting

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
VERY SIGNIFICANTLY	4	5	4
SIGNIFICANTLY	5	4	5
NOT AT ALL SIGNIFICANTLY	1	1	1

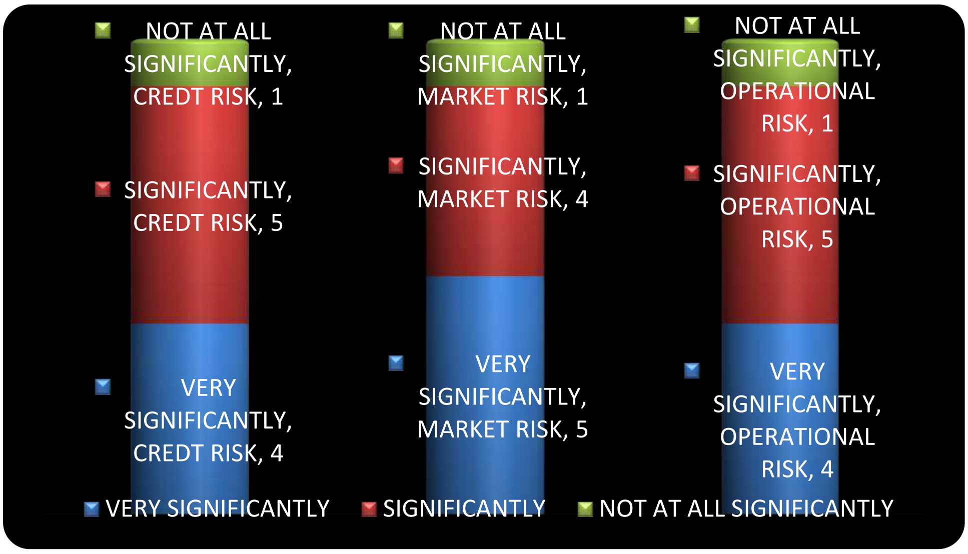


Figure 4.3.2: External reporting drive internal reporting

3. Does external reporting affect your decision making process?

Table 4.3.3: External reporting affect decision making process

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
VERY SIGNIFICANTLY	3	3	3
SIGNIFICANTLY	6	5	6
NOT AT ALL SIGNIFICANTLY	1	2	1

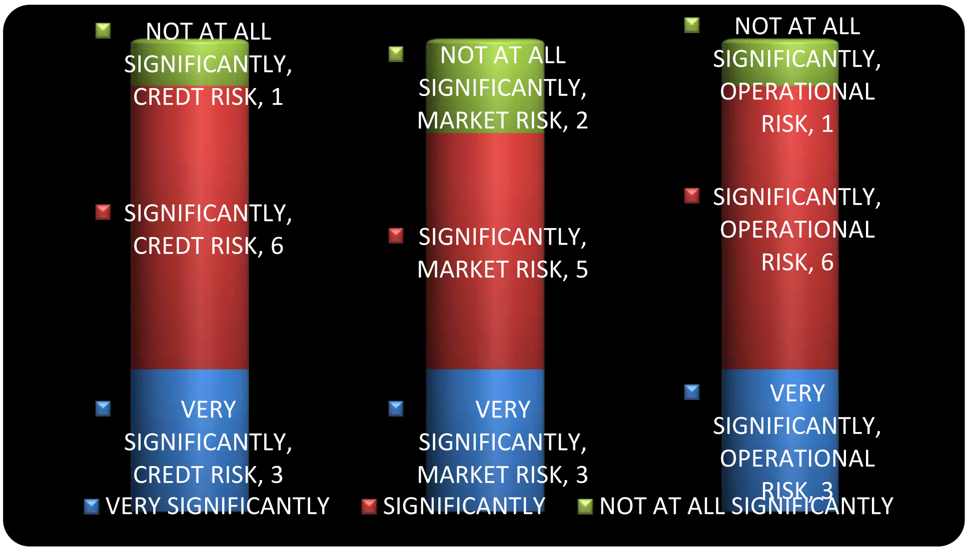


Figure 4.3.3: External reporting affect decision making process

4. How frequent is your internal reporting?

Table 4.3.4: Frequency of internal reporting

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
Daily	1		1
Weekly		1	1
Monthly	8	8	7
Annually	1	1	1

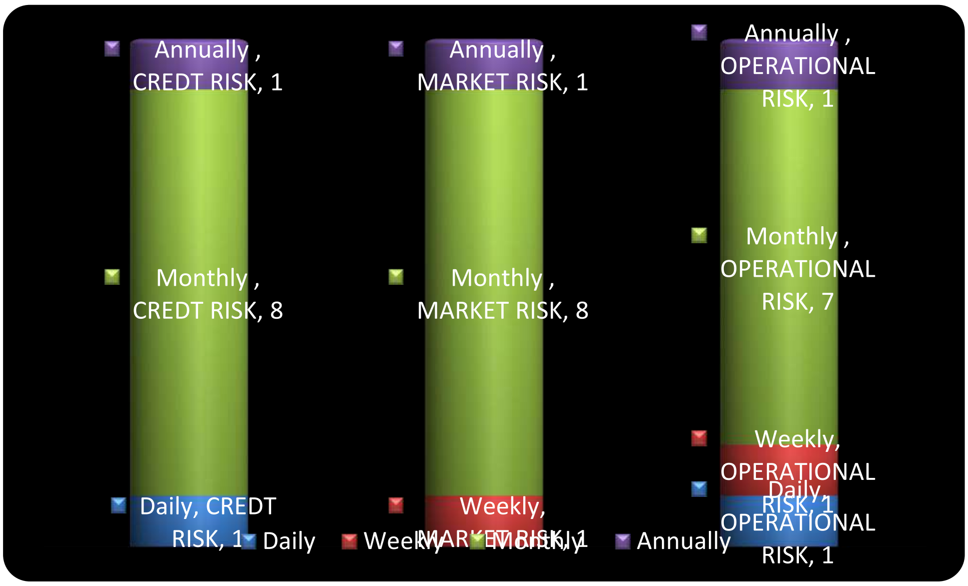


Figure 4.3.4: Frequency of internal reporting

5. Will you produce specific internal reporting for Credit, Market and Operational Risk?

Table 4.3.5: Production of specific internal reporting

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	10	10	10
NO			

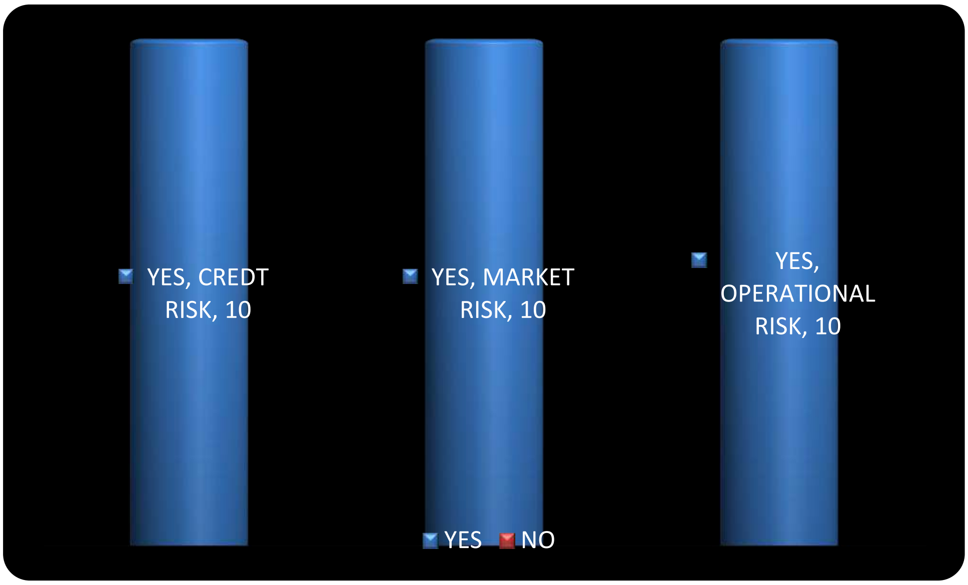


Figure 4.3.5: Production of specific internal reporting

<u>OBSERVATIONS</u>

- All risk reporting is compiled largely for monitoring and Decision making purposes than Regulatory purpose.
- All the Banks produce internal report.
- Most of the Banks produce Internal Report monthly.
- Most of the banks said External reporting affect their decision making process.

<u>INTERPRETATION</u>

- Reporting for all risk still needs to be developed.

4.4 COMPLIACE WITH BASEL II

1. Which approach will best suit your organization?

Table 4.4.1: Approach that best suit organization

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
STANDARD	8	9	7
FOUNDATION			
ADVANCED	2	1	3
DON'T KNOW			

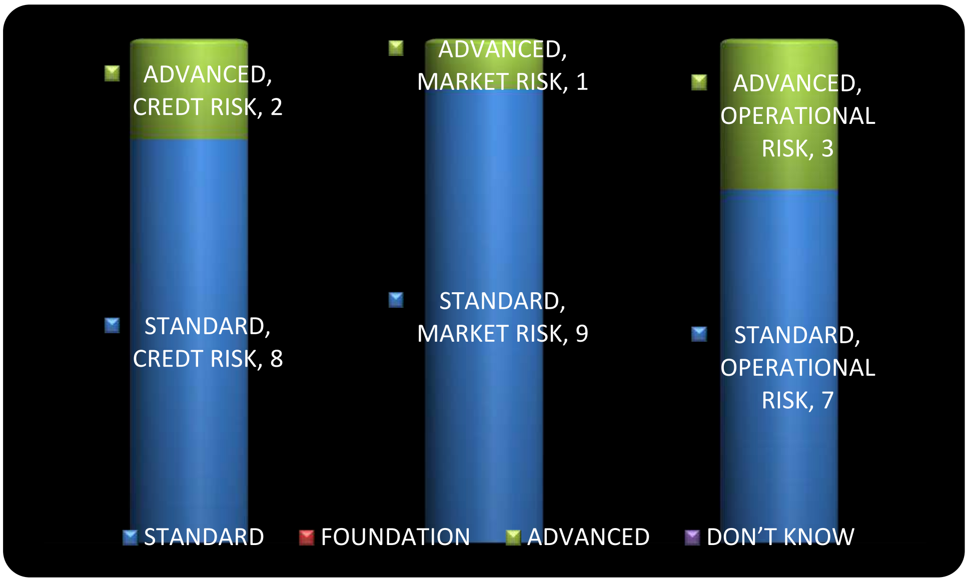


Figure 4.4.1: Approach that best suit organization

2. Have you performed a Cost/Benefit analysis for each approach proposed by Basel II?

Table 4.4.2: Cost/Benefit analysis

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	10	8	9
NO		2	1

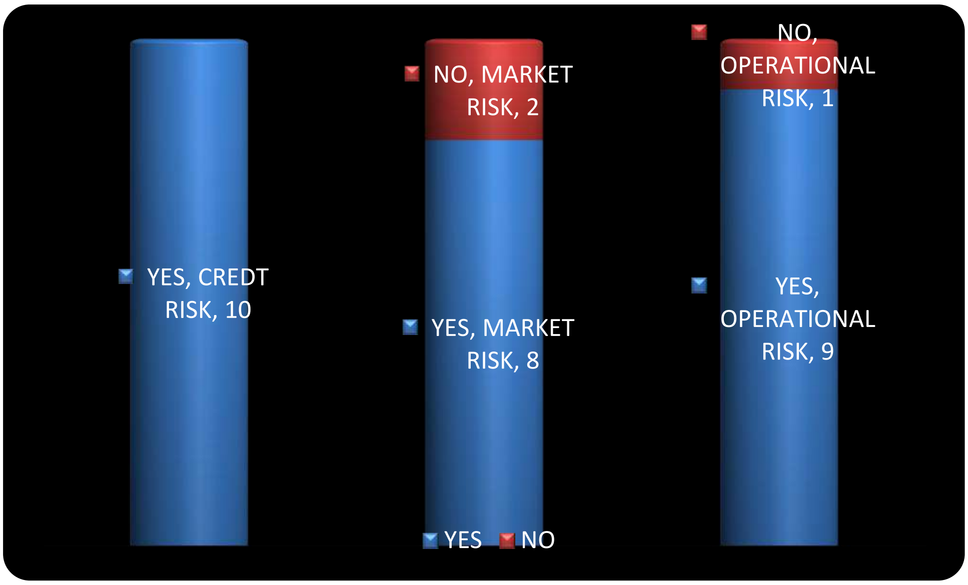


Figure 4.4.2: Cost/Benefit analysis

3. In your situation, could regulatory capital consumption be motivation for:

Table 4.4.3: Regulatory capital consumption be motivation

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
STOPPING ACTIVITIES	2	1	2
DEVEOPLING ACTIVITIES	5	7	6
ACQUIRING ACTIVITIES	1		
NONE	1	1	1

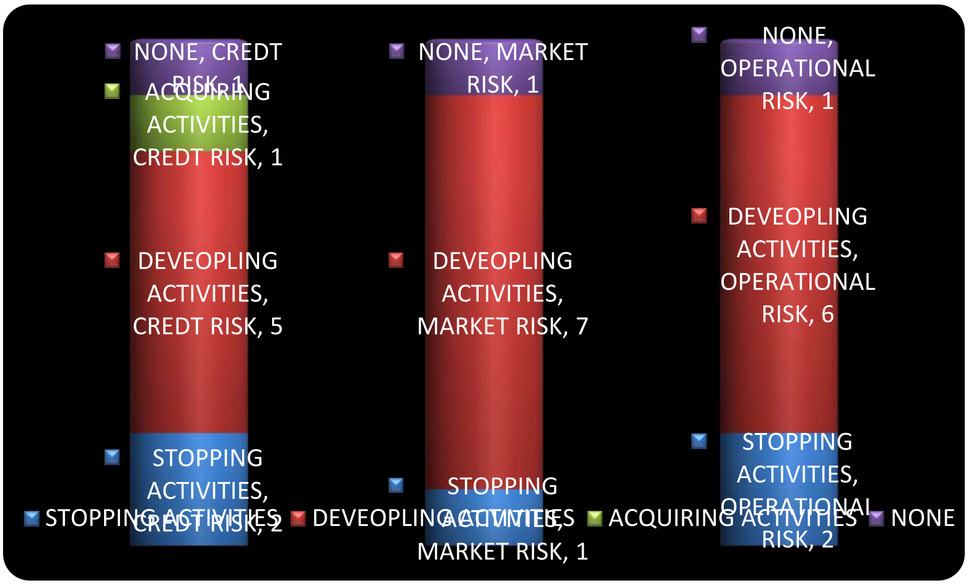


Figure 4.4.3: Regulatory capital consumption be motivation

OBSERVATIONS

- Most of the banks believe that the standard approach is most appropriate for their purposes.
- On the whole, a cost/benefit analysis has been done for each approach. It appears that the banks have completed their cost/benefit analysis only for their elected approach.
- Regulatory capital consumption is motivated for developing activities.

INTERPRETATION

- Most of the banks would prefer to adopt the standard approach, but only few of those who would like to implement the advanced approach and they will implement.
- The banks that would prefer to adopt the standard approach should try to adopt advanced approach.

4.5 CAPITAL ALLOCATION

1. Have you estimated the regulatory capital consumption for each of your individual businesses?

Table 4.5.1: Estimation of the regulatory capital consumption

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	10	9	10
NO		1	

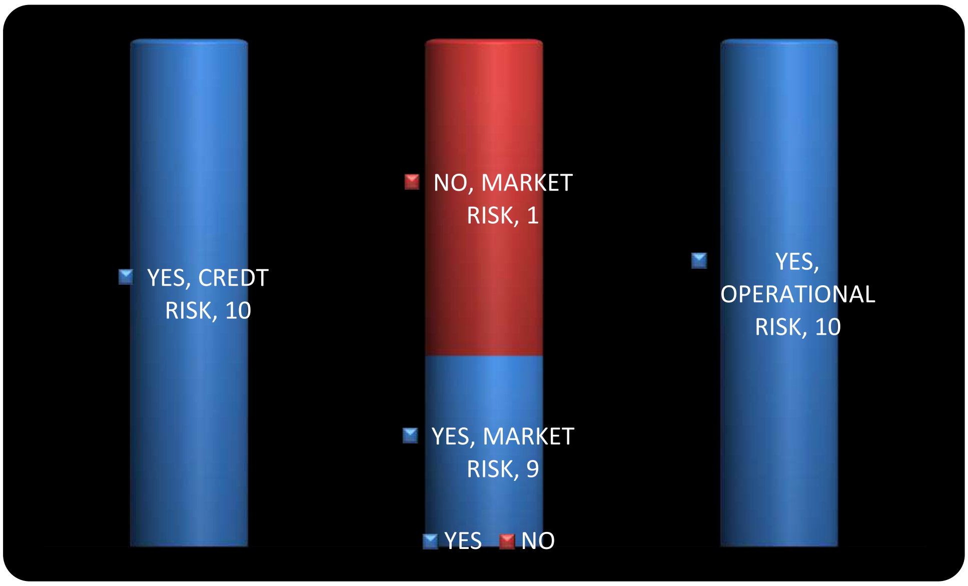


Figure 4.5.1: Estimation of the regulatory capital consumption

2. Will you outsource activities with high capital consumption?

Table 4.5.2: Outsource activities for high capital consumption

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	4	3	5
NO	6	7	7

Figure 4.5.2: Outsource activities for high capital consumption

3. Will you insure selected Risk?

Table 4.5.3: Insure Risk

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	7	5	6
NO	3	5	4

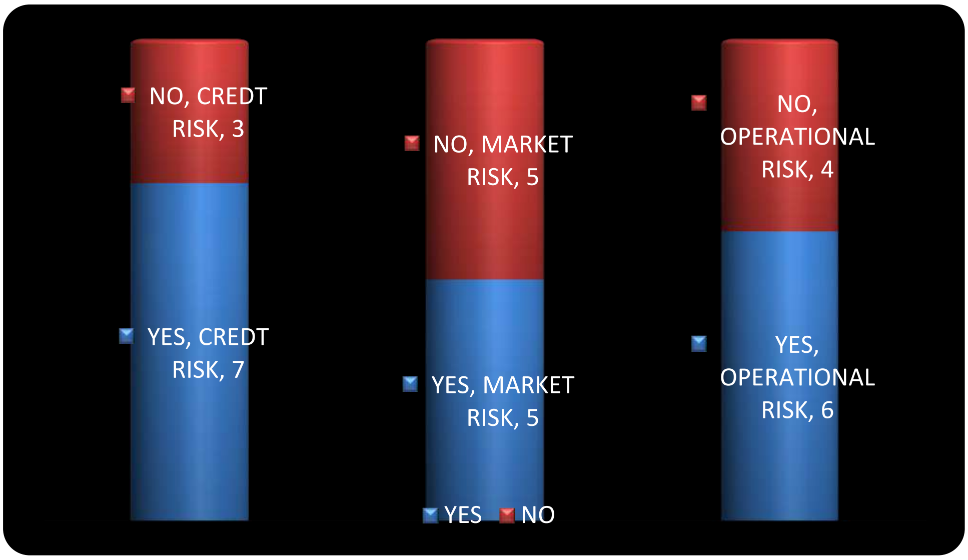


Figure 4.5.3: Insure Risk

4. Do you intend allocating economic capital by Business lines?

Table 4.5.4: Allocation of economic capital

	CREDT RISK	MARKET RISK	OPERATIONAL RISK

YES	8	7	8
NO	1	2	1

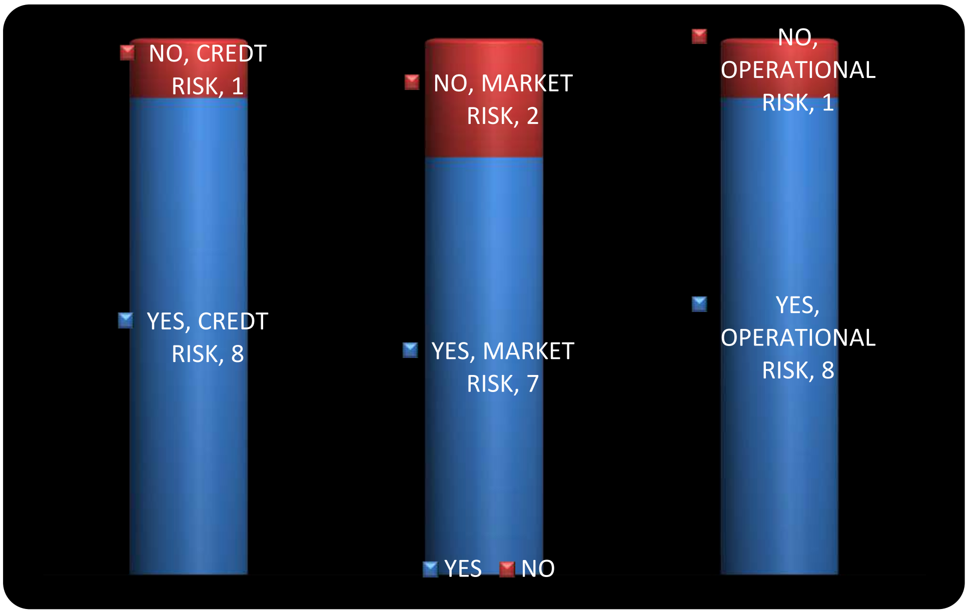


Figure 4.5.4: Allocation of economic capital

5. Will you make use of Basel II requirements to implement an economic capital allocation throughout your business lines?

Table 4.5.5: Use of Basel II requirements

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	9	8	8
NO		1	1

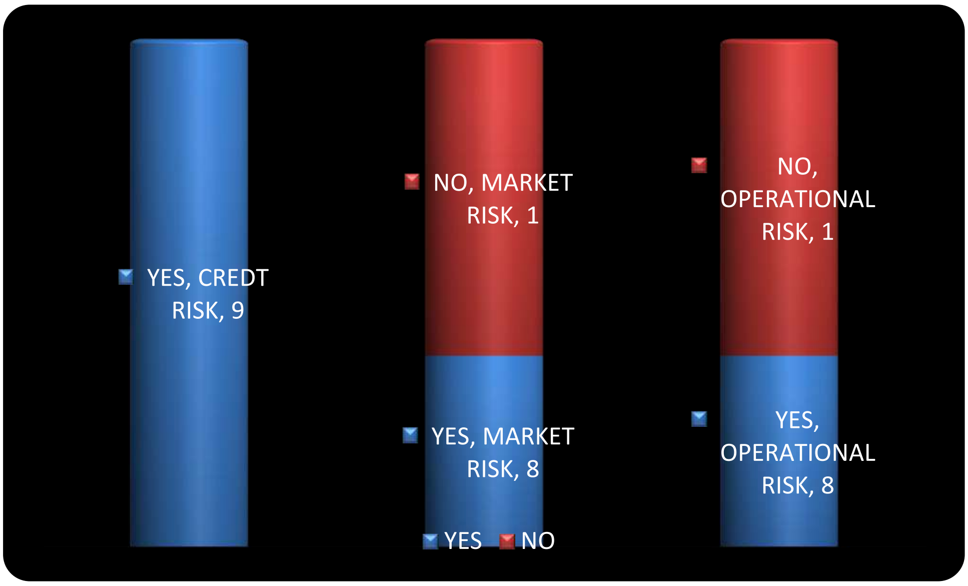


Figure 4.5.5: Use of Basel II requirements

OBSERVATIONS

- Most of the banks do not outsource activities with high capital consumption.
- Half of the banks insure selected Risk.
- Banks with less sophisticated approaches are likely to use regulatory capital as the basis for internal capital allocation.

INTERPRETATION

- Very few banks plan to outsource activities with high capital consumption, but the majority will insure their credit risks, while nearly half will plan to insure their market and operational risks.
- A strong majority of local banks will allocate economic capital according to business lines, while a stronger majority will use the Basel II requirements to implement that capital allocation process.

4.6 BASEL II ACTION PLAN

1. Have you established an action plan to achieve the Basel II requirements?

   Table 4.6.1: Establishment of action plan

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	10	10	10
NO			

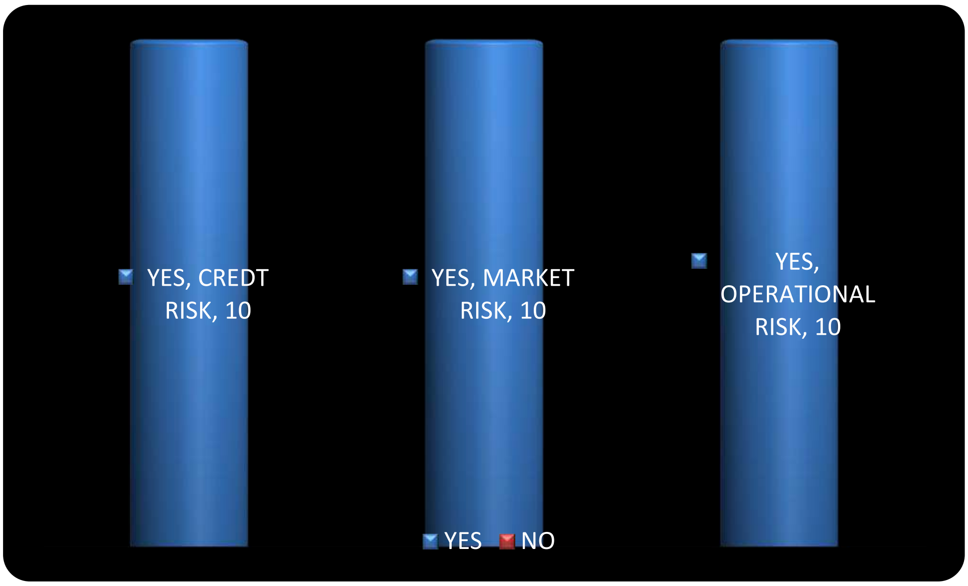


Figure 4.6.1: Establishment of action plan

2. How will you execute this action plan?

   Table 4.6.2: Execution of action plan

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
INTERNAL RESOURCES	7	5	8
EXTERNAL RESOURCES	1	4	1
BOTH	4	3	3

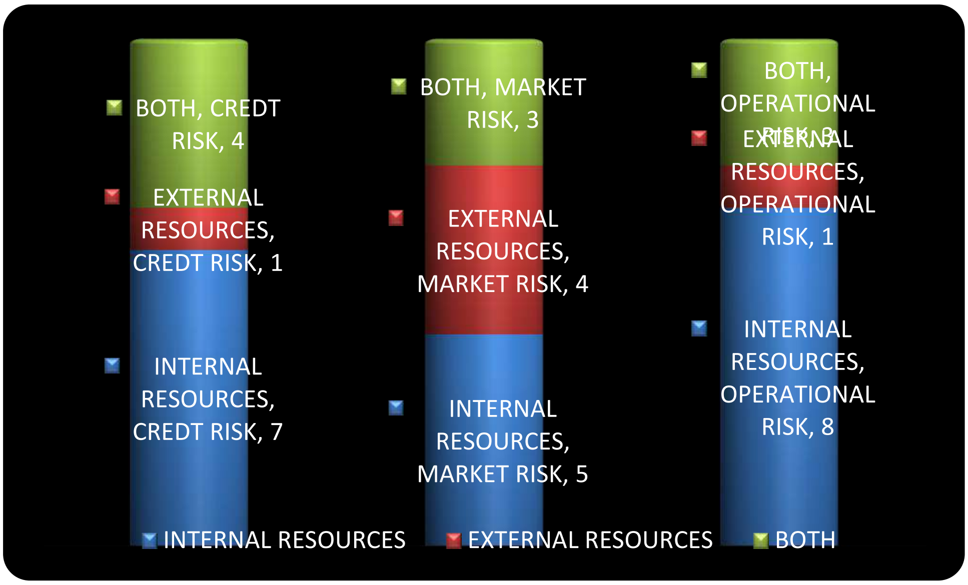


Figure 4.6.2: Execution of action plan

3. What will the largest spending area be?

Table 4.6.3: Largest spending area

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
TECHNOLOGY	8	7	8
COMMUNICATION	1	4	1
OTHER (SPECIFY)			
DON'T KNOW			

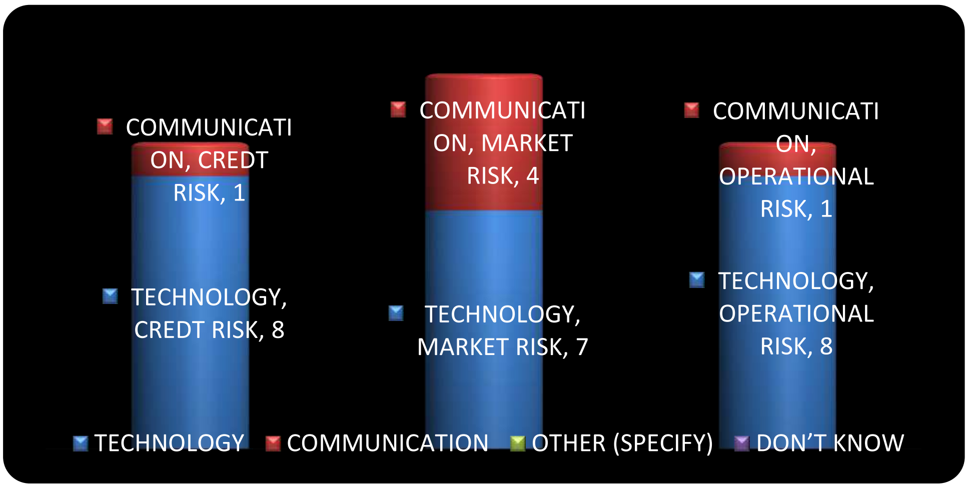


Figure 4.6.3: Largest spending area

4. How far are you in the implementation of your action plan?

Table 4.6.4: Current progress

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
NOT REALLISED			
PARTIALLY REALLISED	5	7	5
FULLY REALLISED	5	3	5

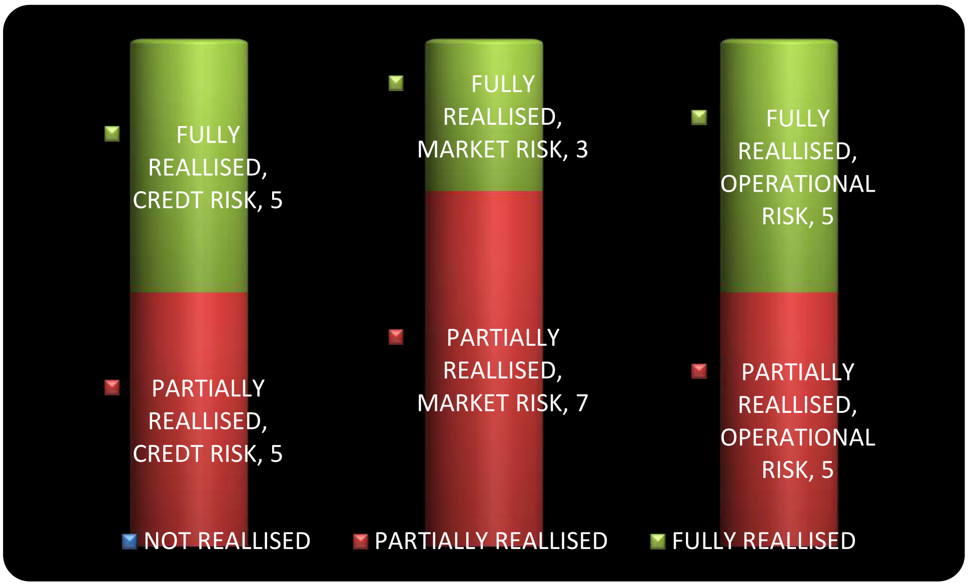


Figure 4.6.4: Current progress

OBSERVATIONS

- All the banks established by an action plan to achieve the Basel II requirements.
- Most of the banks execute the action plan with internal resources than external resources.
- Largest spending area is technology.
- Half of the bank's implementation of action plan is partially realized and half fully realized.

INTERPRETATION

- The banks have generally determined an action plan to help them to meet Basel II requirements. They have partially completed the actions required, and will continue with these action plans.
- Those banks that have not yet begun implementation tend to be the smaller banks, with simpler business models, which require less time and resources to meet the Basel II requirements.

4.7 TECHNOLOGY

1. Does your current IT infrastructure allow you to meet the Basel II requirements?

Table 4.7.1: IT infrastructure

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	10	8	9
NO		2	1

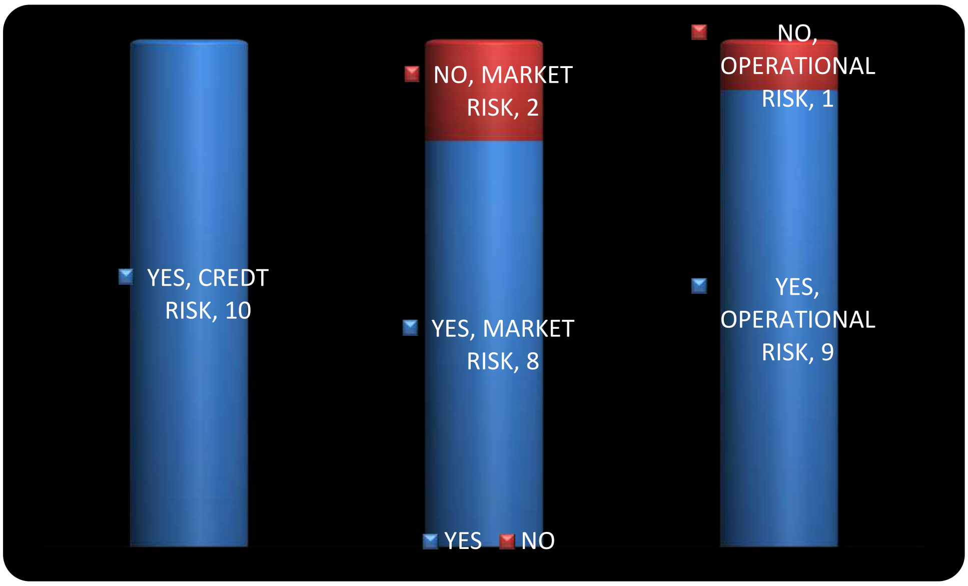


Figure 4.7.1: IT infrastructure

2. Will you develop an IT solution for Risk management?

Table 4.7.2: IT solution for Risk management

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES	7	7	7
NO	3	3	3

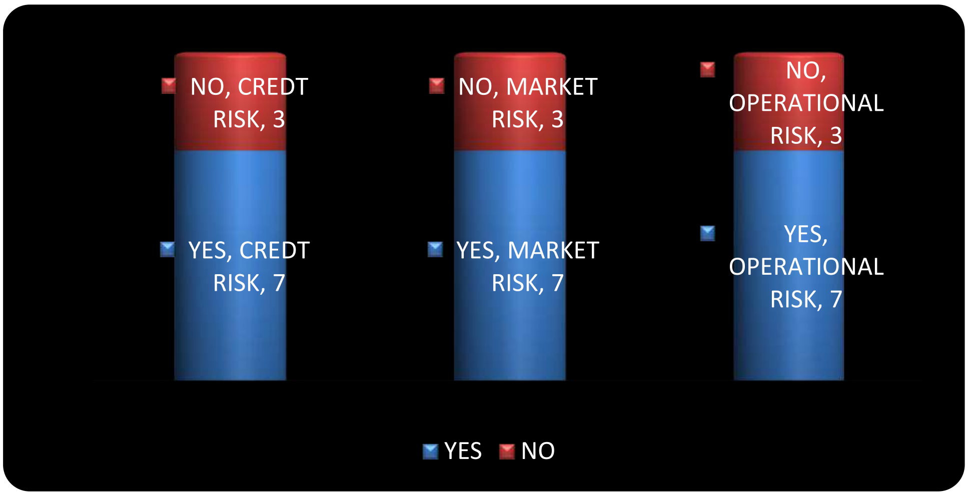


Figure 4.7.2: IT solution for Risk management

3. Have you completed a review of potential IT solutions available?

Table 4.7.3: Review of potential IT solutions available

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
TECHNOLOGY	5	3	4
CONSULTING	4	6	5

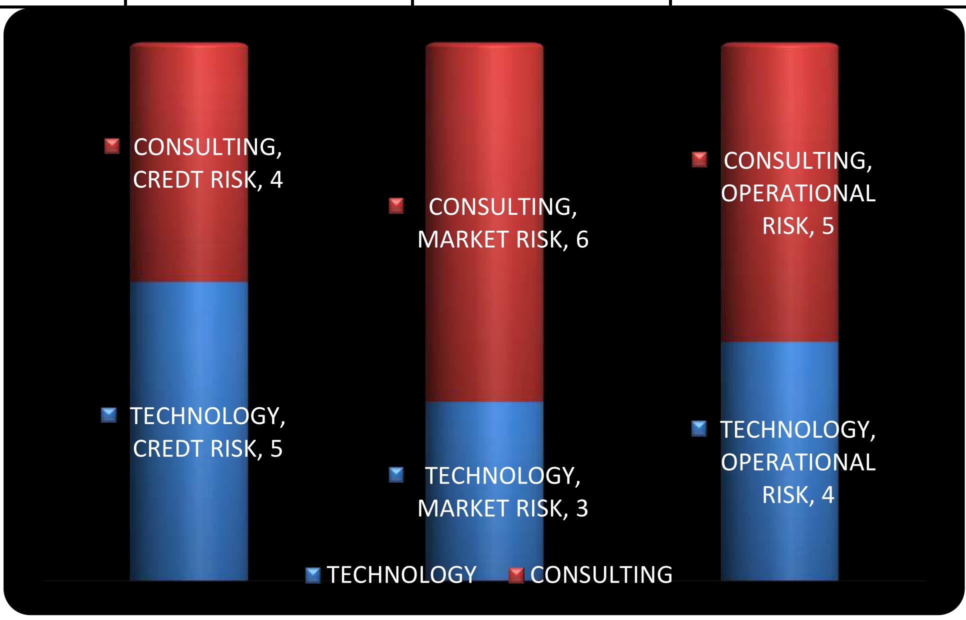


Figure 4.7.3: Review of potential IT solutions available

4. What difficulties do you foresee?

Table 4.7.4: Difficulties that you foresee

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
INTEGRATION CAPABILITIES	3	1	1
DATABASE DESIGN	1	1	
MODELS	1		1
BUDGET			1
DATA GATHERING	4	6	4
HUMAN RESOURCE	3	3	3
OTHER (SPECIFY)			

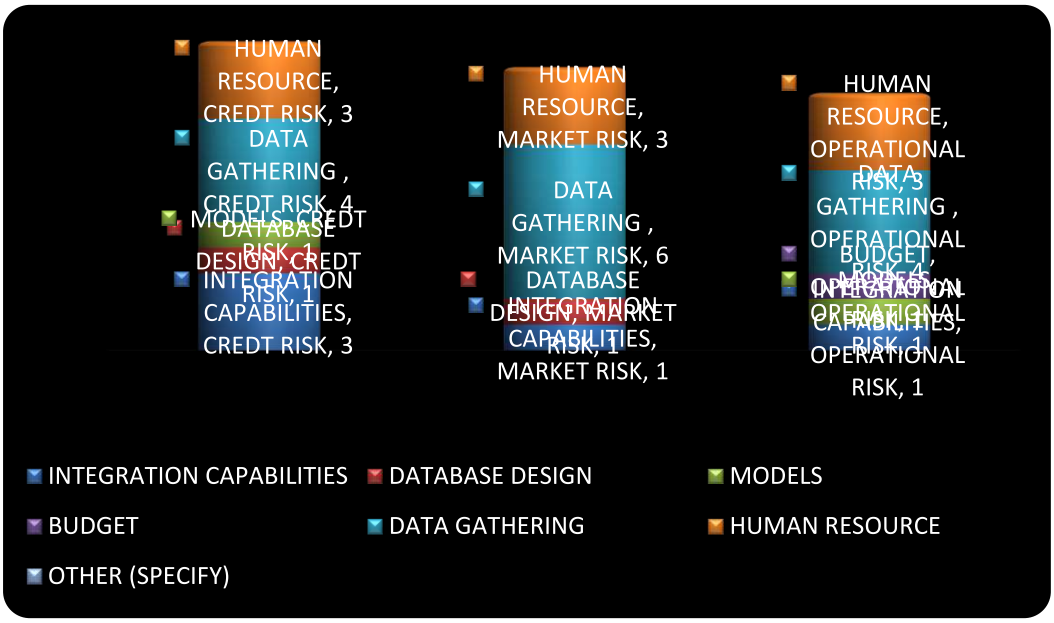


Figure 4.7.4: Difficulties that you foresee

OBSERVATIONS

- More than half of the Banking industry will use their IT infrastructure in its current format.
- Difficulties that banks foresee are more on Data Gathering and Human Resource.

INTERPRETATION

- The banks should train their employees, in order to overcome the difficulties in implementing the Basel II norms.
- The banks should develop sufficient infrastructure to gather the required data.

CHAPTER NO. – V

FINDINDS AND SUGGESTIONS

5.1 FINDINGS

- Credit risk is generally well contained, but there are still problems associated with loan classification, loan loss provisioning, and the absence of consolidated accounts.

- Market risk and Operational risk are clear challenge, as they are relatively new to the areas that were not well developed under the original Basel Capital Accord.

- The new regulations will allow banks to introduce substantial improvements in their overall risk management capabilities, improving risk based performance measurement, capital allocation as portfolio management techniques.

- Future complexity is expected because banks diversify their operations. It is expected that banks will diversify their operations to generate additional income sources, particularly fee-based income i.e. non interest income, to improve returns.

- Basel II leads to increase in Data collection and maintenance of privacy and security in various issues.

- The banks that would prefer to adopt the Standard Approach should try to adopt Advanced Approach.

5.2 SUGGESTIONS

- The Banks should review Basel II components and develop a vision, strategy and action plan for what is expected to be a suitable framework based on how the banking system evolves over time.
- The Banks need regular engagement for sustained support. A qualified long-term advisor would be preferable.
- A workshop should be planned to produce a road map to Basel II Compliance.
- Training and additional assistance to make it easier for the banking system to comply with new guidelines on market and operational risk.
- Data Privacy and security needs more attention

CHAPTER NO. – VI

CONCLUSION

6.1 CONCLUSION

Implementation of Basel II has been described as a long journey rather than a destination by itself. Undoubtedly, it would require commitment of substantial capital and human resources on the part of both banks and the supervisors. RBI has decided to follow a consultative process while implementing Basel II norms and move in a gradual, sequential and co-ordinate manner. For this purpose, dialogue has already been initiated with the stakeholders. As envisaged by the Basel Committee, the accounting profession too, will make a positive contribution in this respect to make Indian banking system still stronger.

CHAPTER NO. – VII

APPENDIX

7.1 QUESTIONNAIRE

I SUBHAN MUNAF SAKHARKAR studying 6th semester BMS in BGPS' MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE. I am working on a project titled "**RISK MANAGEMENT IN BANKING SECTOR".** In this regard I request you to spend your valuable time in filling this questionnaire **(Tick the appropriate box).** This information will be used only for academic purpose and will be kept confidential.

INSTITUTIONAL INFORMATION

1. Name of your bank:	
2. Please indicate the name of the contact person for this questionnaire and his/her position in the Bank.	Name: Position:
3. To which of the following types of banks does your bank belong?	○ Public sector ○ Private sector ○ Foreign Bank
4. Where is your parent/head office located?	

Tick the appropriate box

AWARENESS OF REGULATIONS

1. What is your assessment of your readiness for the new Basel proposals with respect to capital requirements?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
FULLY PREPARED			
PARTIALLY PREPARED			
NOT YET PREPARED			

2. Have you done a gap analysis between current risk management practice and new capital requirements?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

3. What degree of priority do you address to the new Basel regulatory framework?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
VERY IMPORTANT			
IMPORTANT			
NOT IMPORTANT			

4. How do you view Basel II regulation: as an opportunity to enhance the risk management process, or as a regulatory constraint?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
OPPORTUNITY			
CONSTRAINT			

<u>ORGANISTIONAL STRUCTURE</u>

1. Do you have an assigned Credit risk, Market risk and Operational risk manager in your bank?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

2. To whom does the Risk manager report?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
CHIEF EXECUTIVE OFFICER			
CHIEF FINANCIAL OFFICER			
ASSETS AND LIABLITY MANAGER			
CREDIT RISK OFFICER			
OTHER SPECIFY			

3. What is the assigned manager's time dedicated to this activity?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
0-20%			
20-50%			
>50%			

4. How many people work in these departments?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
1 – 3			
3 – 5			
5- 10			
> 10			

5. Do you have a Risk Committee?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

REPORTING ABILITY

1. Are you producing reporting for

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
REGULATORY PURPOSE			
MONITORING			
DECISION MAKING PURPOSE			

2. Does external reporting drive your internal reporting?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
VERY SIGNIFICANTLY			
SIGNIFICANTLY			
NOT AT ALL SIGNIFICANTLY			

3. Does external reporting affect your decision making process?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
VERY SIGNIFICANTLY			
SIGNIFICANTLY			
NOT AT ALL SIGNIFICANTLY			

4. How frequent is your internal reporting?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
Daily			
Weekly			
Monthly			
Annually			

5. Will you produce specific internal reporting for Credit, Market and Operational Risk?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

COMPLIACE WITH BASEL II

1. Which approach will best suit your organization?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
STANDARD			
FOUNDATION			
ADVANCED			
DON'T KNOW			

2. Have you performed a Cost/Benefit analysis for each approach proposed by Basel II?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

3. In your situation, could regulatory capital consumption be motivation for:

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
STOPPING ACTIVITIES			
DEVEOPLING ACTIVITIES			
ACQUIRING ACTIVITIES			
NONE			

CAPITAL ALLOCATION

1. Have you estimated the regulatory capital consumption for each of your individual businesses?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

2. Will you outsource activities with high capital consumption?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

3. Will you insure selected Risk?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

4. Do you intend allocating economic capital by Business lines?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

5. Will you make use of Basel II requirements to implement an economic capital allocation throughout your business lines?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

<u>BASEL II ACTION PLAN</u>

1. Have you established an action plan to achieve the Basel II requirements?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

2. How will you execute this action plan?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
INTERNAL RESOURCES			
EXTERNAL RESOURCES			
BOTH			

3. What will the largest spending area be?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
TECHNOLOGY			
COMMUNICATION			
OTHER (SPECIFY)			
DON'T KNOW			

Other (specify) ____

4. How far are you in the implementation of your action plan?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
NOT REALLISED			
PARTIALLY REALLISED			
FULLY REALLISED			

TECHNOLOGY

1. Does your current IT infrastructure allow you to meet the Basel II requirements?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

2. Will you develop an IT solution for Risk management?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
YES			
NO			

3. Have you completed a review of potential IT solutions available?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
TECHNOLOGY			
CONSULTING			

4. What difficulties do you foresee?

	CREDT RISK	MARKET RISK	OPERATIONAL RISK
INTEGRATION CAPABILITIES			
DATABASE DESIGN			
MODELS			
BUDGET			
DATA GATHERING			
HUMAN RESOURCE			
OTHER (SPECIFY)			

PLACE:

DATE:

Signature.

REFERENCE

REFFERENCE

WEB SITES

- www.bis.org
- www.rbi.org
- www.kpmg.com
- www.cognizant.com
- www.google.com
- www.gmail.com

BOOKS

- Hand Book on Risk management & Basel II norms

ARTICALS

- Risk Management in Banks. -- R S Raghavan Chartered Accountant.
- Basel Norms challenges in India –Swapan Bakshi
- White Paper The Ripple Effect: How Basel II will impact institutions of all sizes
- Risk Management Guidelines for Commercial Banks & DFIs.
- BASEL II – Are Indian Banks Going to Gain? -- Santosh N. Gambhire Jamanalal, Bajaj Institute of Management Studies Mumbai
- Basel II and India's banking structure C. P. Chandrasekhar and Jayati Ghosh

REPORTS

- Report on Implementing Basel II: Impact on Emerging Economies -- Jaydeep K. Thaker NMIMS

Paper on Risk Assessment and Risk Management -- Santosh Deoram Watpade & Siddhi Shrikant Vyas MET's Institute of Management Nashik.

University Of Mumbai

A PROJECT REPORT ON

“ FORENSIC AUDIT:- HOW IS A FRAUD DETECTED ”

Bachelor of Management Studies

Semester VI

(2019 – 2020)

Submitted by

JAUHAR ABBAS SAYYED

Seat No.: 1162768

BGPS’

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

University Of Mumbai

A PROJECT REPORT ON

" FORENSIC AUDIT:- HOW IS A FRAUD DETECTED "

Bachelor of Management Studies

Semester VI

2019 – 2020

Submitted in

Partial Fulfilment of the requirements

For the Award of Degree of

Bachelor of Management Studies

By

JAUHAR ABBAS SAYYED

Seat No.: 1162768

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

CERTIFICATE

This is to certify that Mr. JAUHAR ABBAS SAYYED, Seat no: 1162768 of Third Year B.M.S., Semester VI (2019 – 2020) has successfully completed the project on "FORENSIC AUDIT:- HOW IS A FRAUD DETECTED" under the guidance of Assistant Prof. ANIKET SONSURKE.

Prof Aniket Sonsurke

Project Guide **External Examiner**

Asst. Prof Draksha Khan Dr.Subhash Vadgule

Course Coordinator **Principal**

College Seal

BGPS, MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park, Wadala (E),

Mumbai – 400037.

DECLARATION

I, MR.JAUHAR ABBAS SAYYED the student of T.Y.B.M.S. Semester VI (2019 – 2020) hereby declare that I have completed the project on "FORENSIC AUDIT:- HOW IS A FRAUD DETECTED" The information submitted is true and original to the best of my knowledge.

Date:- Jauhar Abbas Sayyed

Place:- Mumbai, Maharasthra Seat No.: 1162768

BGPS, MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

ACKNOWLEDGEMENT

I thanking to one all who helped me for completing and making this project successful.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the competition of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal, Subhash Vadgule** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Course Coordinator Asst. Prof. Draksha Khan**, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Prof.** ANIKET SONSURKE whose guidance and care made the project successful.

I would like to thank my **College Library** , for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially My brother who supported me throughout my project.

TABLE OF CONTENTS

Chap. No:- 01 INTRODUCTION

1.1 INTRODUCTION TO AUDIT

An audit is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. It also attempts to ensure that the books of accounts are properly maintained by the concern as required by law. Auditing has become such a ubiquitous phenomenon in the corporate and the public sector that academics have started identifying an "Audit Society". Auditors perceive and recognize the propositions before them for examination, obtain evidence, evaluate the same and formulate an opinion on the basis of their judgement which is communicated through their auditing report.

Any subject matter may be audited. Audit is a safeguard measure since ancient times (Loeb &Shamoo, 1989). Audits provide third-party assurance to various stakeholders that the subject matter is free from material misstatement. The term is most frequently applied to audits of the financial information relating to a legal person. Other commonly audited areas include: secretarial and compliance, internal controls, quality management, project management, water management, and energy conservation.

Economic decisions in every society must be based upon the information available at the time the decision is made. For example, the decision of a bank to make a loan to a business is based upon previous financial relationships with that business, the financial condition of the company as reflected by its financial statements and other factors.

If decisions are to be consistent with the intention of the decision makers, the information used in the decision process must be reliable. Unreliable information can cause inefficient use of resources to the detriment of the society and to the decision makers themselves. In the lending decision example, assume that the barfly makes the loan on the basis of misleading financial statements and the borrower Company is ultimately unable to repay. As a result the bank has lost both the principal and the interest. In addition, another company that could have used the funds effectively was deprived of the money.

As society become more complex, there is an increased likelihood that unreliable information will be provided to decision makers. There are several reasons for this: remoteness of information, voluminous data and the existence of complex exchange transactions

As a result of an audit, stakeholders may effectively evaluate and improve the effectiveness of risk management, control, and the governance process over the subject matter.

As a means of overcoming the problem of unreliable information, the decision-maker must develop a method of assuring him that the information is sufficiently reliable for these decisions.

In doing this he must weigh the cost of obtaining more reliable information against the expected benefits.

A common way to obtain such reliable information is to have some type of verification (audit) performed by independent persons. The audited information is then used in the decision making process on the assumption that it is reasonably complete, accurate and unbiased.

The audit is an intelligent and critical examination of the books of accounts of the business.

Auditing is done by the independent person or body of persons qualified for the job with the help of statements, papers, information and comments received from the authorities so that the examiner can confirm the authenticity of financial accounts prepared for a fixed term and report that:

- The balance sheet exhibits an accurate and fair view of the state of affairs of concern;
- The profit and loss accounts reveal the right and balanced view of the profit and loss for the financial period;
- The accounts have been prepared in conformity with the law.

Thus, it will be seen that the duty of an auditor is much more than a mere comparison of the balance sheet and accounts with the books.

But, apart from doing this, he has to satisfy himself according to his information and the explanations given to him.

Audit is, therefore, an examination of accounting records undertaken with a view to establishing whether they correctly and completely reflect the transactions to which they purport to relate.

Audit was originally confined to ascertaining whether the accounting party had properly accounted for all receipts and payments on behalf of his principal, and was in fact merely a cash audit. Modern audit not only examine cash transactions, but also verify the purport to which the cash transactions relate.

Let us now understand the growth of auditing in India. The Indian Companies Act, 1913, prescribed for the first time the qualifications of an Auditor. The Government of Bombay was the first to conduct related courses of study such as the Government Diploma in Accountancy (GDA).

The Auditor's Certificate Rule was passed in 1932 to maintain uniform standard in Accountancy and Auditing. The Chartered Accountant Act was enacted by the Parliament of India in 1939. The Act regulates that a person can be authorized to audit only when he qualifies in the examinations conducted by The Institute of Chartered Accountants of India.

Following are a few other points related to Auditing in India −

- Members of Institute of Cost and Works Accountant of India are authorized to conduct cost audit according to Section 233-B of the Companies Act, 1956.
- Companies Act 1931 was replaced by Companies Act 1956.
- An Auditor can be appointed only by a special resolution as per section 224 The Companies (amendment) Act, 1974.

Preparation of accounts is not the duty of an Auditor. "Auditing begins, where accountancy ends". Auditor is only concerned for checking and verification of records. Auditor is a qualified person appointed for the purpose of certification of work done by others.

An investigation may be done with a specific purpose. It is usually conducted to know the financial position of a business, extent of fraud and misappropriation and the earning capacity of any business unit, etc. The time duration for investigation may also extend beyond one year. Investigation may not be necessarily done by a qualified Chartered Accountant.

In comparison with earlier days, where the main objective of auditing was to detect fraud, we now have enhanced ways to determine a true and fair view of financial statements. In recent times, almost every country of the world has introduced various legislations and framed rules and regulation of auditing. In India also legislations related to Tax Audit, Cost Audit, Management Audit and operation Audit, etc. are coming up.

The main purpose of auditing is to certify the correctness of financial statements and to detect errors and frauds.

The main objective of auditing is to ensure the financial reliability of any organization. Independent opinion and judgement form the objectives of auditing. Auditing also helps to ensure that the books of accounts are kept according to the rules stipulated in the Companies Act and whether the books of accounts show a true and fair view of the state of affairs of the company or not.

(3)

Financial auditing is the process of examining an organization's (or individual's) financial records to determine if they are accurate and in accordance with any applicable rules (including accepted accounting standards), regulations, and laws.

External auditors come in from outside the organization to examine accounting and financial records and provide an independent opinion on these records. Law requires that all public companies have their financial statements externally audited.

Internal auditors work for the organization as internal employees to examine records and help improve internal processes such as operations, internal controls, risk management, and governance.

The Public Company Accounting Oversight Board (PCAOB) maintains external auditing standards for public companies (issuers) registered with the Securities and Exchange Commission (SEC).

As of 2012, PCAOB has 15 permanent standards approved by the SEC and a number of interim standards that reflect generally accepted auditing standards, as described in standards issued by the Auditing Standards Board (ASB), which is part of the American Institute of CPAs (AICPA).

The ASB also issues Statements on Auditing Standards (SASs) that apply to preparing and releasing audit reports for nonissuers (companies not required to register with the SEC). AICPA members who audit a nonissuer are required by the AICPA Code of Professional Conduct to comply with these standards. As of 2012, there are more than 60 active standards.

For internal auditing, the Institute of Internal Auditors provides a conceptual framework called the International Professional Practices Framework (IPPF) that provides guidance for internal audits. Some of the guidance is mandatory, while others are considered strongly recommended, but not required by law.

Audit planning includes deciding on the overall audit strategy and developing an audit plan.

Auditing Standard No. 9 from the PCAOB describes an external auditor's responsibility and the requirements for planning an audit. According to standard No. 9, an audit plan is expected to describe the planned nature, extent, and timing of the procedures for risk assessment and the tests to be done on the controls and substantive procedures, along with a description of other audit procedures planned to ensure the audit meets PCAOB standards.

(4)

For internal auditing, the Institute of Internal Auditors provides guidance for audit planning. Planning starts with determining the scope and objectives of the audit.

Internal auditors need to understand the business, operations, and unique characteristics of the department/unit being audited and to develop an audit plan that defines the procedures needed to do an efficient and effective audit.

An audit is the examination of the financial report of an 11rganization– as presented in the annual report – by someone independent of that 11rganization. The financial report includes a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and notes comprising a summary of significant accounting policies and other explanatory notes.

The purpose of an audit is to form a view on whether the information presented in the financial report, taken as a whole, reflects the financial position of the 11rganization at a given date, for example:

Are details of what is owned and what the 11rganization owes properly recorded in the balance sheet?

Are profits or losses properly assessed?

When examining the financial report, auditors must follow auditing standards which are set by a government body. Once auditors have completed their work, they write an audit report, explaining what they have done and giving an opinion drawn from their work. Generally, all listed companies and limited liability companies are subject to an audit each year. Other organisations may require or request an audit depending on their structure and ownership.

Auditing is the process of assessment and ascertaining of financial, operational, and strategic goals and processes in organizations to determine whether they are in compliance with the stated principles in addition to them being in conformity with organizational and more importantly, regulatory requirements. Indeed, among the objectives of auditing as mentioned above, conformance with regulatory norms and rules and regulations is indeed one of the drivers behind auditing and historically and traditionally, has been the main reason why organizations get their financial statements, operational process, and strategic imperatives audited.

1.2 TYPES OF AUDIT

The audit is an art of systematic and independent review and investigation on certain subject mater including financial statements, management accounts, management reports, accounting records, operational reports, revenues reports, and expenses reports, etc.

The result of reviewing and investigation will be reported to shareholders and other key internal stakeholders of the entity for their decision making or others purpose as they needed.

Audit reports sometime submit to other stakeholders like government, banks, creditors or public.

For example, the statutory audit report is submitted to the regulator or authority like the tax department, the central bank, or the security authority.

The audit is classified into many different types and levels of assurance according to the objectives, scopes, purposes, and procedures of how auditing is performed.

The execution of a financial statements auditing is normally in accordance with International Standards on Auditing (ISA) as well as other local auditing standards.

There are many types of audits including financial audit, operationalaudit, statutoryaudit, complianceaudit and so on.

In this article, we will explain the main 14 types of audits being performed in the current audit industry or practices.

Here is the list of 14 Types of Audits and Level of Assurance:

1: External Audit :-

The external audit is referring to the audit firms that offer certain auditing services including Assurance Service, Consultant Service, Tax Consultant Service, Legal Service, Financial Advisory, and Risk Management Advisory.

The best example of external auditing services is the services that providing by these big four audit firm including KPMG, PWC, EY and Deloitte.

External auditors are normally referring to audit staffs who are working in audit firms. The positions are ranking from audit associate, senior auditors to audit partners as well as managing partners.

These kinds of firms are sometimes called CPA firms as they required by law to hold a CPA qualification/certificate in order to be able to run an audit firm and issue the audit reports.

This type of audit required to maintain the professional code of ethics and strictly follow International Standards on Auditing and/or local standards as required by local law.

The firms are working independently from auditing clients that they are auditing and if the conflict of interest has occurred, proper procedures are needed to take action to minimize the conflicts.

The firm should consider withdrawing from the audit engagement if the impairment could not minimize to the acceptable level.

Some external audit firms are also offering internal audit services. The popular services that offer by external audit firms are an audit of financial statements, tax consultant, and advisory services.

2: Internal Audit :-

Internal Auditing is an independence and objectivity consulting service that is designed to add value to the business and improve the entity's operation.

It provides a systematic and disciplined approach to evaluating and assessing the entity's risk management, internal control, and corporate governance.

Scope of internal audit is generally determined by the audit committee, the board of directors or directors that have equivalence authorization. And if there is no audit committee and board of directors, internal audit normally reports to the owner of the entity.

Internal audit activities are normally covered internal control reviewing, operational reviewing, fraud investigation, compliant reviewing, and other special tasks assigned from the audit committee or BOD.

3: Forensic Audit:-

The forensic audit is normally performed by a forensic accountant who has the skill in both accounting and investigation.

Forensic Accounting is the type of engagement that undertaking the financial investigation in response to a particular subject matter, where the findings of the investigation normally are used as evidence in court or conflict resolution among the shareholders.

The investigation is covering numbers of areas include fraud investigation, crime investigation, insurance claims as well as a dispute among shareholders.

A forensic audit is also needed to have a proper plan, procedure, and report like other audit engagement.

Forensic audit also needs to follow ethical guideline like an audit of financial statements. This kind of engagement is not so popular as an audit of financial statements or statutory auditing.

4: Statutory Audit:-

Statutory audit is referring to an audit of financial statements for the specific type of entities required by law or local authority.

For example, all banking sectors required their financial statements to be audited by qualified audit firms authorized by their central bank.

The statutory audit might be the difference from financial statements auditing as the financial audit is referring to the audit of all types of entity’s financial statements including both meet or not meet the government’s requirement.

However, statutory audit refers to only auditing of the entity’s financial statements that required by local law.

The statutory audit is normally performed by external audit firms and the audit report will be issued by the auditor and submit to the government body by the entity.

The best example of the firms that offering statutory auditing is KPMG, PWC, EY, ….etc.

The common criteria set by law that required entities to have their financial statements by qualified audit firms are the amount of annual turnover, the value of assets, and the number of staff the entity employed.

Some countries may require companies in specific industries like banks, minerals, and others based on their decision to have those company’s financial statements audited.

Companies listed on the stock exchange are generally required and enforce by stock exchange authority to have qualified audit form audited their financial statements.

5: Financial Audit:-

Financial audit refers to the audit of the entity's financial statements by an independence auditor where audit opinion will be provided on those financial statements after auditing works are done.

Financial audit normal perform by an external audit firm that holds a CPA and it is normally performed annually and at the end of the accounting period. This type of audit is also known as financial statements auditing.

But, sometimes as required by management, bank, security exchange, regulation, or else, the financial audit is also performing on a quarterly as well.

Most of the entity prepares its financial statements based on IFRS, and some entity's financial statements are prepared based on local GAAP.

For example, the entity register in the US, their financial statements are prepared based on US GAAP. If the financial statements are prepared based on IFRS, the financial audit needs to be audit against IFRS.

However, if the financial statements are prepared based on local GAAP, then the audit needs to be performed against those local GAAP.

The audit standards that use by the auditor to conduct financial audit need to adopt international standards and requirement of local law.

Some country requires an audit firm to follow its audit standards while some other countries have adopted the international standards and transform it to be local.

6: Tax Audit:-

Tax audit is a type of audit that performing by the government's tax department or tax authority.

A tax audit could be performed as the result of in-compliant found by a government agency or the schedule set by the government tax department.

An entity needs not to invite or engage with the tax authority to come to perform a tax audit. They will come by themselves. Entity just needs to file its tax obligation properly and timely based on the tax law of the country.

To minimize the penalty as the result of the tax audit, the entity is recommended to follow all the requirements set by tax law and for those areas that they are not sure, the entity should engagement with tax consulting firm for advising. As said above, the big four firms are also offering such a service.

7: Information System Audit or Information Technology Audit (IT Audit):-

An information system audit is sometimes called an IT audit. This type of audit assesses and checks the reliability of the security system, information security structure, and integrity of the system so that the output that the system produces is reliable.

Sometimes, financial auditing also requires to has IT auditing as now technology is increasing and most of the client's financial reports are recording by complex accounting software.

The audit approach also changed due to the changing of management's approach in recording and reporting their entity's financial information.

Normally, before relying on information systems (software) that use for producing financial statements, auditors required to have IT, audit teams, to test and review that information system first.

Especially, when an entity uses an ERP system where the operational reportings are also integrated with the accounting system. For example, banking system normally links between operational reporting with the accounting system.

IT audit is also offered and requests separately from the financial audit.

As you can know, most of the big firms have this kind of service. They do not only provide IT audit but also offering consultant on the information system areas.

8: Compliance Audit:-

A compliance audit is a type of audit that checks against internal policies and procedures of the entity as well as law and regulation where the entity operating in. Law and regulation here is referring to the government's law where the business is operating.

For example, in the banking sector, there are many kinds of regulation required bankers to follow and comply with.

Most of the central banks required commercial banks to set up the complaint review (assessment) or compliance audit to make sure that they are complying with those laws and regulations set.

The entity may also assign its internal audit function to review whether the entity's internal policies and procedures are complying and effectively follow.

A compliance audit is part of the system that use by the entity's management to enforce the effectiveness of the implementation of the government's law and regulation, and the entity's internal policies and procedures.

9: Value For Money Audit:-

Value for money audit refers to audit activities that perform in assessing and evaluating three main difference factors: Economy, Efficiency, and Effectiveness.

Economy, auditor assess and evaluate whether the resources that entity purchases are at the low cost with acceptable quality where efficiency audit, auditor check whether resources that entity use have better conversion ratio.

Effectiveness, by the way, look at the big picture of objective whether the entity using the resources meet it objective or not.

The auditor might review the entity's purchasing system to assess and evaluate whether it is helping the entity to purchase materials or services at the low costs or not.

Value for money audit is really important for the entity since it helps the entity not only to improve resource efficiency usage but also making sure that the entity obtains good quality material at the low costs.

10: Review Financial Statements:-

Review financial statements is a type of negative engagement where auditors are engaged to review the financial statements of the entity.

At the end of the review, the audit is not going to express whether financial statements are the true and fair view and free from material.

But, the auditor will issue the opinion to say that there is nothing come to their attention that financial statements are not prepared true and fair view and free from material.

This kind of service is normally required when an entity borrows money from the bank. And the banks, as part of their policy require the entity to provide financial statements reviewed by the external auditor.

Or sometimes it is requested by management to have their financial statements before asking for the auditor to audit the financial statements. Or sometimes it is required by management for their internal use.

11: Agreed Upon Procedures (AUP):-

The agreed-upon procedure is the type of negative engagement where auditors perform their review on the procedures that agreed with the client. This type of engagement is called limited assurance.

Even though the procedures are set by the client, but auditors will also need to make sure that the firm has enough resources to perform the job and fee are not low-balling.

Auditors will also need to make sure that there is no conflict of interest between the audit team and the client management team.

If the auditor found that there is a conflict of interest, the safe guide needs to check and introduce to reduce the conflict.

Once auditors complete their review or perform all the procedures required by management, the auditor will issue the report call factual finding report by list down all the findings they found during the audit.

12: Integrated Audit:-

Integrate audit is happen when there are two different areas of audit requirements. For example, there is a financial audit along with a social audit or there are some areas need to be confirmed with the financial audit.

For example, the NGO requires their financial statements to be audited along with technical areas that those NGO spending the money for.

For example, NGO are working on public health and most of the money spend are related to public health.

Besides the expenses reports that present the expenses that NGO paid for and need to be audited by the financial auditor, there is the number of technical reports like health reports which need to be verified by technical auditors that have experienced in assessing health report.

This is called an integrated audit. The integrated audit also happens when the entity operates in many different countries and the financial statements are an audit by different audit firms.

13: Special Audit:-

A special audit is a type of audit assignment that normally done by the internal auditor.

This has happened when there is the problem/case occurred in the organization like fraud, business case or other special cases.

For example, there is fraud occurred in the payroll department and this concern raised to the audit committee or board of director or sometimes there is the request from the CEO to have a special audit on these areas.

The special audit is a bit different from the forensic audit as a special audit done by the internal staff of the entity.

Once the auditor completes the audit, then the report is prepared by the audit team and then submit to audit committee or board of directors. It is sometimes also reported to the CEO of the entity.

14: Operational audit:-

Operational audit is the type of audit service that the review is mainly focused on the key processes, procedures, system, as well as internal control which the main objective is to improve productivity, as well as efficiency and effectiveness of the operation.

Operation audit has also targeted the leak of key control and processes that cause waste of resources and then recommend for improvement.

Operational audit is the part of the internal audit and their main aim is to add value to the business their professional services.

Systematic and highly discipline is also the part that helps to make sure the operational audit adds value to the organization.

1.3 FORENSIC AUDIT

A forensic audit is an examination and evaluation of a firm's or individual's financial records to derive evidence that can be used in a court of law or legal proceeding. Forensic auditing is a specialization within the field of accounting, and most large accounting firms have a forensic auditing department. Forensic audits require the expertise of accounting and auditing procedures as well as expert knowledge about the legal framework of such an audit.

Forensic audits cover a wide range of investigative activities. A forensic audit may be conducted to prosecute a party for fraud, embezzlement, or other financial crimes. In the process of a forensic audit, the auditor may be called to serve as an expert witness during trial proceedings. Forensic audits could also involve situations that do not involve financial fraud, such as disputes related to bankruptcy filings, business closures, and divorces.

The forensic audit is normally performed by a forensic accountant who has the skill in both accounting and investigation.

Forensic Accounting is the type of engagement that undertaking the financial investigation in response to a particular subject matter, where the findings of the investigation normally are used as evidence in court or conflict resolution among the shareholders.

The investigation is covering numbers of areas include fraud investigation, crime investigation, insurance claims as well as a dispute among shareholders.

A forensic audit is also needed to have a proper plan, procedure, and report like other audit engagement.

Forensic audit also needs to follow ethical guideline like an audit of financial statements. This kind of engagement is not so popular as an audit of financial statements or statutory auditing.

For a better understanding of term forensic audit, let us have a look at each of them separately.

The word forensic relates to or denotes the application of scientific methods and techniques for the investigation of crime.

Auditing on the other hand refers to an independent examination of books of accounts of a company and its affairs.

Putting these two together, forensic audit essentially involves examination and assessment of a company's or for that matter even an individual's financial information that can be **used as evidence in court of law**.

While the objective of a financial audit is to give assurance to the users of financial statements- the stake owners that the business is maintaining its records keeping in view the generally accepted conventions and thus giving a true and fair picture, the objective of a forensic audit is to analyse financial transactions for the purposes of identification of financial frauds (asset -theft frauds).

Forensic auditing goes a step beyond the traditional financial audit. It examines the very nature of transaction and checks for possibility of any asset-theft taking place by means of investigative techniques.

For example, an employee may create a fictitious account and release payment in order to siphon off money from the company/firm. Such a transaction may go unreported as far as the financial reporting is concerned provided it is properly accounted for. In the instant case, the company will get an unqualified report in a financial audit.

A forensic audit, also known as forensic accounting, refers to the application of accounting methods for detection and gathering evidence of frauds, embezzlement, or any other such white-collar crime. It is an examination of a company's financial records to derive evidence which can be used in a court of law or legal proceeding. A forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims.

The failure of some formerly prominent public companies such as Enron, WorldCom, Xerox Corporation and Satyam Computer Services fueled the prominence of forensic auditing and creating a new, important and lucrative specialty. Generally, the term 'forensic accounting' is used to describe the wide range of investigative work which accountants in practice could be asked to perform. The work would normally involve an investigation into the financial affairs of an entity and is often associated with investigations into alleged fraudulent activity.

Forensic Audit is a bit different from the regular audit. Usually Audit is conducted by a competent authority in order to provide an assurance that the financial information presented by the entity is true and fair. It is a means of assurance through ones opinion.

But, A forensic audit is not about providing opinion. It is an examination and evaluation of a firm's or individual's financial information for use as evidence in court. A forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims. In addition, an audit may be conducted to determine negligence on the audits part that may have caused financial damage to another person.

Forensic audit is investigating and gathering evidence where there has been alleged financial mismanagement, theft or fraud. Forensic audits may be carried out in any government or business entity. The Auditor has to be independent of the entity under investigation for the degree of confidence which the court /investigating body has in the financial evidence.

It is different from an External audit in that the external Auditor only expresses an independent opinion on whether the financial statements of the entity are "Fairly" (not correctly) presented. External auditors do not investigate theft or fraud at all.

Forensic audit is done mainly to understand the trace of money. To ascertain whether the money was used for the intended purpose, by tracking the trail

Forensic Auditing involves conducting examination and evaluation of a firm's or individual's financial information and legalities for determining whether any fraud or negligence has taken place and if yes, to use the evidence collected during such Audit in the court of law.

A **Forensic Audit** is an examination of a company's financial records to derive evidence which can be used in a court of law or legal proceeding.

This is the most common and prevalent form of fraud. Misappropriation of cash, raising fake invoices, payments made to non-existing suppliers or employees,

misuse of assets, or theft of Inventory are a few examples of such asset misappropriation.

As I understand forensic audit is analysis of the financial statements which are to be presented in the litigation pending before the court of laws.

A forensic audit is an examination and evaluation of a firm's or individual's financial information for use as evidence in court. A forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims.

A forensic audit is an assessment and valuation of a company's or people's monetary records to infer proof that can be utilized in an official courtroom or lawful continuing. Forensic auditing is a specialization inside the field of bookkeeping, and most huge bookkeeping firms have a Forensic auditing division

1.4 PROCEDURE TO CONDUCT FORENSIC AUDIT

What is Forensic Audit?

A Forensic Audit is an examination of a company's financial records to derive evidence which can be used in a court of law or legal proceeding.

For example, Telemart, on the recommendation of its Chief Financial Officer (CFO), entered into a contract with RJ Inc for the supply of carts. At the time, RJ Inc was not authorized to conduct business, as its license was suspended due to certain irregularities in taxes paid. The CFO had knowledge of this fact, but still recommended that Telemart enter into a contract with RJ Inc because he was secretly receiving compensation from RJ for doing so.

A forensic audit can reveal such cases of fraud.

Why is a forensic audit conducted?

Forensic audit investigations are made for several reasons, including the following:

Corruption

In a Forensic Audit, while investigating fraud, an auditor would look out for:

1. Conflicts of interest – When a fraudster uses his/her influence for personal gains detrimental to the company. For example, if a manager allows and approves inaccurate expenses of an employee with whom he has personal relations. Even though the manager is not directly financially benefitted from this approval, he is deemed likely to receive personal benefits after making such inappropriate approvals.

2. Bribery – As the name suggests, offering money to get things done or influence a situation in one's favor is bribery. For example, Telemith bribing an employee of Technosmith company to provide certain data to aid Telesmith in preparing a tender offer to Technosmith.

3. Extortion – If Technosmith demands money in order to award a contract to Telemith, then that would amount to extortion.

Asset Misappropriation:-

This is the most common and prevalent form of fraud. Misappropriation of cash, creating fake invoices, payments made to non-existing suppliers or employees, misuse of assets, or theft of Inventory are a few examples of such asset misappropriation.

Financial statement fraud:-

Companies get into this type of fraud to try to show the company's financial performance as better than what it actually is. The goal of presenting fraudulent numbers may be to improve liquidity, ensure top management continue receiving bonuses, or to deal with pressure for market performance.

Some examples of the form that financial statement fraud takes are the intentional forgery of accounting records, omitting transactions – either revenue or expenses, non-disclosure of relevant details from the financial statements, or not applying the requisite financial reporting standards.

Procedure for a forensic audit investigation:-

A forensic auditor is required to have special training in forensic audit techniques and in the legalities of accounting issues.

A forensic audit has additional steps that need to be performed in addition to regular audit procedures.

1. Plan the investigation – When the client hires a Forensic auditor, the auditor is required to understand what the focus of the audit is. For example, the client might be suspicious about possible fraud in terms of the quality of raw materials supplied. The forensic auditor will plan their investigation to achieve objectives such as:

- Identify what fraud, if any, is being carried out
- Determine the time period during which the fraud has occurred
- Discover how the fraud was concealed
- Identify the perpetrators of the fraud
- Quantify the loss suffered due to the fraud
- Gather relevant evidence that is admissible in the court
- Suggest measures that can prevent such frauds in the company in future

2. Collecting Evidence – By the conclusion of the audit, the forensic auditor is required to understand the possible type of fraud that has been carried out and how it has been committed. The evidence collected should be adequate enough to prove the identity of the fraudster(s) in court, reveal the details of the fraud scheme, and document the amount of financial loss suffered and the parties affected by the fraud.

A logical flow of evidence will help the court in understanding the fraud and the evidence presented. Forensic auditors are required to take precautions to ensure that documents and other evidence collected are not damaged or altered by anyone.

Common techniques used for collecting evidence in a forensic audit include the following:

- Substantive techniques – For example, doing a reconciliation, review of documents, etc
- Analytical procedures – Used to compare trends over a certain time period or to get comparative data from different segments

- Computer-assisted audit techniques – Computer software programs that can be used to identify fraud
- Understanding internal controls and testing them so as to understand the loopholes which allowed the fraud to be perpetrated.
- Interviewing the suspect(s)

3. Reporting – A report is required so that it can be presented to a client about the fraud. The report should include the findings of the investigation, a summary of the evidence, an explanation of how the fraud was perpetrated, and suggestions on how internal controls can be improved to prevent such frauds in the future. The report needs to be presented to a client so that they can proceed to file a legal case if they so desire.

4. Court Proceedings – The forensic auditor needs to be present during court proceedings to explain the evidence collected and how the suspect was identified. They should simplify the complex accounting issues and explain in layman's language so that people who have no understanding of the accounting terms can still understand the fraud that was carried out.

To summarize, a forensic audit is a detailed engagement that requires the expertise of not only accounting and auditing procedures but also expert knowledge regarding the legal framework. A forensic auditor is required to have an understanding of various frauds that can be carried out and of how evidence needs to be collected.

1.5 <u>LEGAL PROCESS OF FORENSIC AUDIT</u>

Step 1- Accepting the investigation:-

A forensic audit is always assigned to an independent firm/group of investigators in order to conduct an unbiased and truthful audit and investigation. Thus, when such a firm receives an invitation to conduct an audit, their first step is to determine whether or not they have the necessary tools, skills and expertise to go forward with such an investigation. They need to do an assessment of their own training and knowledge of fraud detection and legal framework. Only when they are satisfied with such considerations, can they go ahead and accept the investigation.

Step 2 – Planning the Investigation:-

Planning the investigation is the key step in a forensic audit. The auditor(s) must carefully ascertain the goal of the audit so being conducted, and to carefully determine the procedure to achieve it, through the use of effective tools and techniques. Before planning the investigation, they should be clear on the final categories of the report, which are as follows,

- Identifying the type of fraud that has been operating, how long it has been operating for, and how the fraud has been concealed
- Identifying the fraudster(s) involved
- Quantifying the financial loss suffered by the client
- Gathering evidence to be used in court proceedings
- Providing advice to prevent the recurrence of the fraud.

Fraud Triangle and Fraud Risk :-

A fraud triangle is a tool used in forensic auditing that explains three interrelated elements that assist the commission of fraud- Pressure (motive), opportunity (ability to carry out the fraud) and rationalization (justification of dishonest intentions). Fraud risk is the vulnerability a company/organisation has to those who are capable of overcoming the three elements in the fraud triangle. Fraud risk assessment is the identification of fraud risks that exist in the company/organisation. The planning involves the formulation of techniques and procedures that align with the fraud risk and fraud risk management.

Planning also includes the identification of the best way/mode to gather evidence. Thus, it is necessary that ample research is done regarding certain investigative, analytical, and technology-based techniques, and also related legal process, with regard to the outcome of such investigation.

Step 3 – Gathering Evidence:-

In forensic auditing specific procedures are carried out in order to produce evidence. Audit techniques and procedures are used to identify and to gather evidence to prove, for example, how long have fraudulent activities existed and carried out in the organization, and how it was conducted and concealed by the perpetrators. In order to continue, it is pertinent that the planning stage has been thoroughly understood by the investigating team, who are skilled in collecting the necessary evidence.

The investigators can use the following techniques to gather evidence,

- Testing controls to gather evidence which identifies the weaknesses, which allowed the fraud to be perpetrated
- Using analytical procedures to compare trends over time or to provide comparatives between different segments of the business
- Applying computer-assisted audit techniques, for example, to identify the timing and location of relevant details being altered in the computer system

- Discussions and interviews with employees

- Substantive techniques such as reconciliations, cash counts and reviews of documentation.

Forensic Data Analysis (FDA)

FDA is the technology used to conduct fraud investigations; the process by which evidence is gathered, summarized and compared with existing different sets of data. The aim here is to detect any anomalies in the data and identify the pattern of such anomalies to indicate fraudulent activity. Such an analysis requires three kinds of expertise,

- Data analyst to perform the technical steps and write the queries
- Team member with extensive experience of the processes and internal controls in the relevant area of the investigated company
- A forensic scientist who is familiar with patterns of fraudulent behaviour

Step 4 – Reporting:-

The reporting stage is the most obvious element in a forensic audit. After investigating and gathering evidence, the investigating team is expected to give a report of the findings of the investigation, and also the summary of the evidence and conclusion about the loss suffered due to the fraud. It should also include the plan of the fraud itself, and how it unfolded, basically the whole trail of events, and suggestions to prevent such fraud in the future.

Step 5 – Court Proceedings:-

The last stage expands over those audits that lead to legal proceedings. Here the auditors will give litigation support as mentioned above. The auditors are called to Court, and also included in the advocacy process. The understanding here is that they are called in because of their skill and expertise in commercial issues and their legal process. It is important that they lay down the facts and findings in an understandable and objective manner for everyone to comprehend so that the desired action can be taken up. They need to simplify the complex accounting processes and issues for others to understand the evidence and its implications.

2.1 OBJECTIVE OF THE STUDY.

The forensic audit is a method of prevention of fraud and corruption, it puts in the hands of judges and the relevant legal authorities information and sufficient evidence to analyze and put as evidence in the judicial process, thus determining, based on legal texts , whether or not it is a fraud case or not.

And, what are the objectives of the forensic audit?

- Identify cases of fraud.
- Prevent and reduce cases of fraud through the implementation of recommendations and advice, through internal control actions in the company.
- Participate in the design and creation of fraud prevention programs.
- Evaluation of internal control systems.
- Investigation and collection of evidence that will be placed in the hands of the judicial authority

- Definition and recognition of the problem
- Collection of evidence of fraud
- Evaluation of the evidence collected
- Preparation of the final report with the findings
- Forensic risk assessment
- Fraud detection
- Evaluation of the Internal Control System

1. Definition and recognition of the problem

Determine if there are enough reasons or indications to investigate the symptoms of possible fraud. A clue is simply a sufficient reason to guarantee fraud investigation.

Before beginning a formal investigation, approval of the organization’s board of directors must be obtained since a fraud audit is extremely complicated, controversial, exhausting and may be detrimental to members of said organization.

2. Compilation of evidence of fraud

Once there are indications and the search for sufficient evidence is made to guarantee the success of the investigation, evidence must be gathered to determine if the fraud has taken place. The evidence is gathered to determine Who, What, When, Where, Why, How Much and how the fraud was committed.

3. Evaluation of the evidence collected

The evidence must be evaluated to determine if it is complete and accurate, if it is necessary to continue collecting more evidence.

4. Preparation of the Final Report with the findings

The fraud report is usually the primary evidence available and in some cases the only evidence supporting the investigation, is of such importance since legal claims are won or lost mostly based on the quality of the report presented.

For the preparation of a good fraud report we must take into account that it must be:

- Accurate
- Timely
- Exhaustive
- Impartial
- Clear
- Relevant

5. Evaluation of forensic risk

The auditor should evaluate the risk of material distortion that fraud or error can produce in the financial statements and should investigate:

- There are frauds or significant errors that have been discovered
- Visualization of weaknesses in the design of management systems
- Unusual internal or external pressures on the entity
- Questions about the integrity or competence of the administration
- Unusual transactions.
- Problems to obtain sufficient and competent audit evidence

6. Detection of fraud

The auditor seeks sufficient and competent audit evidence to ensure that fraud or error has not materially affected the financial statements or that if it has occurred, the effect of fraud is adequately reflected in the financial statements. Financial statements or that the error has been corrected

The probability of detecting errors: In general, it is greater than detecting fraud, since fraud is commonly accompanied by acts specifically conceived to hide its existence

2.2 SCOPE OF THE STUDY.

This study was designed to discuss the usefulness of forensic audit in preventing and detecting fraud in an organization” the research will be restricted to the two selected banks in Enugu state.

2.3 STUDY OF SIGNIFICANCE.

This study will be of great importance to the government since it will help to determine the actual income of every companies and banks so as to pay the exact tax. It will also give them positive insight on how to fight this evil menace called corruption in the country. It will also be of great benefit to the corporate world as the effective work of forensic auditors will help prevent, reduce and detect fraud and other corporate crimes in an organization it will help the investors and depositors to know the financial position of the institution they are investing in if it is going to be a profit venture or not, and also to schools and students, it will serve as a reference point for future researchers who will want to research more on the topic.

2.4 STUDY OF HYPHOTHESIS.

The statement of hypothesis provides a measurement criterion that keeps the researcher on the main line of the study (Osuala 1982:44). In order words, it is “a speculation of the way the variables of study behaves” it is a guide method to be used in their analysis. The needs for such guides rise to the following hypothesis:

HYPOTHESIS ONE

H0: There is no loss of customers/depositors in financial institutions.
H1: There is loss of customers/depositors in financial institutions.

HYPOTHESIS TWO

H2i: There is no significant relationship between frequent occurrence of fraud and investors loss of confidence in financial institution.
H2ii: There is a significant relationship between frequent occurrence of fraud and investors loss of confidence in financial institution.

HYPOTHESIS THREE

H3i: There is no significant need to employ a forensic auditor in a financial institution.

H3ii: There is a significant need to employ a forensic auditor in financial institutions.

2.5 LIMITATIONS OF THE STUDY

I was confronted with some problems when carrying out this research. These problems include.

- Uncooperative attitude of some of my respondents:-

Some of the respondents refused to fill my questionnaires and some refuse to return the filled ones.

- Problem of school exist :-

Due to the nature of my school I was confronted with the problem of permission to leave school to carry out my research such as sharing and collection of questionnaires and other materials relevant to my research work.

- Financial problems:-

The success of my research work depends on the finance availability and this affected the researcher because the finance at his disposal was not sufficient to carry out the research effectively.

- Time:-

This has to do with the time-frame given for the completion of the study and also other challenges; activities and engagements forcing me as a final year student reduced my time-frame.

CHAP. NO:- 3 LITERATURE REVIEWS

Forensic auditing and financial fraud in Nigerian deposit money banks (DMBs)

Adeniyi A Alao

European Journal of Accounting, Auditing and Finance Research 4 (8), 1-19, 2016

This study examined the effect of forensic auditing on financial fraud in Nigerian (DMBs). The study adopted cross sectional survey design. The population of the study comprised the staff of banks and audit firms in Abeokuta, Ogun State. The study used purposive sampling technique for questionnaire administration while logistic regression analysis was used for data analysis. The results of the study revealed that forensic audit has significant effect on financial fraud control in Nigerian (DMBs) with P value (0.007) which is less than 0.05 and that forensic audit report significantly enhances court adjudication on financial fraud in Nigeria with P value (0.000) which is less than 0.05. The study concluded that the application of forensic audit to tackle financial fraud in Nigerian (DMBs) is still at the infant stage. The study recommended that organisations should have a strong internal control system in place to reduce the occurrence of fraud.

Personnel audit using a forensic mining technique

Adesesan B Adeyemo, OluwafemiOriola

International Journal of Computer Science Issues (IJCSI) 7 (6), 222, 2010

This paper applies forensic data mining to determine the true status of employees and thereafter provide useful evidences for proper administration of administrative rules in a Typical Nigerian Teaching Service. The conventional technique of personnel audit was studied and a new technique for personnel audit was modeled using Artificial Neural Networks and Decision Tree algorithms. Atwolayer classifier architecture was modeled. The outcome of the experiment proved that Radial Basis Function Artificial Neural Network is better than Feed-forward Multilayer Perceptron in modeling of appointment and promotion audit in layer 1 while Logitboost Multiclass Alternating Decision Tree in Layer 2 is best in modeling suspicious appointment audit and abnormal promotion audit among the tested Decision Trees. The evidential rules derived from the decision trees for determining the suspicious appointment and abnormal promotion were also presented.

Forensic auditing and financial fraud in Nigerian deposit money banks (DMBs)

Adeniyi A Alao

European Journal of Accounting, Auditing and Finance Research 4 (8), 1-19, 2016

This study examined the effect of forensic auditing on financial fraud in Nigerian (DMBs). The study adopted cross sectional survey design. The population of the study comprised the staff of banks and audit firms in Abeokuta, Ogun State. The study used purposive sampling technique for questionnaire administration while logistic regression analysis was used for data analysis. The results of the study revealed that forensic audit has significant effect on financial fraud control in Nigerian (DMBs) with P value (0.007) which is less than 0.05 and that forensic audit report significantly enhances court adjudication on financial fraud in Nigeria with P value (0.000) which is less than 0.05. The study concluded that the application of forensic audit to tackle financial fraud in Nigerian (DMBs) is still at the infant stage. The study recommended that organisations should have a strong internal control system in place to reduce the occurrence of fraud.

(33)

So what is forensic accounting

D Larry Crumbley

The ABO Reporter 9, 2009

Although forensic accounting is not a new discipline, it is one that is rapidly developing and gaining status in the accounting and legal communities. The media have been energetically covering accounting scandals and intrigues, which are often characterized as the forensic accountant's "beat. If the number of articles written on the topic is any indication, readers of such esteemed newspapers as The Wall Street Journal and The New York.

Approach to forensic accounting and forensic audit

Godwin Oyedokun

Available at SSRN 2575168, 2015

Forensic accounting and forensic audit are not new concepts, however, their acceptability are just gaining momentum in Nigeria because of their perceived roles in National development and transformation. This paper presents various acceptable definitions and concepts of forensics and forensic accounting, forensic audit, it discusses other related forensic terminologies, distinction and similarities between statutory audit and forensic audit, approaches/steps and techniques in forensic audit engagements and functions of a forensic auditor. Contents analysis was used in presenting facts of the paper, review of relevant literature gives and confirmed the existing knowledge and further explanations were made with respect to the forensic concepts.

(35)

Recognizing of forensic accounting and forensic audit in the South-Eastern European countries

SnezanaMojsoska, Nikola Dujovski

JE-Eur. Crim. L., 212, 2015

Some of the recent events of crime such as Enron, WorldCom, Parmalat, and Xerox, drew some new questions related to the trustworthiness of the financial reports and financial results of the companies. Financial frauds committed in smaller companies, as it was shown in the research conducted by the Association of Certified Researchers of Crime, are of a different type, such as false payments, false invoices, forgery of cheques, etc. According to the Report to the Nations on Occupational Fraud and Abuse from 2014, the participants' estimation of typical organization loses is 5% of the revenues each year to fraud. If applied to the 2013 estimated Gross World Product, this is translated to a potential projected global fraud loss of nearly $3.7 trillion. The median loss caused by the frauds in study was $145,000. Additionally, 22% of the cases involved losses of at least $1 million. The purpose of this paper is to recognize this new direction through its defining, its recognizing in Europe and the USA, as well as to comparatively present its recognizing in the countries of south-eastern Europe. The Republic of Macedonia still does not recognize the branch of forensic accounting and forensic audit even though it has become a need. The need of recognizing these two sciences or sub branches of accounting and audit, as well as the establishment of an international body which will unite and train the experts, will come as a conclusion to this paper.

Recognizing of forensic accounting and forensic audit in the South-Eastern European countries

SnezanaMojsoska, Nikola Dujovski

JE-Eur. Crim. L., 212, 2015

Some of the recent events of crime such as Enron, WorldCom, Parmalat, and Xerox, drew some new questions related to the trustworthiness of the financial reports and financial results of the companies. Financial frauds committed in smaller companies, as it was shown in the research conducted by the Association of Certified Researchers of Crime, are of a different type, such as false payments, false invoices, forgery of cheques, etc. According to the Report to the Nations on Occupational Fraud and Abuse from 2014, the participants' estimation of typical organization loses is 5% of the revenues each year to fraud. If applied to the 2013 estimated Gross World Product, this is translated to a potential projected global fraud loss of nearly $3.7 trillion. The median loss caused by the frauds in study was $145,000. Additionally, 22% of the cases involved losses of at least $1 million. The purpose of this paper is to recognize this new direction through its defining, its recognizing in Europe and the USA, as well as to comparatively present its recognizing in the countries of south-eastern Europe. The Republic of Macedonia still does not recognize the branch of forensic accounting and forensic audit even though it has become a need. The need of recognizing these two sciences or sub branches of accounting and audit, as well as the establishment of an international body which will unite and train the experts, will come as a conclusion to this paper.

The characteristics of forensic audit and differences in relation to external audit

GorankaKnežević

FINIZ 2015-Contemporary Financial Management, 202-205, 2015

Financial reporting is one of the most important factors affecting the overall business, in particular investment decision making. External audit aims to determine accuracy and objectivity of financial statements, ie, disclosure of funds, resources and business performances in the financial statements, and to form an opinion based on the information provided. Therefore, the purpose of externaltraditional audit is not fraud detection that frequently appears in the background of an incorrect, unfair and unlawful presentation of financial statements. This has …

The effects of Integrity, opportunity, incentives, mitigating factors and forensic audit procedures on fraud risk

Rajendra P Srivastava, Theodore J Mock, Jerry L Turner, Gary Monroe

Business and Information Management Auditing Research Workshop, Australian National Universities, 2003

This paper develops a comprehensive analytical model and closed-form formulas for fraud risk under the belief-function framework by incorporating the three components of the fraud triangle implied by SAS No. 99—Incentives/Pressures, Attitude/Rationalizations, and Opportunities. We also include mitigating factors either internal to an entity, or imposed externally, such as those included in the Sarbanes-Oxley Act of 2002. The model and formulas facilitate explicit consideration of the interrelationships between fraud triangle components as well as the impact of forensic audit procedures that focus on specific fraud risks.

Our analyses show that fraud risk can be underestimated if interrelationships among the fraud triangle factors are not considered. As the strength of such interrelationships increase, both fraud risk and the possibility of understatement of that risk increases. Further analyses show that for clients with identified fraud risk factors, the presence of mitigating factors alone will not reduce fraud risk to an acceptably low level. In such cases, the auditors must perform forensic audit procedures to control fraud risk to an acceptable low level.

(38)

The characteristics of forensic audit and differences in relation to external audit

GorankaKnežević

FINIZ 2015-Contemporary Financial Management, 202-205, 2015

Financial reporting is one of the most important factors affecting the overall business, in particular investment decision making. External audit aims to determine accuracy and objectivity of financial statements, ie, disclosure of funds, resources and business performances in the financial statements, and to form an opinion based on the information provided. Therefore, the purpose of externaltraditional audit is not fraud detection that frequently appears in the background of an incorrect, unfair and unlawful presentation of financial statements.

(39)

Run-time label propagation for forensic audit data

Florian Buchholz, Eugene H Spafford

Computers & Security 26 (7-8), 496-513, 2007

It is desirable to be able to gather more forensically valuable audit data from computing systems than is currently done or possible. This is useful for the analysis of events that took place on the system for the purpose of digital forensic investigations. In this paper we propose a mechanism that allows arbitrary meta-information bound to principals on a system to be propagated based on causality and influenced by information flow. We further discuss how to implement such a mechanism for the FreeBSD operating system and present a proof-of-concept implementation that has little overhead compared to the system without label propagation.

(40)

Forensic audit and corporate fraud

AO Enofe, P Omagbon, FI Ehigiator

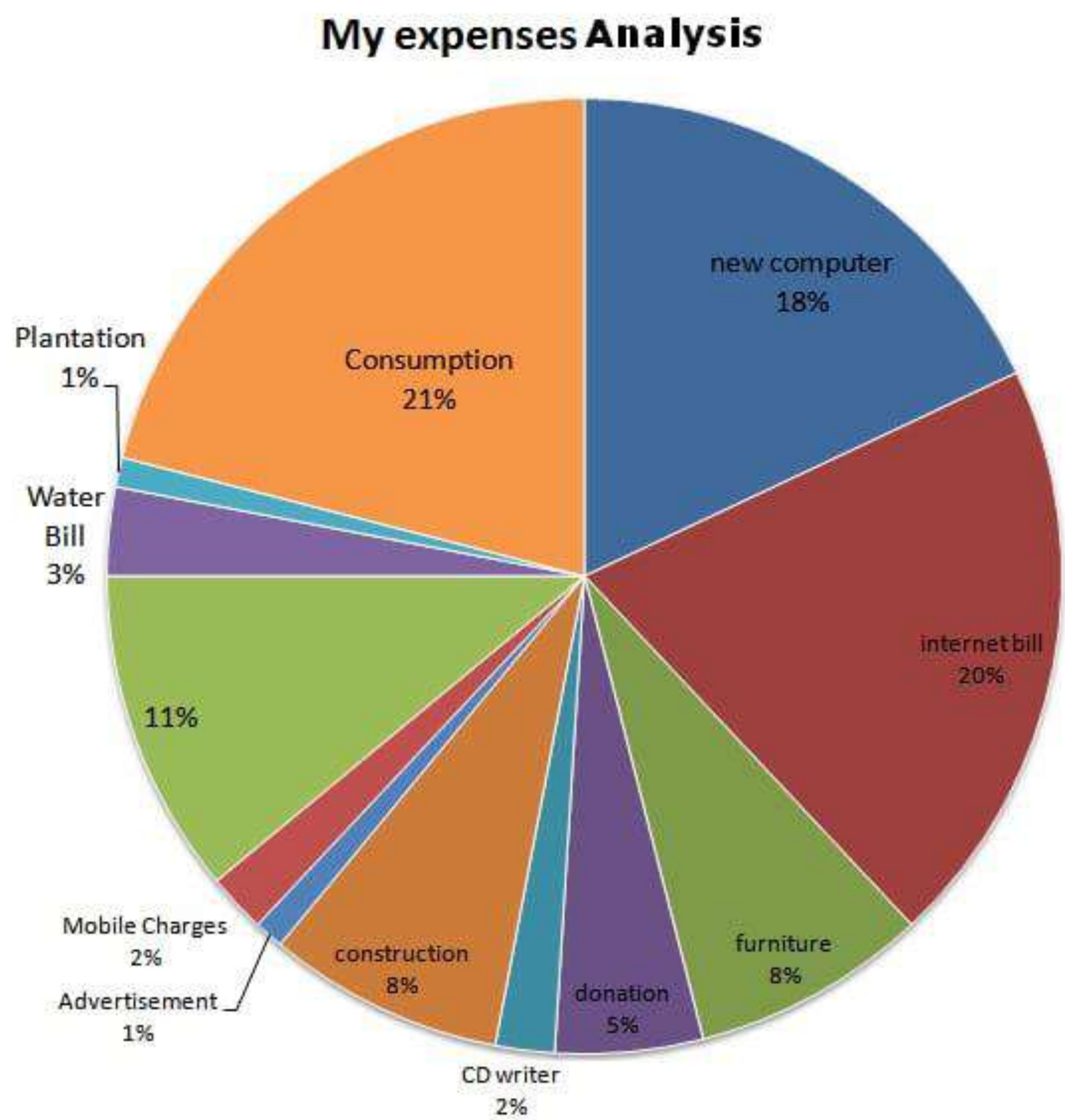
IIARD International Journal of Economics and Business Management 1 (7), 1-10, 2015

This study is examined the impact of forensic audit on corporate fraud in Nigeria. The objective of the study is to determine the relationship between forensic audit and corporate fraud. In order to collect sufficient primary data, the survey method was employed and questionnaires designed and distributed to collect the needed data, while the data were analyzed using IBM SPSS Statistics 21ordinary least square (OLS) regression technique. The study concluded based on the statistical analysis that the frequent utilization of forensic audit services will significantly help in the detection, prevention as well as reduction of incidences of fraud in and businesses. Consequently forensic audit was adjudged to be an efficient and effective tool against corporate fraud. It therefore recommended that forensic audit be made statutory for businesses and organizations.

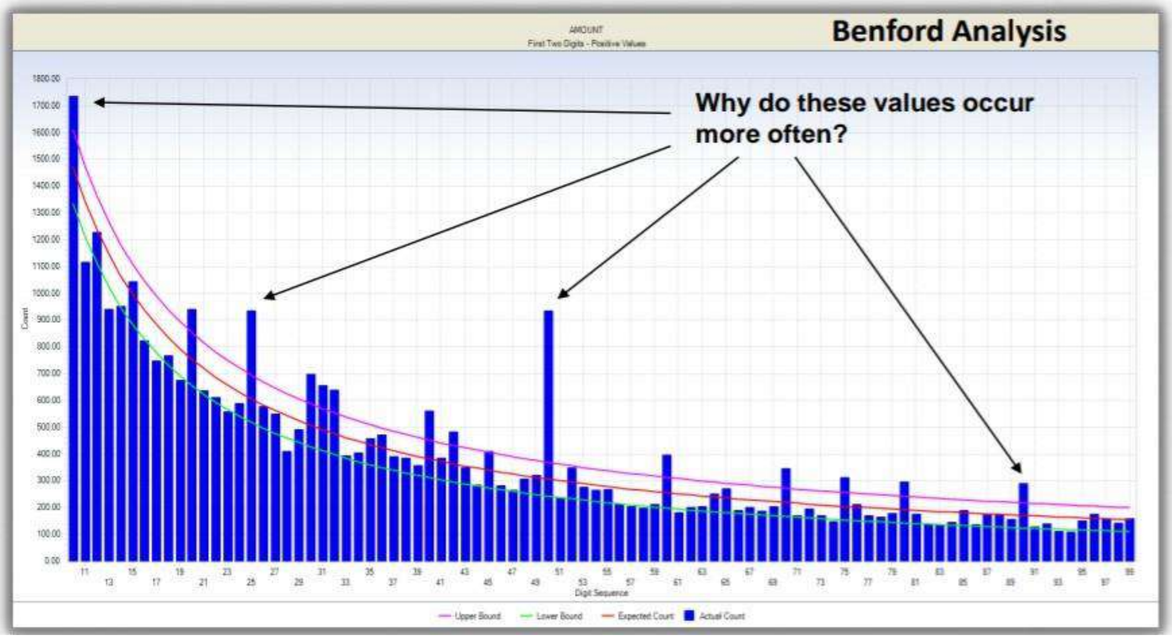
Disclosures about new financial frauds and scandals are continually appearing in the press. As a consequence, the accounting profession's traditional methods of monitoring corporate financial activities are under intense scrutiny. At the same time, there is recognition that principles-based GAAP from the International Accounting Standards Board will become the recognized standard in the US The authors argue that these two factors will change the practices used to fight corporate malfeasance as investigators adapt the techniques of accounting into a forensic audit engagement model.

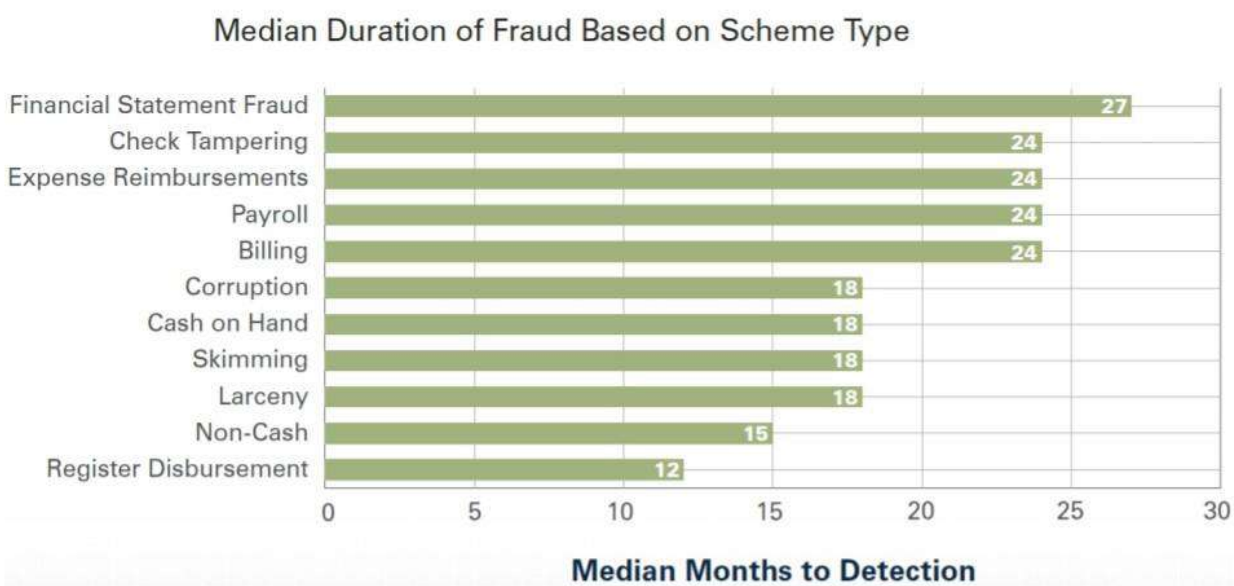
CHAP. NO:- 4 DATA ANALYSIS AND INTERPRETATION

1.1 pie chart



1.2 Histogram


Benford Analysis
Why do these values occur more often?
Upper Bound
Lower Bound
Expected Count
Actual Count
Digit Sequence
Count


Median Duration of Fraud Based on Scheme Type
Financial Statement Fraud
27
Check Tampering
24
Expense Reimbursements
24
Payroll
24
Billing
24
Corruption
18
Cash on Hand
18
Skimming
18
Larceny
18
Non-Cash
15
Register Disbursement
12
Median Months to Detection

1.3 correlation

Statutory Vs Forensic Audit

Sr	Particulars	Statutory Audit	Forensic Audit
1	Objective	Express opinion as to 'true & fair' presentation.	Whether any fraud has actually taken place in books.
2.	Techniques	'Substantive' and 'compliance' procedures. Sample based.	Investigative, substantive or in depth checking
3.	Period	Normally for a particular accounting period	No such limitations.
4.	Verification of stock, estimation of realizable value of current assets, provisions/ Liability estimation, etc.	Relies on the management certificate/Management Reporesentation	Independent verification of suspected/ selected items
5.	Off balance-sheet items (like contracts etc.)	Used to vouch the arithmetic accuracy & compliance with procedures.	Regularity and propriety of these transactions/contracts are examined.
6.	Adverse findings, if any	Negative opinion or qualified opinion expressed, with/without quantification.	Legal determination of fraud and naming persons behind such frauds.

CHAP.5 BIBLOGRAPHY & REFERENCES

AComparative View of Anti-Corruptlon Laws of India: A Legal. Regula1ory. Tax and Strategic Perspective. lehllh Desai and Assomates.

Bologana and Robert (2013), Fraud Audmng and Forensic Accounting: New Tools and techniques. 2"“ Edmon.

Coderre David (2009). Internal Audlt: Efficiency through Automation. John Wuley and Sons, Inc.

Companies Act. 2013: What will be Its impact on Fraud in India. The EY~BUIldIng a Better Working World, Ernst 8. Young LLP.

Corruption and Economlc Growth, Paper Senes. Organization for Economic Cooperatlon and Development.

Chandra Shekhar (2017). Why Growth has not HI! Conuptnon Hard in India. The LIvemInt, July 5. 2017. Durkin Ron. Forensu: Auditing: the Audit of the Future. Today. The Durkin Forensnc Incorporated.

George A. Mannlng (2010). FinanCIal Investigation and Forensic Accounting, 3" Edition, CRC Press.

Gangully Jagdlsh (2015). Lecture Notes on Forensic Accounting Investigations. Acc 551 at SUNY Albany.

Gupta and Gupta (2015), Corporates Frauds in India Perceptions and Emerging Issues. Journal of FinanCIal Cnme. 22(1): 79 -103.

Ibrahim Kablr (2016), Forensic Audit. Forensuc Tools and Techniques for lntemal Auditors.
Pickett K H (2010), The Internal Audmng Handbook, 3" Edmon, John Wiley and Sons. Inc.
Shah Bhavesh (2014). Basics about Fomsic Accounting and Auditing. The Linkedln.

Shah Sandeep (2016), Fraud Reporting under Companies Act, 2013, Bombay Chartered Accountants‘ Association.

Silverstone and Pedneault (2013). Forensic Accounting and Fraud Invesngatlon for Non-Experts. 3"1 Edition. ISBN-13: 978-0470879597.

Thomas W. Golden, et al. (2011). Guide to Forensic Accounting Investigations. WIIey Enterprise Learning Solutions.

Tommie W. Singleton, Aaron J. Singleton (2010), Fraud Auditing and Forensic Accounting, 4‘h Edmon, Wiley, ISBN: 978-0-470-56413-4.

1.2 ANNEXURE

First Fraud Report to BoardlAudIt Committee Auditor shall forward his report to the Board or the Audit Committee. as the case may be, immediately

a. after he comes to knowledge of the fraud, seeking their reply or observations Within 45 days;

Final Fraud Report to Central Government on receipt of First Fraud Report on receipt of such reply or observations the auditor shall forward his report and the reply or observations

b. of the Board or the Audit Committee along with his comments (on such reply or observations of the Board or the Audit Committee) to the Central Government Within 15 days of receipt of such reply or

observations; Final Fraud Report to Central Government on failure of receipt of F irst Fraud Report

in case the auditor fails to get any reply or observations from the Board or the Audit Committee within

c. the stipulated period of 45 days, he shall forward his report to the Central Government along With a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for

which he failed to receive any reply or observations Within the stipulated time.

Authority and Mode/Format of dispatching Final Fraud Report to Central Government I Ruie 13(2): The report shall be sent to the Secretary, Ministry of Corporate Affairs in a sealed cover by Registered Post with Acknowledgement Due or by Speed post followed by an e-mail in conmmation of

the same. Rule 13(3): The report shall be on the ietter-head of the auditor containing postal address, e-mail address

I and contact number and be signed by the auditor With his seal and shall indicate his Membership

Number. Rule 13(4): The report shall be in the form of a statement as specmed in Form ADT-4. This Form of

I Report is available as an m to The Companies (Audit and Auditors) Rules, 2014.

Similar Provisions of Fraud Reporting applicable to Cost Auditor and Secretarial Auditor Rule 13(5): The provision of this rule shall also apply, mutatis mutandis, to a cost auditor and a secretarial auditor during the performance of his duties under Section 148 and section 204 respectively.

The new law has also bestowed legal status on the Serious Fraud Investigation OMCe, a probe agency under the Ministry of Corporate Affairs. Serious Fraud investigation Office (SFIO) is established by Central Government to

investigate frauds relating to a company

CHAP. 6 EXECUTIVE SUMMARY

Aforensic audit is an examination and evaluation of a firm's or individual's financial records to derive evidence that can be used in a court of law or legal proceeding. Forensic auditing is a specialization within the field of accounting, and most large accounting firms have a forensic auditing department. Forensic audits require the expertise of accounting and auditing procedures as well as expert knowledge about the legal framework of such an audit.

Forensic audits cover a wide range of investigative activities. A forensic audit may be conducted to prosecute a party for fraud, embezzlement, or other financial crimes. In the process of a forensic audit, the auditor may be called to serve as an expert witness during trial proceedings. Forensic audits could also involve situations that do not involve financial fraud, such as disputes related to bankruptcy filings, business closures, and divorces.

Reasons to Conduct a Forensic Audit

Forensic audit investigations can uncover, or confirm, various types of illegal activities. Usually, a forensic audit is chosen, instead of a regular audit, if there's a chance that the evidence collected would be used in court. Below, we cite instances that could necessitate a forensic audit:

Corruption or Fraud

In a forensic audit, an auditor would be on the lookout for

Conflicts of Interest—when a fraudster uses his or her influence for personal gains to the detriment of the company. For example, if a manager allows and approves inaccurate expenses of an employee with whom he has personal relations.

Bribery—offering money to get things done or influence a situation in one’s favor.

Extortion—the wrongful use of actual or threatened force, violence, or intimidation to gain money or property from an individual or entity.

A forensic audit is an examination and evaluation of a firm's or individual's financial records to derive evidence that can be used in a legal proceeding.

A forensic audit may be conducted to prosecute a party for fraud, embezzlement, or another criminal behavior.

The forensic auditor needs to be present during court proceedings to explain the evidence collected and how the team identified the suspect(s). He or she should simplify any complex

accounting issues and explain the case in a layperson's language so that people who have no understanding of legal or accounting terms can understand the fraud clearly.

During the planning stage, the forensic auditor and team will plan their investigation to achieve objectives, such as

Identifying what fraud, if any, is being carried out

Determining the period during which the fraud occurred

Discovering how the fraud was concealed

Naming the perpetrators of the fraud

Quantifying the loss suffered as a result of the fraud

Gathering relevant evidence that is admissible in court

Suggesting measures to prevent such frauds from occurring in the future

The evidence collected should be adequate enough to prove the identity of the fraudster(s) in court, reveal the details of the fraud scheme, and document the financial loss suffered and the parties affected by the fraud.

A logical flow of evidence will help the court in understanding the fraud and the evidence presented. Forensic auditors are required to take precautions to ensure that documents and other evidence collected are not damaged or altered by anyone.

A forensic audit requires a written report about the fraud to be presented to the client so that they can proceed to file a legal case if they so desire. At a minimum, the report should includeThe findings of the investigation

A summary of the evidence collected

An explanation of how the fraud was perpetrated

Suggestions for preventing similar frauds in the future—such as improving internal controls

University Of Mumbai

A PROJECT REPORT ON

"CASE STUDY ON INSURANCE CLAIM SETTLEMENT PROCESS OF KOTAK MAHINDRA LIFE INSURANCE"

Bachelor of Management Studies

Semester VI

(2019 – 2020)

Submitted by

PAL KUNDAN MANORANJAN

Seat No.: 1162763

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

CERTIFICATE

This is to certify that **MR. PAL KUNDAN MANORANJAN** Seat no: 1162763 of Third Year B.M.S., Semester VI (2019 – 2020) has successfully completed the project on under the guidance of Assistant Prof. **DRAKSHA KHAN**

Prof. Madhura Vilekar	
Project Guide	**External Examiner**
Asst. Prof Draksha Khan	Dr.Subhash Vadgule
Course Coordinator	**Principal**

College Seal

DECLARATION

I, **PAL KUNDAN MANORANJAN** the student of T.Y.B.M.S. Semester VI (2019 – 2020) hereby declare that I have completed the project on **"CASE STUDY ON INSURANCE CLAIM SETTLEMENT PROCESS OF KOTAK MAHINDRA LIFE INSURANCE"**.The information submitted is true and original to the best of my knowledge.

Signature of Student

Pal Kundan Manoranjan

Seat No : 1162763

BGPS, MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

ACKNOWLEDGEMENT

I Thanks all who help me to completing my project and making this successful.

I would like acknowledge the following as being idealistic channels and fresh dimension in the competition of this project.

I take this opportunity to thank the University of Mumbai for giving me chance to do this project.

I would like to thank my principal,subhash vadgule for providing the necessary facilities required for completion of project.

I take this opportunity to thank our course coordinator Asst. prof. Draksha khan , for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide Prof.DRAKSHA KHAN whose guidance and care made the project successful.

I would like to thank my college library , for having provided various reference books and magazines related to my project .

Lastly, I would thank each and every person who directly or indirectly helped me in the completion of the project especially Biky Paul

EXECUTIVE SUMMARY

Primary Purpose is you strive to provide comfort, happiness, and security to your family and you would want your family's future to be secured at all times. Your presence provides them with an envelope of security. Should your absence mean anything less? In the unfortunate event of death of the life insured during the term, the beneficiary would receive Death Benefit as per Plan Option selected. Plan offers the option to enhance your coverage against Accidental Death, Total and Permanent Disability. Further, you can also choose additional cover through Critical Illness Plus Benefit Rider on payment of additional premiums, therefore ensuring a complete cover against the unfortunate eventualities. Secondary is the claim that moment of truth as far as an Insurance policy is concerned. It is the culmination of the insurance contract. The expectation of the policyholder is whenever the claim amount has fallen due, the insurer honours the claim and makes the payment of the insured amount at the earliest and with least possible inconvenience. The efficiency of claim handling is a test of the customer service orientation of an insurer.

The study focuses on the claim settlement process of eTerm Plan of Kotak Mahindra Life Insurance. Today Term Plan play a crucial role with higher cover, long policy term, lower premium and innovative features. Term plans provide pure life cover. This means there is no savings / profits component. With the increasing market due to increasing number of policies, numbers of claims are also increasing. Therefore it is very much essential to have simple and clear claim settlement process.

The study is based on the Primary data researched from Claims Team, E insurance Team and senior management employee of Kotak Mahindra Life Insurance and Secondary data collected from IRDA and research papers from various journals. The study concluded that Claim settlement process need to be as per requirement of the customers, so that at the time of need, no customer should be suffered due complexity of the claim settlement process. Faster claim settlement process reduces the cost of processing any claim whereas multiple stages in the process should be avoided since it increases the cost of claim settlement. For increasing the speed, policyholders should be provided proper information on regular bases. Kotak Mahindra Life Insurance is the oldest private life insurance provider in India; adaptability is one of the major strength of this organization. In order to make claim settlement process more transparent and customer oriented, stress should be given on that. Company should adopt flexible and they have to update their claim settlement as per the changing time and trend.

TABLE OF CONTENTS

INTRODUCTION

Insurance is a protection against economical loss arising due to an unexpected event. Insurance contract is a contract by which one party called the insurer promises to save the other party, the insured on payment of consideration known as the premium. A right of insured to receive the amount secured under the policy of insurance contract promised by insurer is called claim. Claims can be maturity claims arise because of survival up to the end of the policy term i.e. to the date of maturity, survival benefits due to survival up to a specified period during the term, death claims arise due to death of the life assured during the term. Policy holders or nominees must first file an insurance claim before any money can be provided. An insurance claim is provided by an insurance company. The insurance company may or may not approve the claim, based on their own assessment of the condition under which claim is made. Claim settlement is one of the most important part of life insurance services. It said that really testing of any insurance is done at the time of the claims. Any policyholder expects to have fair and hassle free claim settlement process at the time of need. Claim settlement process normally involves multiple systems, multiple processes, and multiple channels. Today insurance companies have improved their claim settlement process, controlled claim expenses and focuses towards improving customer satisfaction. LIC of India is one of the oldest life insurance provider in India and still holding majority of life insurance market. ICICI prudential life insurance company is one of the first private life insurance company set up in India in December 2000 and maintaining its lead over private sector life insurance companies.

Life Insurance Definition & Explanation

If you were to go by the dictionary definition, “life insurance” is a financial product that pays you or your dependants a sum of money either after a set period or upon your death as the case may be.

However, if you were to understand the term clearly and also appreciate its importance in your life, consider “life insurance” as a back-up plan for life. Life insurance in its simplest form means being prepared financially, come what may. It ensures that your family and you receive financial support in case you are not able to bring in the much-needed income yourself (maybe due to an accident, retirement, or untimely demise).

In legal terms, life insurance is a contract between an insurance policy holder (insured) and an insurance company (insurer). Under this contract, the insurer promises to pay a pre-decided sum of money (also known as “Sum Assured” or “Cover Amount”) upon the death of the insured person or after a certain period.

LIFE INSURANCE IN INDIA

In India, insurance business started 150 years ago. With the establishment of the Oriental Life insurance company in Calcutta, the business of life insurance in India was started in 1818. It was started by Mr. Bipin Behari Dasgupta and Europeans living in India were their primary customers. The first native insurance provider in India was formed in 1870 with the name Bombay Mutual Life Assurance Society. In 1938, Insurance Act was passed and department of insurance under the authority of superintendent of Insurance was established for the administration of the Insurance Act. In 1939 – 1955 uncovers absence of trust which was the foundation of life insurance business and nationalization got vital. LIC of India was formed in 1956 by an Act of parliament and is fully owned by Government of India. As on till date there are total 24 Life Insurance Companies in India. Life Insurance Corporation of India, Kotak Mahindra Life Insurance, ICICI Prudential Life Insurance Company, Bajaj Allianz Life Insurance Company, and HDFC Life Insurance Company Etc., are the few names of Public sector and Private sector companies.

Life insurance is mainly taken for two objectives, first is for risk coverage and second is for the investment objective.

i) Risk coverage: Lump sum payment is provided if specific event occurred.

ii) Investment: Money is invested with a motive of getting greater return.

Primary purpose of any insurance service is to provide risk against uncertainty. For this risk management, policy holder regularly pays insurance premium to the insurance providing company. However, the risk is intangible and seldom is the need for a risk coverage felt by an individual customer, therefore an extra effort needed to make the customer understand the need for insurance.

KOTAK MAHINDRA GROUP

In 1985 Mr. Uday Kotakestablished that became an Indian financial services conglomerate. In February 2003, Kotak Mahindra Finance Ltd., the Group's flagship company, received a banking licence from the Reserve Bank of India (RBI). With this, KMFL became the first non-banking finance company in India to be converted into a bank – Kotak Mahindra Bank Limited ltd. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas.

Journey

From launching Kotak Mahindra Finance Ltd. in 1985 to becoming one of the country's most trusted financial institutions today, it's been quite a journey.

Here are some of the biggest milestones we've crossed along the way.

1985: Kotak Mahindra Finance Ltd. Commences bill discounting business.

1987: Entry into lease and hire purchase business.

1990: Launch of auto finance division for financing passenger cars.

1991: Investment banking division established.

1995: launch KMCC, a joint venture with Goldman Sachs Group for Investment banking.

1996: Launch of Kotak Mahindra Primus Ltd. (now Kotak Mahindra Prime Ltd.) a joint venture with Ford credit.

1998: India's first gilt fund launched through Kotak Mahindra Asset Management company (KMAMC)

2001: Lunch of Kotak Mahindra Life Insurance Ltd. In partnership with Old Mutual PLC.

2003: KMFL becomes India's first non-banking finance company to be converted into a commercial bank.

2004: Kotak Mahindra Group enters alternate assets business with the launch of a private equity fund.

2005: Real Estate fund launched by Kotak Alternate Assets.

2006: We buy out Goldman Sachs' equity stake in KMCC and Kotak Securities Ltd.

2008: Opening of the Bank's representative office in Dubai.

2009: Launch of Pension fund under India's National Pension System (NPS)

2014: Acquisition of 15% equity stake in Multi Commodity Exchange of India Ltd. (MCX)

2015: Kotak Mahindra General Insurance receives IRDA Approval to commence insurance business and RBI approve merger of ING Vysya Bank with Kotak Mahindra Bank effective April 1, 2015.

2016: Acquisition of 9,83,82,022 (19.90%) equity shares of Airtel M Commerce Services Ltd. Co. (AMSL) and Acquisition of 10,00,000 equity shares of Institutional Investor Advisory Services India Ltd.

2017: Kotak Mahindra Bank Acquires BSS Microfinance Private Ltd. and Kotak Mahindra Bank Unveils Bold Organic Growth Charter with 811.

2018: Launch of Kotak Infrastructure Debt Fund Ltd. and Buyout of 26% Old Mutual PLC UK (OM) stake in Kotak Mahindra Old Mutual Life Insurance Limited.

Our Businesses

Kotak Mahindra is one of India's leading banking and financial services groups, offering a wide range of financial services that encompass every sphere of life.

Kotak Mahindra Bank Ltd

In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the Group's flagship company, received banking license from the Reserve Bank of India (RBI), becoming the first non-banking finance company in India to convert into a bank - Kotak Mahindra Bank Ltd.

Effective April 1, 2015, ING Vysya Bank Ltd. merged with Kotak Mahindra Bank Ltd.

The Bank has four Strategic Business Units – Consumer Banking, Corporate Banking, Commercial Banking and Treasury, which cater to retail and corporate customers across urban and rural India.

Kotak Securities Ltd

Kotak Securities is one of the largest broking houses in India with a wide geographical reach. Kotak Securities operations include stock broking and distribution of various financial products including private and secondary placement of debt, equity and mutual funds.

Kotak Securities operate in five main areas of business:
Stock Broking (retail and institutional)
Depository Services
Portfolio Management Services
Distribution of Mutual Funds
Distribution of Kotak Mahindra Old Mutual Life Insurance Ltd products

Kotak Mahindra General Insurance Company Ltd

Kotak Mahindra General Insurance Company Ltd (Kotak General Insurance) is a 100% subsidiary of Kotak Mahindra Bank Ltd. Kotak General Insurance provides service in the growing non-life insurance segment in India. Kotak General Insurance caters to a wide range of customer segments & geographies, offering an array of non-life insurance products like Motor, Health, Fire, etc. As one of the fastest growing insurance companies in India, Kotak General Insurance provides a differentiated value proposition through customized products & services leveraging state of the art technology & digital infrastructure.

Kotak Mahindra Capital Company (KMCC)

Kotak Investment Banking (KMCC) is a full-service investment bank in India offering a wide suite of capital market and advisory solutions to leading domestic and multinational corporations, banks, financial institutions and government companies.

Our services encompass Equity & Debt Capital Markets, M&A Advisory, Private Equity Advisory, Restructuring and Recapitalization services, Structured Finance services and Infrastructure Advisory & Fund Mobilization.

Kotak Mahindra Prime Ltd (KMPL)

Kotak Mahindra Prime Ltd is among India's largest dedicated passenger vehicle finance companies. KMPL offers loans for the entire range of passenger cars, multi-utility vehicles and pre-owned cars. Also on offer are inventory funding and infrastructure funding to car dealers with strategic arrangements via various car manufacturers in India as their preferred financier.

Kotak International Business

Kotak International Business specialises in providing a range of services to overseas customers seeking to invest in India. For institutions and high net worth individuals outside India, Kotak International Business offers asset management through a range of offshore funds with specific advisory and discretionary investment management services.

Kotak Mahindra Asset Management Company Ltd (KMAMC)

Kotak Mahindra Asset Management Company offers a complete bouquet of asset management products and services that are designed to suit the diverse risk return profiles of each and every type of investor. KMAMC and Kotak Mahindra Bank are the sponsors of Kotak Mahindra Pension Fund Ltd, which has been appointed as one of six fund managers to manage pension funds under the New Pension Scheme (NPS).

Kotak Private Equity Group (KPEG)

Kotak Private Equity Group helps nurture emerging businesses and mid-size enterprises to evolve into tomorrow's industry leaders. With a proven track record of helping build companies, KPEG also offers expertise with a combination of equity capital, strategic support and value added services. What differentiates KPEG is not merely funding companies, but also having a close involvement in their growth as board members, advisors, strategists and fund-raisers.

Kotak Realty Fund

Kotak Realty Fund deals with equity investments covering sectors such as hotels, IT parks, residential townships, shopping centres, industrial real estate, health care, retail, education and property management. The investment focus here is on development projects and enterprise level investments, both in real estate intensive businesses.

Kotak Mahindra Life Insurance Ltd

A Company that combines its international strengths and local advantages to offer its customers a wide range of innovative life insurance products, helping them take important financial decisions at every stage in life and stay financially independent. The company covers over 3 million lives and is one of the fastest growing insurance companies in India.

Our Values

We are driven by our strong values that have held us together over the years:

KOTAK LIFE INSURANCE

Kotak Mahindra Life Insurance Company Ltd. (formerly known as Kotak Mahindra Old Mutual Life Insurance Ltd., company was founded in 2001) is one of the fastest growing insurance companies in India, covering over 20 million lives nationwide (as on 31st March 2018) with 232 branches in around 167 cities and towns in India with above 1 Lakh agents.

Under the umbrella, the company offers various protection plans, savings and investment plans, child plans and retirement plans.

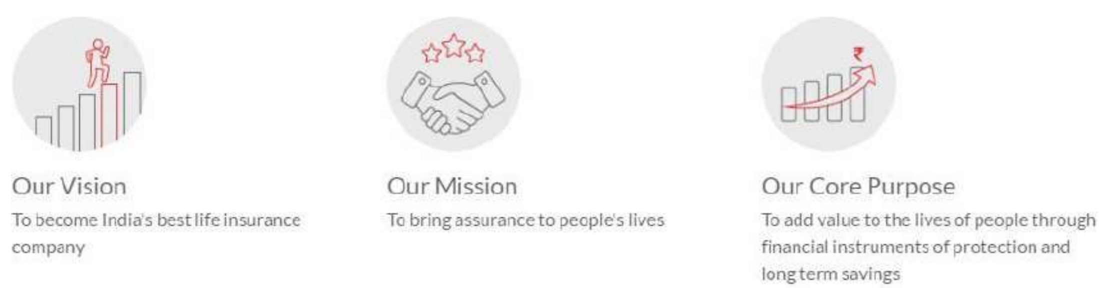
About

The Kotak Mahindra Group was founded in 1985 as a provider of financial services. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the Group's flagship company, received banking license from the Reserve Bank of India (RBI) to conduct banking operations in the country and was renamed as Kotak Mahindra Bank Ltd, the parent company of Kotak Life Insurance.

Product and Services

Kotak Life Insurance's products include rural plans, term plans, savings, children, retirement and investment plans. The company currently has 30 Participating, 45 Non Participating and 50 ULIP Plan with 8 am to 10 pm contact centre service.

Our Vision and Mission



TERM INSURANCE

Definition &Meaning

Many of us aren't aware of what is term insurance? It is basically a type of life insurance that provides coverage for a certain period of time or years. If the insured dies over the policy tenure a death benefit (or sum assured) is paid out. No payout is made if the insured survives the tenure.

The purpose of taking life insurance is to provide life cover to the policyholder and financial security to his family.

Why term insurance is better

Term plans provide pure life cover. This means there is no savings / profits component. They are basic plans which make life insurance more affordable vis-à-vis other options. It is possible for the policyholder to opt for a larger life cover at a lower premium when compared to a similar endowment plan.

Some of the key features that make term plans indispensable include

1. Larger life cover

Since term life insurance plans are more affordable it is possible for an individual to opt for a higher life cover for the same premium as an endowment plan.

2. Riders and In-Built Features

The policyholder can attach riders and feature to the term plan, thereby enhancing the utility of the policy. So by opting for a critical illness rider or in built features for instance, he is entitled to receive the sum assured on being diagnosed with the critical illness, additional Sum Assured payable in case of death due to accident and waiver of Premium on total & Permanent Disability. The policyholder should select riders based on his specific needs to make the life cover more suitable and meaningful.

3. Step-up and Step-down option

Certain insurance companies offer the flexibility to enhance the life cover during critical stages of the policyholder's life. For instance, the policyholder may be permitted to enhance life cover by 50% at the time of marriage and by 25% at the time of turning a parent. This makes it possible for him to start with a modest cover and then enhance it as responsibilities increase as also the ability to pay higher premium and also responsibilities don't remain the same throughout the life. Under Regular Premium paying policies, in the event of real need, you can step down to a lower amount of cover subject to the minimum amount of cover available in this plan.

4. Innovative features

While insurance companies have been quick to innovate in general, they have been most innovative with regards to what is term plans. For instance, companies have been quick and proactive in cutting premium rates even offering extra discounts to certain categories like non-smokers, for instance. Buying term plans is now quite convenient thanks to the internet. It is possible for a healthy individual, as defined by the insurer, to buy a term plan over the internet without taking a medical test.

About Kotak e-Term Plan - A Pure Protection Life Insurance Plan

You strive to provide comfort, happiness, and security to your family and you would want your family's future to be secured at all times. Your presence provides them with an envelope of security. Should your absence mean anything less?

Presenting Kotak e-Term Plan – a specially designed pure risk cover plan that provides protection to your loved ones. It is truly an economical means of providing high level of protection. This plan offers special premium rates to non-tobacco users and women.

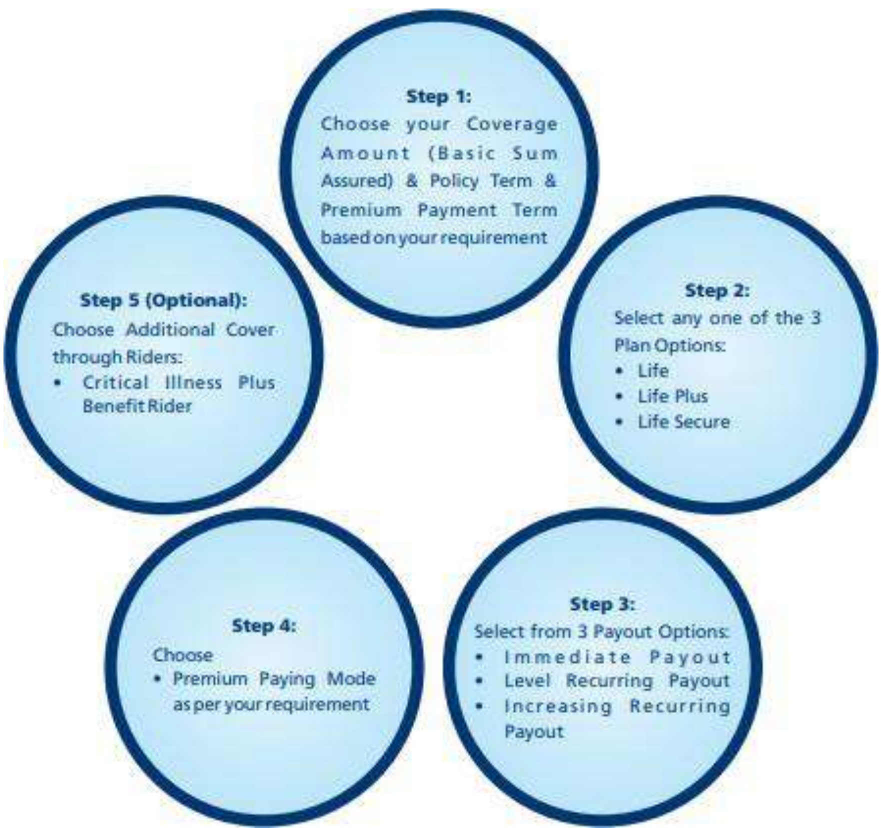
In the unfortunate event of death of the life insured during the term, the beneficiary would receive Death Benefit as per Plan Option selected. What's more? This plan offers the option to enhance your coverage against Accidental Death, Total and Permanent Disability. Further, you can also choose additional cover through Critical Illness Plus Benefit Rider on payment of additional premiums, therefore ensuring a complete cover against the unfortunate eventualities.

Key Features:

Eligibility:

Eligibility Criteria	Minimum	Maximum
Entry Age (as on last birthday)	18 years	65 years
Maturity Age (as on last birthday)	23 years	75 years
Policy Term	5 years	Upto 40 years or (75 years – Age at Entry)

How Does the Plan Work?



CLAIM SETTLEMENT RATIO BY IRDA FOR TERM INSURANCE 2019-20

We often see the news regarding the Claim Settlement Ratio of Insurance Companies. Insurance Regulatory and Development Authority (IRDA), the Insurance Regulator will publish the details regarding this in its annual report. While it looks like a technical insurance term, it is in our own interest to know what it means for us.

What is Claim Settlement Ratio – Meaning?

Claim Settlement Ratio = Total Claims Approved (paid to nominees) divided by Total Claims Received by the Company.

So Claim Settlement Ratio (or IRDA claim ratio) is the total number of death claims approved by an insurance company, divided by the total no. of death claims received by the insurance company. It is generally measured for a period of one financial year. It is measured for all products of the company put together (not term insurance plans alone).

To explain this, if an insurance company received 1000 death claims between Apr 1, 2019 and Mar 31, 2020, out of which it

- Paid 973 claims to the nominees of those dead,
- Rejected 16 claims, and
- Is yet to take a decision on the remaining (1000-973-16=) 11 claims,

Then

- the claim settlement ratio (or claims acceptance ratio or claims ratio) of the insurance company = 973/1000 = 97.3%
- the claim repudiation ratio (or claims rejection ratio) of the company = 16/1000 = 1.6%
- the claim pending ratio of the company = 11/1000 = 1.1%

IRDA Claim Settlement Ratio 2019-20 – Term Insurance

- Claim Settlement Ratio is calculated for Death Claims only
- Maturity Claims are not included in Claim Settlement Ratio
- It includes all products of Life Insurance Company whether it is a Term Plan, Endowment Plan or ULIP
- IRDA does not publish Claim Settlement Ratio of Term Insurance separately

Claim Settlement Ratio of Life Insurance Companies by IRDA – 2019-20

Life Insurance Companies	Total Number of Claims	Claims Paid	IRDA Claim Settlement Ratio 2017-18
Max Life	10332	10152	98.74%
LIC of India	739082	724596	97.79%
Tata AIA Life	2850	2793	99.07%
ICICI Prudential Life	11459	11216	99.04%
HDFC Standard Life	12566	12289	97.80%
Bharti Axa Life	888	860	97.28%
Exide Life	3357	3250	97.03%
SBI Life	18885	18274	95.03%
DHFL Pramerica Life	592	572	96.80%
Aditya Birla Sun Life	5491	5292	97.15%
Aegon Life	554	530	96.45%
Edelweiss Tokio Life	189	180	95.82%
Canara HSBC OBC Life	837	797	94.04%
Reliance Nippon Life	8987	8553	97.71%
Aviva Life	1118	1056	96.06%
Kotak Mahindra Life	**3074**	**2881**	**97.40%**
Future General Life	1291	1202	95.16%
Star Union Daichi Life	1241	1145	96.74%
Bajaj Allianz Life	14315	13176	95.01%
IDBI Federal Life	1161	1068	95.79%
PNB Met Life	4089	3726	96.21%
India First Life	1810	1626	92.82%
Sahara Life	672	556	90.16%
Sriram Life	3146	2524	85.03%

Comparison of Claim Settlement Ratio -2017-18 and 2016-17

Life Insurance Companies	IRDA Claim Settlement Ratio 2017-18	IRDA Claim Settlement Ratio 2016-17	Change in Claim Settlement Ratio
Sahara Life	82.74%	90.21%	-8.28%
Aegon Life	95.67%	97.11%	-1.49%
LIC India	98.04%	98.31%	-0.27%
HDFC Standard Life	97.80%	97.62%	0.18%
Canara HSBC OBC	95.22%	94.95%	0.29%
Bajaj Allianz Life	92.04%	91.67%	0.41%
Exide Life	96.81%	96.40%	0.43%
Max Life Insurance	98.26%	97.81%	0.46%
Reliance Life	95.17%	94.53%	0.68%
ICICI Prudential Life	97.88%	96.68%	1.24%
Birla Sunlife	96.38%	94.69%	1.78%
IDBI Federal	91.99%	90.33%	1.84%
TATA AIA	98.00%	96.01%	2.07%
Edelweiss Tokio	95.24%	93.29%	2.09%
Kotak Mahindra	**93.72%**	**91.24%**	**2.72%**
SBI Life	96.76%	93.39%	3.61%
Future Generali	93.11%	89.53%	3.99%
Aviva	94.45%	90.60%	4.25%
PNB Met Life	91.12%	87.14%	4.57%
Bharti AXA	96.85%	92.37%	4.85%
DHFL Pramerica	96.62%	90.87%	6.33%
India First	89.83%	82.65%	8.69%
Star Union	92.26%	84.05%	9.77%
Shriram Life	80.23%	63.53%	26.29%

- Claim settlement ratio of LIC has decreased by 0.25%
- Kotak Mahindra life claim settlement ratio has increased by 3.68%

Why Kotak Mahindra life have low Claim Settlement Ratio?

In Life Insurance business, the companies will have a low Claim Settlement Ratio in their initial years of operations because of the applicability of Section 45 of the Insurance Act. Any claims reported in the first 3 years of the policy are called Early Claims and insurance companies will be carrying out a detailed investigation to ensure the genuine nature of such claims. If it is found that the policy holder has deliberately suppressed material facts at the time of taking the policy, such claims will be repudiated. But after the first 3 years, the claims are called as Non-early Claims and they cannot be rejected.

Section 45 of the Insurance Act, 1938 – Indisputability Clause

New Clause – No policy of life insurance shall be called in question on any ground whatsoever after the expiry of three years from the date of the policy, i.e. from the date of issuance of the policy or the date of commencement of risk or the date of revival of the policy or the date of rider to the policy, whichever is later.

That means your claim cannot be rejected by the life insurance company after 3 years of risk commencement, issuance of policy or revival of policy, whichever is later.

Will you go with LIC or with Kotak Mahindra life?

It is up to you to select the Life Insurance Company of your choice. But Claim Settlement Ratio alone should not be the criteria in deciding the company.

Let me explain with an example:

Mr. X has purchased a Term Policy of Rs. 50 Lakh from a private company. This private company was not having a high Claim Settlement Ratio, as per the IRDA data. Since he is a diabetic, he disclosed his health condition. He has undergone the pre- medical examination arranged by the insurance company and his premium was loaded by around 20% from the normal premium quoted earlier. Unfortunately, he died within 2 years of taking the policy. His nominee got the claim because he had mentioned his health conditions correctly at the time of buying the policy. Had he not mentioned that, his nominee would have been denied the claim after a detailed claim investigation by the company.

Now, imagine another situation:

Mr. X has taken a policy from the company with the highest Claim Settlement Ratio. Here, he has not disclosed his diabetic condition. What will happen, if there is a claim in the first 3 years like above? Will his nominee receive the claim? No, because each claim will be investigated separately and will be decided on the merit of each case.

In case of claim after 3 years?

Such claims will be treated as non-early claim and cannot be rejected

What you should do while buying a policy?

If you fill up all the correct information while buying the policy, you need not worry about the Claim Settlement Ratio of the company. You have to read each question in the Proposal Form and answer it correctly to the best of your knowledge. There will be questions about your current health conditions, medication, family history of hereditary diseases, previous policies held by you, etc. Habits like smoking and drinking also have to be disclosed. There can be a pre-medical examination depending on the type of policy and its value. The insurance company will decide on each proposal based on the information given by you. If there is an adverse finding, the company will either charge a higher premium or reject the proposal.

You should fill the Proposal Form by yourself. Agents can definitely help you in filling the Proposal Form but never allow them to fill it by themselves by just putting your signature on it.

Some Disclaimers on Claim Ratio

While claim settlement ratio is recommended as worthy of consideration at the time of buying a term insurance plan, the ratio is only indicative and not 100% perfect for this purpose. The reasons for which we are saying this, are as follows.

1. The ratio is for all life insurance products put together and not just term insurance plans. So claim settlement ratio works in favor of life insurance companies with large non-term product customer base since such customers had bought a life insurance policy mainly with the aim of getting returns rather than as a protection tool in case of death.

2. Frauds committed by customers cannot be blamed on the life insurance company. In such cases, it is only correct on the company’s part to deny the claim. Over time, when you eliminate fraud, you settle claims for only genuine cases and this can bring down the premiums for customers. So chasing fraudulent claims is indeed in the interest of good customers, even if it is at the cost of claim settlement ratio going down.

3. Most of the claim denials happen in the first 2 years after issuance of the insurance policy. In life insurance industry parlance, they are called 'early claims'. Newer companies will have many more early claims as a % compared to older companies. Claim settlement ratio of newer life insurance companies can come down for this reason.

4. Some insurance companies which aggressively sell term insurance plans investigate all the suspicious and most of the large value claims before payout. So they may end up discovering more fraud cases, rejecting them (obviously) but deteriorating their claims ratio. We need to keep this perspective in mind when we look at some of the smaller companies with lower claim settlement ratio.

Claim Settlement Ratio – Reason to Worry?

If you are honest and disclose all the information while buying the policy, there is no need for you to worry about the "***Claim Settlement Ratio***" of insurance companies. Normally, all insurance companies will honour the genuine claims.

Or, you can approach the appellate forums like Insurance Ombudsman and Consumer Court to get justice.

Reason to worry is when you are hiding the material facts about your health, occupation or your habits like smoking, etc. The chances of claim rejection become high. Though there is a clause of 3 years for the insurance company, it can still reject your claim if they are able to prove that you had hidden some material facts to take advantage out of your insurance policy.

Final words on Claim settlement Ratio when buying Term Insurance

In conclusion, you should definitely use Claim Settlement Ratio when buying a term insurance plan. In addition to that, if you buy a term plan online by filling the application form yourself, and if you declare everything honestly on the form as well as during the medical examination to the doctor, it will make sure that your chances of claim approval are very high indeed.

CRUCIAL QUESTIONS ASKED BY COMPANY WHILE FILLING THE FORM

1. Tobacco User

a. Yes
b. No

2. Residency Status

a. Resident Indian
b. NRI
c. PIO
d. OCI

3. Select Payout Option

a. Immediate Payout
b. Level Recurring Payout
c. Increasing Recurring Payout

4. Add Features to Your Plan

a. Choose Life Plus Option with an additional Sum Assured payable in case of death due to accident.
b. Choose Life Secure Option for waiver of Premium on total & Permanent Disability.

5. Add Riders to Your Plan

Add Kotak Critical Illness Plus Benefit Rider

6. Highest Educational Qualification

a. Professional
b. Graduate & above
c. HSC (12th std)

7. Does your job involve work in any of the following?

a. Armed Forces
b. Stunt/Sports Person/Boxer/Scuba Diver
c. Exposure to high radiation/voltage/heat
d. Underground/underwater activity (mining/tunnelling etc)
e. Any other High risk avocation/occupation

f. Oil/gas/refinery
g. Explosives/Chemical handler
h. Pilot/Merchant Navy
i. Heights (more than 10 mts)
j. None of these

8. Do you take/ intend to take part in any hazardous activities as your hobby?

a. Scuba/underwater diving
b. Mountaineering/Rock climbing
c. Sky Diving/Parachuting/Bungee Jumping
d. Water sports (rafting/canyoning)
e. Paragliding/Parasailing
f. Racing Bikes/Cars/Power Boat
g. Flying/Hand Gliding
h. Other high risk sports/activities

9. Are you a politically exposed person?

a. Yes
b. No

10. Do you have any criminal proceedings pending or have ever been convicted/acquitted in India or abroad?

a. Yes
b. No

11. Do you drink/or had a history of drinking more than 7 pints of Beer or 210 ml of alcohol on an average in a week?

a. Yes
b. No

12. In the past 5 years, have you injected or otherwise used illegal drugs?

a. Yes
b. No

13. Have you gained/lost weight of more than 10 Kgs in the last 1 year or have you ever had persistent fever/unexplained infection?

a. Yes
b. No

14. Medical Questions

a. Do you suffer/have suffered from any disease ,disorder or condition related to blood pressure, cholesterol, diabetes, stroke, chest pain, cardiovascular / coronary artery disease or any form of heart disease?
b. Do you suffer/have suffered from any disease/disorder involving respiratory system, digestive system or genito urinary system?
c. Do you suffer/have suffered from any cancer, tumour, cyst or any unusual growth/ swollen glands or are infected with HIV, have AIDS or any sexually transmitted disease?
d. Do you suffer/have suffered from any mental, nervous, congenital disease or any physical deformity or any other ailment not mentioned in the previous questions?
e. Are you currently under any medical prescription /attention or in the past 3 years; have you been hospitalised for 5 consecutive days or have been absent from work for 10 consecutive days for any sickness?

15. Does any of your parents/siblings/ spouse suffer from or have suffered from or have died before the age of 60 from any of the following diseases?

a. Cancer
b. Heart Disease/Hypertension/Stroke
e. Diabetes
f. Kidney Disorder
g. Hepatitis B
h. HIV/AIDS
i. Any other genetic/familial disease
j. None of these

WHICH PRINCIPLES OF INSURANCE ARE APPLICABLE TO LIFE INSURANCE?

1. **Utmost good faith**: Life insurance is based in the principle of utmost good faith as the companies go by the information that you declare on the application form. The **company trusts that the information is true & accepts your proposal** (most medical checks beyond certain limits, which is good for the customers). That said, once the claim arises, the companies are free to investigate all details to ascertain that the facts you have declared are correct before payouts.

2. **Insurable interest:** The other critical factor in life insurance is the insurable interest. This means that the person buying/paying for the life insurance has an interest in insuring the person concerned. For example, parents have insurable interest in insuring their children. You also have a self-interest in buying insurance for yourself. **You however can't buy insurance for your friend, relatives, your wife & even your parents.** This is not counted as insurable interest.

Not Applicable:

1. **Principle of Indemnity-** Applicable as well as not! Paradox right? Indemnity means to make good the losses or to pay back what is the loss amount. In case of a life insurance, you cannot measure a person's life's worth hence the payout is not on calculation basis of loss assessment as in case of general insurance but the full Sum Insured is payable at death. There could be multiple policies covering the same life and they all are liable to pay.

2. **Principle of Contribution-** This again will not apply for Life insurance as in case of trigger of policy, the insurer has to pay the full amount. Also, in the event of death, if insured had taken multiple policies, they all have to pay the nominees the full amount.

3. **Principle of Subrogation-** Essentially it means that loss to one can be claimed by insurance company and the company can in turn claim it from the loss maker. But again in Life insurance it does not hold true and damages and insurance cover is payable to insured/deceased.

4. **Principle of Mitigation of loss-** Just as in case of General insurance, here too the insured has to take utmost care of himself and should not indulge in activity that can harm his health or cause death.

REASONS TO REJECT YOUR LIFE INSURANCE CLAIM

Before you select your insurance policy, go through these 5 situations that can put your insurance claim in jeopardy.

Life insurance is the best way to secure financial support for your loved ones in case of any unforeseen circumstances, but sometimes mistakes or ignorance on your part can lead to rejection of an insurance claim. While it's crucial that you choose an insurance plan that benefits in times of need, it is equally important that you know beforehand what instances can leave space for the rejection of insurance claim. Therefore, before you okay your insurance policy, go through these 10 situations that can put your insurance claim in jeopardy.

1. Did you give false information in the application?

Problem: Concealing important information while filling the life insurance application form can prove quite a blunder for your loved ones.

You might not find it necessary to input your right age, height, weight, occupation details etc. simply because its time consuming.

Most of the people prefer hiding their smoking and alcoholic habits while filling the application form.But, why?

This is mostly practised to pay lower premiums.

Not realizing the fact how frustrating it could prove for your family members while filing your death claim.

There are many who act like lazy pricks to provide information about their existing insurance policies being held with other insurers. They find it difficult to gather information of their previous policies to pen them down in the new application form.

Some people do not provide correct medical history with the fear of their life insurance policy getting rejected.

At times, hiding information can be intentional or unintentional. Many times, insurance agents take the onus and fill up their clients form without cross-checking the information.

There are some who quote higher income just to get higher sum assured benefits.

Key: Be honest and alert while providing personal information while filling up the life insurance application form.

Stop acting over smart. After all, you don’t wish to see your family in financial hardships due to a legitimate claim rejection.

2. Did you forget to pay your premiums on time?

Problem: So you failed badly to keep up your promise of paying your life insurance premium regularly.

Be rest assured that your life insurance claim would definitely get rejected for allowing your policy to lapse on account of non-payment of premiums.

Remember a life insurance policy can be active as long as you keep paying the premiums on time.

Life insurance companies have all the possible right to upfront reject your death claims for a lapsed policy.

At times, people unintentionally miss to pay the premiums. They change their mobile numbers, probably their houses too. The insurer very well does their duty of sending mailers or reminder messages to the address mentioned on the application form.

Though insurers give you a grace period of usually 30 days, you fail to get the notification for premium payments just because you don't receive the mailer due to a change in residence.

Key: Keep an eye on your life insurance premium due date. Be responsible enough to renew your policy on time to let your family have a hassle-free claim settlement.

Ensure to inform your life insurer in case of a change in your residence or contact details. Don't blame your insurer for not sending reminder mailers to your new address. After all, the company won't dream about the changes you inculcated!

3. You suffered a death that wasn't covered in the policy

Problem: You failed to read the policy document correctly.

We all know that your life insurer will pay the sum assured to your beneficiary/ beneficiaries during any uncertainty. However, every insurance company has some standard exclusion list to avoid losses. These exclusions simply explain the conditions under which your life insurer will not honour your claims.

You may buy a life insurance policy to secure your family members financially. But, you soon end your life by committing suicide. You failed to read those minute lines in the policy documents stating, 'Suicide would be covered only after completing one policy period'.

Every life insurer will scrutinize the cause of your death minutely. You may have suffered an accidental death due to consumption of drugs, narcotics or alcohol.

You may have been a part of the war or you may have been a part of any hazardous activity which wasn't covered under the policy.

Your claim would also be rejected in case you die due to any pre-existing diseases. Something that calls out for a waiting period!

Insurance companies have all the rights to reject your death claim, in case the type of death wasn't covered under the life insurance policy document.

Key: Lack of knowledge can be dangerous. Policy documents are not meant to be kept in the sealed envelope in your closet. It is a guide that educates you about the inclusions and exclusions for the policy. Read this list provided in the policy contract and take necessary action within the Free Look Period.

So, don't forget to read those asterisks if you want your family to lead a hassle-free life post your demise.

4. You missed to update or appoint a nominee

Problem: You bought a life insurance policy but failed to update the nominee details.

Well, 30% of the young Indians chose to opt for a life insurance policy at the beginning of their careers. This time the sole motive might be tax saving rather than family's financial security.

You happily appoint your parents as your nominee. You slowly and steadily change your job, grow financially, get married etc. etc. Now, your spouse becomes your whole and sole. Your partner becomes your reason to live your dreams together or share your joys and sorrows together.

You feel you have done a wise decision of buying a life insurance policy in case something uncertain happens to you.

But, did you ring up your life insurer to update the nominee details or rather appoint one?

NO. This may lead to delay of claims settlement or denial too in some cases.

Remember, the insurance company will pay the claim only to the nominee whom you have appointed during the policy term or the legal heirs.

Key: If you have undergone any material changes in life, do not forget to inform your life insurer. Updating or appointing the nominee details and status is something you definitely can't give a miss. You may change the nominee details as and when you wish to.

5. If death occurs during the contestability period

Problem: If the death occurs right post buying a life insurance policy, your insurance company may find it suspicious. Insurers may find it mistrustful if death happens so soon.

Every life insurance company has a contestability period. This period may range from 1 year to 2 years.

As soon as your life insurance policy gets issued, your contestability period comes in to force.

In case death occurs during the contestability period, your life insurer has all the rights to reject your death claim. An investigation would also be undertaken by the insurance company to find out if you provided accurate information at the time of application.

The contestability period plays an important in claim rejections.

Key: Though death is inevitable and comes uninvited, you ensure you do not purposely attempt to end your life. Your family members aren't going to be benefitted because your life insurer would any way reject your death claim.

Others:

- **Smoking after buying policy**

The life insurance premium is higher for smokers as compared to non-smokers. If the insured starts smoking after subscribing to an insurance policy, the policyholder needs to make the insurance company aware of it, which may lead to an increase in premium payment. If the insured person fails to report about his changed health-related habit in time and develops a life-threatening disease, the company can decline the claim payment.

- **Drunk driving**

If the insurance company finds out the insured person was driving under the influence of alcohol or drugs, which subsequently led to death, the company holds the right to reject the insurance claim.

- **Breaking a law**

If the policyholder dies as a result of breaking a law or involvement in crime, the insurance company can reject the claim.

- **Death outside India**

If the insured plans to settle abroad, it should be notified to the insurance company as a clause in the insurance policy says a policyholder must disclose his or her new resident country to claim settlement. Term insurance plans are valid even if you change your country of residence but not in negative counties.

- **Adventure sports**

Death resulting from participation in adventurous sports like bungee jumping, skydiving or other outdoor sports like power-boat racing, timed motor-sport, etc, are also not covered. Death during participation in car racing or bike racing would also lead to zero payouts.

- **Homicide**

In case of a murder, if the insurance company finds out that the nominee is the accused, the insurance claim would be rejected or withheld until the charges are dropped or the nominee is acquitted.

Thumb rule

Identifying a good life insurance company merely basis their claim settlement ratio or claim rejection ratio shouldn’t be practiced. A company having a high claim rejection ratio need not necessarily be a bad company. Your insurers aren’t there to reject your claims. Understand your policy document thoroughly. Follow the above mentioned points to allow your family to have a hassle-free claim settlement process. Remember, all genuine claims are settled by life insurance companies.

IRDA has taken steps to settle claims older than 3 years too. They can only be rejected in case of falsified data or on not meeting the terms and conditions of the policy document.

KOTAK LIFE INSURANCE CLAIM SETTLEMENT RATIO

Kotak Life Insurance Claims Ratio - Last 6 years Trend

The information below shows the trend in Kotak Life Insurance Claims Settlement Ratio for the last 6 years. This is based solely on the information published by the Insurance Regulatory & Development Authority of India (IRDAI) and is measured on consistently used bases. You may use this information as a key parameter in your term insurance purchase decision.

2011-2012	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
92 %	90.69 %	91 %	89.09 %	91.24 %	93.72 %

Kotak Life Insurance Claims Settlement Performance for 2017-2018

The information below shows how Kotak Life Claims Settlement Ratio for Kotak Life is arrived at. It starts with the opening balance (which is pending claims of the previous year), to which is added the new death claims made this year. This gives the Total Claims that have to be processed in the year.

Claims Op.Balance	New Claims made	TOTAL CLAIMS
92	2,739	2,831

Claims approved and claims rejected are shown below. Claims for which decision is pending or not made are shown as Claims Pending. These pending claims become the opening balance for the next year. Also show are the value (in Rs. crores) of all the claims that are approved, as well as the average value of each claim. Please note that here claims include death claims from all kinds of life insurance policies and not just term insurance. Since saving plans with low Sum Assured (which are a large share of business for all companies) are also included, the average death claim value may appear much lower than the Sum Assured you have in mind for the Term Insurance plan that you intend to buy.

CLAIMS APPROVED	CLAIMS REJECTED	CLAIMS PENDING	TOTAL CLAIMS
2,583	99	19	2,831
91.24 %	3.5 %	0.7 %	

Total Claims Value Approved (₹ crores)	Avg. Value per Claim (₹ lakhs)
96.6	0.4

Kotak Life Insurance Claims Settlement Efficiency: 2017-2018

Especially when buying term insurance, we do not want our nominees to keep waiting for the claim amount. So claims efficiency is a key consideration before deciding on our term policy, especially the metric around average no. of days taken to settle a claim. This number shows the importance given by the company for processing claims. Lower the no. of days taken, higher is the efficiency and better is the confidence level when buying a policy from the company. A lower average claims processing time also tells us that the life insurance company is not solely focussed on getting sales but also ensures genuine service during the 'moment of truth', i.e. when there is a death claim.

Average age of Pending Claims for Kotak Life Insurance **227 days**

CLAIM SETTLEMENT PROCESS OF KOTAK MAHINDRA LIFE INSURANCE

With the **“Hum hain... Hamesha”** approach, Kotak Mahindra Life Insurance Company tries to fulfil promise of early claim settlement to every customer along with transparency and quickness. They gave emphasis on earliest payment of genuine and legitimate claims, for that they review their claim process time to time. Here also claim settlement process is divided into three stages i.e. claim intimation, claim processing and claim payment.

I. Claim Intimation

Policy Holder/Nominee intimate claims to the Kotak Mahindra Life Insurance Company, Intimation can be done through following ways:

- **Through e-mail**

Policy Holder/Nominee can intimate claims by sending e-mail to the dedicated e-mail address for claim settlement process

Reach out to our Claims Mitra @ kli.claimsmitra@kotak.com

- **Through Call**

Policy Holder/Nominee can intimate claims by calling on the available 24 X 7 customer care numbers. There are few toll free customer care numbers too. Claims registered through this mode are considered as verbal information which is not formally registered. For formally registering claims, one is required to file written intimation to concerned branch or to central claims team.

02266057280

- **Through personalized visit**

Policy Holder/Nominee can intimate claims to nearest branch of Kotak Mahindra Life Insurance Company or Corporate Claims Cell. Intimation should be in written form; this will be considered to formal intimation. There are 232 branches in around 167 cities and towns in India.

II. Claim Processing

In claim processing, dedicated claim care team analyses each claim in detail. On the basis of all records and proofs in connection with the claim, Claims are examined and settled by the company. Sometime if there are any pending documents then the requirement is raised within 15 calendar days from the date of receipt of claim intimation, company informs the claimant about the required documentation. For the better services, customers are provided support during their claim settlement process and for that following features are added on:

- Priority Claim Desk at Kotak Mahindra Life Insurance Company's branches.
- Sending SMS at specified milestones
- Personalized Calling
- Reminder letters if required any documents
- Sending e-mail to the claimants/beneficiaries.
- 24X 7 Claim helpline number

III. Document Submission

The Policy holder/Nominee can submit all required documents at following:

- To the nearest Kotak Mahindra Life Insurance Company branch
- Life claims cell at:-

Claims Team| Kotak Life Insurance
Kotak Towers, Building No. 21, 7Th Floor Zone-2
Infinity Park, Off Western Express Highway, Goregaon Mulund Link Road, Malad East, Mumbai 400097|

IV. Claim Payment

Once all the required documents are submitted to the concern branch or claim cell and documentation is complete then on the basis of that decision regarding the payment of claim is taken within 30 days. If in any case claims require further verification, the claimant is informed about that. Whatever a decision is taken, claimant is informed with the help of written communication through letter.

The Claimant should look about the following points before intimate a claim:

- Whether the policy is in force?
- Whether the policyholder has performed his part? - The policy status with regard to payment of premium, age admission, outstanding loan & interest if any, legal restrictions if any.
- Whether insured event has taken place?
- What are the obligations assumed under the contract?
- Is there any assignment done under the policy?
- Whether all the premiums are paid?

FILLING AND DOCUMENTATION

Selection of a proper life insurance policy is a basic requirement of individual's risk management policy. At the same time proper claim settlement is also an important part of the risk management system. A claim is the payment made by the insurer to the insured or claimant on the occurrence of the event specified in the contract, in return for the premiums paid for the insured. The easy and timely settlement of a valid claim is an important function of an insurance company.

Documentation

The claimant will be required to provide the following documents along with a claimant's statement:

I. Certificate of Death

II. Proof of age of the life assured (if not already given)

III. Deeds of assignment / reassignments (if required)

IV. Policy document

V. Any other document as per requirement of the insurer

For early death Claim, (If the claim has accrued within three years from the beginning of the policy), the following additional requirements may be called for:

I. Statement from the hospital if the deceased had been admitted to hospital

II. Certificate of medical attendant of the deceased giving details of his/her last illness

III. Certificate of cremation or burial to be given by a person of known character and responsibility present at the cremation or burial of the body of the deceased

IV. Certificate by employer if the deceased was an employee

- In special cases as per following the poof of death will be different from the standard specification
- In case of an air crash the certificate from the airline authorities would be necessary certifying that the assured was a passenger on the plane.
- In case of ship accident a certified extract from the logbook of the ship is required.
- In case of death from medical causes, the doctors' certificate and/or treatment records may be required.

CLAIMS INVESTIGATION

Process through which an insurance company obtains necessary information to evaluate or process a claim.

Criteria for Investigation

a. Claim Duration
b. Negative Location / Advisor / Sales Channel
c. Claim Amount
d. Customer Profile

Types of Investigation

- Full Investigation - TAT 21 Days
- Mini Investigation – TAT 15 Days

a. Discrete Profile Check of Life Insured
b. Interviews / Statements of Family Members, Friends, Relatives, Neighbors etc
c. Verification of Death Certificate
d. Verification of KYC docs and Income proof submitted at proposal stage
e. Verification of Medical Records
f. Verification of medical records of nearest medical centers
g. Verification / procurement of certificate stating Cause of Death
h. Employer Check
i. Nominee's Background Check

- Document procurement – TAT 3 Days

a. Document procurement from nominee such as KYC, Bank details or Medical Papers.
b. Procurement of Medical Documents from Specific Medical Centre
c. Verification of any document from Specific Govt. Authority

Types of Frauds

a. Death prior to policy issuance

kotak life

Case Study - Death prior to policy issuance

Policy no.	3468547
Name of Life Assured	Alkeshkumar Ishvarbh Patni
Risk Commencement Date	23-May-16
Occupation	Auto Trading and Consultancy
Annual Income	2,00,000/-
Date of Death	08-Aug-16
Claim Duration	3 months
Cause of Death	Natural Death
Claim Amount	9,00,000/-
Nominee	Ishvarbhai Maganbhai Patni
Relationship with LI	Father
State	Gujarat
Location	Ahmedabad
Life Advisor	Vipul Vishnubhai Didawala
Sales Manager	Hemant Kumar Vyas
Reason for Repudiation	Dead Man Insurance

- Non medical case issued at STD rates.
- At the time of policy issuance pre-login verification and declaration has been received from sales team that "My channel partner employee personally met to customer".
- After 3 months from the policy issuance we received claim for this case.
- During investigation it was found that LA had died prior to policy issuance.
- As per the nominee LA had died on 8th Aug 16, however we have procured actual death certificate of LA which confirms that LA had died on 05th Sep 2013 (prior to policy issuance).

b. Impersonation

kotak life

Case Study - Impersonation

Policy no.	9689416
Name of Life Assured	Umina Begum Laskar
Risk Commencement Date	10-Oct-17
Occupation	Owner of Poultry Farm
Annual Income	2,50,000/-
Date of Death	15-Jan-18
Claim Duration	3 months
Cause of death	Cancer
Claim Amount	5,00,000/-
Nominee	Momataj BegumLaskar
Relationship with LI	Mother
State	Assam
Location	Silchar
Life Advisor	Mazumder Halima -Direct Agent
Sales Manager	Halima begom mazumder
Reason for Repudiation	Fabricated KYC Documents Submitted at Proposal Stage

- Applied for cover of Rs.11 lacs
- Since case is from Assam and LA's profile was not good Special MHR was called along with form 60.
- Case was accepted after receipt of Special MHR (signed by Manas Paul) and form 60.
- However along with form 60 we received voter id card of LA which had different photograph.
- This was missed at U/W stage and policy was issued at STD rates, cover was reduced to Rs.5 lacs.
- After 2 months from the policy issuance we received claim for this case.
- When we investigated this case we found that LA was a cancer patient but since she was taking treatment with different name we could not procure medical papers.
- At the time of MHR sales person met sister of LA Sabana Begum Laskar who had submitted form 60 and fabricated voter ID.

c. Medical Non-disclosure

kotak life

Case Study - Medical Non disclosure

Policy no.	3914772
Name of Life Assured	Jagat Singh
Occupation	Owner of Milk Dairy
Annual Income	3,00,000/-
Risk Commencement Date	06-Nov-17
Date of Death	23-Nov-17
Claim Duration	17 Days
Cause of death	Sudden Chest Pain
Claim Amount	11,90,000/-
Nominee	Khajani
Relationship with LI	Mother
State	Haryana
Location	Rohtak
Life Advisor	Muthoot Insurance Brokers
Reason for Repudiation	Non Disclosure of Medical History

- Non medical cases issued at STD rates.
- Claim received within 17 Days.
- Cause of death was mentioned as "**Sudden Chest Pain**" no past medical history.
- Post Investigation it was revealed that LI had died of tuberculosis.
- We managed to procured treatment papers from PGI, rohtak (pre RCD) which confirms that LI was suffering from tuberculosis prior to policy issuence.

d. Age misrepresentation

kotak life

Case Study - Age misrepresentation

Policy no.	9520344
Name of Life Assured	Baaskaramma Kavali
Occupation	Farmer
Annual Income	3,00,000/-
Risk Commencement Date	27-Feb-16
Date of Death	09-Jul-17
Claim Duration	1 year and 3 Months
Cause of death	Sudden Chest Pain
Claim Amount	4,76,700/-
Nominee	Ravendra K
Relationship with LI	Son
State	Andhra Pradesh
Location	Anantapur
Life Advisor	Kotak Bank
Reason for Repudiation	Fraud - Fabricated KYC Docs at proposal Stage

- Non medical cases issued at STD rates.
- Claim received after 1year and 3 months.
- Cause of death was mentioned as "**Sudden Chest Pain**" no past medical history.
- Post Investigation it was revealed that Life Assured was 74 years old at the time of proposal.
- We have received NTR Bharosa Pension Scheme, Life Insured was getting Old Age Pension since 2007.
- As per age limit of NTR Bharosa Pension Scheme person should be minimum 65years of age to get the pension eligibility.
- In supporting, photograph of the life insured in Aadhar Card submitted during the proposal also forged to show the image of LI as less aged person.

e. Multiple Insurance Fraud

kotak life

Case Study - Multiple Insurance Fraud

Policy no.	70107305
Name of Life Assured	Kolankala Chiranjeevi
Occupation	Self Employed
Annual Income	6,00,000/-
Risk Commencement Date	06-Feb-16
Date of Death	22-Mar-16
Claim Duration	45 Days
Cause of death	Severe Chest Pain
Claim Amount	7,36,006.83/-
Nominee	Kolankala Devi
Relationship with LI	Spouse
State	Andhra Pradesh
Location	Vishakhapatnam
Life Advisor	E - Insurance
Reason for Repudiation	Non Disclosure of Other Insurance

- Non medical cases issued at STD rates.
- Investigations found the case is an Industry Fraud Case where LI was insured with many insurance for total amount of 3.4 crores.
- It has been noted in the LI's bank transactions that simultaneous debits of Premiums for the insurance policies to companies like HDFC, Edelweiss, PNB Metlife, SBI, TATA, Aviva, Max Life, Bharti Axa.
- Death Certificate received by us is also found to be fake.
- Even the Age proofs also fabricated by the Life Insured for applying policies in multiple insurance companies.

Service TAT

We are committed to offer you the best services with maximum convenience. Browse through the list below for services and the maximum time which we would take to respond to those service requests as prescribed by IRDAI.

- Raising claim requirements after lodging the claim1: 15 days
- Death claim settlement without Investigation requirement: 30 days
- Death claim settlement/repudiation: 30 days from Investigation closure/ last document or requirement received date
- Death claim investigation: 90 days
- Acknowledge a grievance: 3 days
- Resolve a grievance15: days

KOTAK MAHINDRA LIFE: CLAIMS INTIMATION FOR FAMILIES AFFECTED BY FLOODS IN KERALA & KARNATAKA

kotak life

SIMPLIFIED CLAIMS SETTLEMENT PROCESS FOR FAMILIES AFFECTED BY FLOODS IN KERALA & KARNATAKA

Affected families can file a claim with minimal documentation as listed below:

1. Govt published list of people who have died [in case the death certificate is not available]
2. KYC of the nominee
3. Cancelled cheque

In order to file a claim, kindly reach out to our Claims Mitra at kli.claimsmitra@kotak.com or 022-66057104.

You can also reach out to our Points of Contact, Swati Shetty (swati.shetty@kotak.com) and Reshmi Bhattacharya (reshmi.bhattacharya@kotak.com) respectively for any more details, if required.

Warm regards,
Kotak Life Insurance

KOTAK MAHINDRA LIFE: ONLINE CLAIM INTIMATION ON THE CORPORATE WEBSITE.

OPEN TITLE CASES

Sometimes when a legal heir of a diseased life assured approaches the life insurer for payment of death claim in a particular policy, they are asked to bring the succession certificate to make the payment due to open title in policy.

What is Open title in life Insurance policy?

Open title is absence of valid nomination or assignment in life insurance policy. Open title in a life insurance policy may arise due:

- **Not affecting nomination in a policy:** At the time of taking the policy a policy holder may not have chosen the nominee and in this case if life assured died in between the policy term, Life Insurance Company is unable to make the claim until succession certificate is received from claimant.
- **Not adding a nominee in child policy when he/she become adult:** Policy taken on a name of minor do not have a nomination. But when he/she become adult they must register the nomination in policy.
- **Reassignment of policy:** When a policy holder assign (Absolute assignment) a policy to someone or institution (Bank/other financial institution other than the insurer) then nomination under policy cancels automatically, and when policy holder repays the loan then person/institution reassign the policy to life assured. At this time policy do not have nominee and life assured/policy holder have to register a nominee again in policy.
- **Death of Nominee before life assured:** If a policy have single nominee and nominee dies before the life assured, then life assured/policy holder have to register a new nominee. If he/she fails to do so, then in event of death of life assured policy claims leads to open title.

How open title delays claim payment?

Open title majority of time delays the payment of death claim to legal heirs. Due to absence of valid nomination and assignment, insurer is unable to make claim payment. And merely by making claim in policy does not make someone actual beneficiary in the policy. To make payment to actual legal heir of life assured, a insurer require a valid document of succession or will made by the life assured mentioning policy details. In absence of any will, succession certificate is issued by court mentioning legal heir of life assured, issuance of succession certificate is a time taking process. So until a succession certificate is issued and submitted to insurer, insurer do not make payment in policy having open title thus delays the payment. In case of absence of Class I legal heir (As per The Hindu Succession Act, 1956) or dispute among the legal heir may further delays the payment of death claim.

Things to remember related to nomination:

As I have discussed above how a policy may result into open title and its effects on claim payment, a policy holder must remember following things during policy term or while taking policy:

1. Always make a valid nominee while taking a life insurance policy, try to keep a Class I legal heir (As per The Hindu Succes.sion Act, 1956) as your nominee to avoid any problem later on.
2. If an assigned policy is reassigned to you, then register a nominee again.
3. As I have mentioned that policy taken on name of minor do not have nominee, but policy holder/life assured must register a valid nominee when the minor become adult.
4. If nominee registered in a policy dies before the life assured then life assured/policy holder must register a new nominee in policy.
5. Avoid making nomination of a distant relative.

REINSURANCE

Reinsurance means an insurance for insurance companies. Insurance companies cover the risks for individuals and businesses. Reinsurance covers the risk of excessive claims due to different reasons for insurance companies.

Insurance is an agreement between two parties where one party agrees to compensate the other party in case of specified loss or damage. For term life insurance, the benefits are paid out when the policyholder dies. For other general insurance policies such as crop insurance, motor insurance, travel insurance, fire insurance, the sum assured is paid out when the specified loss or damage occurs.

An insurance company works on the concept of collective risk. It collects premium from a number of parties on the assumption that only a certain percentage of the population will lodge claims in a particular year. These depend on actuarial calculations which determine the risk that the company agrees to underwrite.

In some cases, the insurance company estimates a higher than normal payout, and spends a portion of the premium to get reinsurance.

What is reinsurance?

Reinsurance is insurance but for insurance companies. It is a type of insurance that an insurance company takes to mitigate and reduce their exposure to a particular risk. If a general insurance company takes reinsurance against loss due to floods in the monsoons in India, and if it incurs claims on that account, it can claim from the reinsurance company.

In reinsurance, the party that is sharing the loss is called the ceding party. The party that is covering the loss is called the reinsurer.

Types of reinsurance:

There are two types of reinsurance:

1. **Treaty reinsurance:** Under this type of reinsurance, the reinsurer agrees to cover all risks of the insurance company for a specified period. These apply to policies written and to those that have not been written. Treaty reinsurance can be risky for the reinsurer especially if they have not assessed the risks carefully.
2. **Facultative reinsurance:** Under facultative reinsurance, the reinsurer underwrites the risk for each policy as a single transaction. The policies are not grouped together. This works out in the favour of the reinsurer since they can evaluate the risk for each policy separately and then insure a part or whole of the policy.

Treaty reinsurance and facultative reinsurance can be either proportional or non-proportional.

Under **proportional reinsurance,** the reinsurer agrees to receive a portion of the premium collected for the policies whose risk it assumes. If the proportion is 60%, it would mean that 60% of the premiums collected by the ceding party have to be paid to the reinsurer to insure the risk. Most of the treaty reinsurance policies are proportional reinsurance policies.

Non-proportional reinsurance is also called "excess of loss" type of insurance. This is activated when the losses from a particular policy or a particular loss or damage exceed a particular amount.

How does reinsurance maintain the stability of the insurance industry?

Reinsurance helps insurance companies to restrict the loss to their balance sheets, and in that sense, helps them to stay solvent. By sharing the risk with a reinsurer, insurance companies ensure that they can honour all the claims related to a particular risk. Reinsurance helps insurers to manage their risks and to better their underwriting practices, especially since reinsurers can opt for facultative reinsurance and cherry pick insurance policies.

The main reason for opting for reinsurance is to limit the financial hit to the insurance company's balance sheet when claims are made. This is particularly important when the insurance company has exposure to natural disaster claims because this typically results in a larger number of claims coming in together. A major disaster such as a cyclone, earthquake or flood can cause a large number of claims from a certain area. If the insurance company has a reinsurance contract, it will get some portion of the claim reimbursed from the reinsurance company, and thus will avoid huge losses.

Just the way that reinsurers help an insurance company to maintain their financial status and restrict their losses, similarly, selecting a good term plan can help your family be financially secure. Opting for a flexible term plan like Kotak eTerm Plan will help you to take a high coverage for at a cost-effective rate. The eTerm plan comes with an inbuilt accidental death rider and other riders that provide assistance on terminal illnesses and extended cover for critical illness. The plan is flexible and it is easy to increase the sum assured during the policy depending on your life stage. The ability to purchase the plan online helps in keeping costs low.

UNCLAIMED MONEY OF POLICYHOLDERS

The amount of unclaimed insurance money has been increasing. According to a report, as much as Rs 15,167 crore amount of policyholders is lying unclaimed with 24 life insurers. Insurance regulator IRDAI has already asked insurers to take steps to identify the policyholders or beneficiaries and disburse the claims.

Board level committee for policyholder protection of every insurer is entrusted with the responsibility of monitoring the timely payout of the all dues to policyholders.

It also oversees the steps taken by the insurers to reduce unclaimed amounts as part of the standard procedures on customer service.

Out of the total unclaimed amount of Rs 15,166.47 crore, as on March 31, 2018, insurance behemoth Life Insurance Corporation (LIC) is sitting on Rs 10,509 crore, while the 23 private sector insurers account for the remaining Rs 4,657.45 crore.

Kotak Mahindra life insurance has 39.1545 crore unclaimed amount of policy holders.

FORM L-19-CURRENT LIABILITIES SCHEDULE
KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED
(Formerly known as KOTAK MAHINDRA OLD MUTUAL LIFE INSURANCE LIMITED)
Registration No: 107; Date of Registration: January 10, 2001
SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS
(Amounts in thousands of Indian Rupees)

Particulars	As at September, 2018 (Audited)	As at September, 2017 (Audited)
Agents' balances	289,297	239,951
Balance due to other insurance companies (net)	144,478	53,535
Deposits held on re-insurance ceded	-	-
Premium received in advance	50,564	40,954
Unallocated premium (proposals/policy deposits)	1,655,274	1,464,022
Sundry creditors	349,319	33,925
Due to holding company / Fellow Subsidiary	31,196	26,808
Claims outstanding	785,981	652,253
Unclaimed Amount of Policy Holders	395,145	356,258
Annuities due	103	303
Due to Officers / Directors	-	-
Others:-		
- Expenses Payable	4,016,907	3,281,066
- Taxes deducted at source, payable	109,496	70,179
- Statutory dues payable	470,568	406,447
- Refunds Payable	104,780	85,036
- Security Deposit	58,448	58,448
- Payable towards investments purchased	377,103	(16,167)
- Payable / (Refund) to / from unit linked fund	624,791	115,489
Total	**9,463,450**	**6,868,507**

Th ins be wi

Policyholders/beneficiaries are required to enter the details like policy number, PAN of the policyholder, name of the policyholder, date of birth or Aadhaar number, in a window provided on the website of the insurer to find out the unclaimed amount.

The insurers have to update information regarding unclaimed amounts on their websites on half-yearly basis.

What happens to unclaimed amount?

In July 2017, the IRDAI had asked all insurers having unclaimed amounts of policyholders for a period of more than 10 years as on September 30, 2017 to transfer the same to the Senior Citizens' Welfare Fund (SCWF) on or before March 1, 2018. The fund shall be utilised for such schemes for the promotion of the welfare of senior citizens in line with the National Policy on Older Persons and the National Policy on Senior Citizens.

Why claims go unclaimed

Nominees not aware of the policy:

The nominees may not be aware that the policyholder had such an insurance policy or whereabouts of the policy document. Thereafter, on the death of the policyholders, the dependants may not be in a position to claim the amount. To avoid such a scenario, the nominees should not only be aware but they should also be in the know of where the policy document is. Also, make sure to update nominations in the policy.

Change in address:

Where the settlement of claims happens through payments made by cheque, any change in the address of the policyholder/claimants will delay the process. To avoid this, ensure that the address is updated in the insurer's records.

Cheque misplaced:

Cheque payments can become time-barred or misplaced leading to delays. Most insures have initiated claims payments through electronic transfer of funds, hence make sure to enrol for it in all the existing policies. For new policies issued after 2014, insurers insist on electronic transfer of funds and thus asking for blank cancelled cheque at the time of application itself.

How to find

IRDA had asked the life insurance companies to provide a search facility on their websites to enable policyholders or beneficiaries or dependents to find out whether any unclaimed amounts due to them are lying with these companies.

Policyholders/beneficiaries are required to enter the details like policy number, PAN of the policyholder, name of the policyholder, date of birth or Aadhaar number, in a window provided on the website of the insurer to find out the unclaimed amount. The insurers have to update information regarding unclaimed amounts on their websites on a half-yearly basis.

Conclusion

Despite the clear guidelines by IRDAI in 2014 and a strict monitoring of unclaimed amount every six months, the figures are rising. Insurers need to ensure that every amount goes to the rightful claimant at the right time as intended by the policyholder at the time of buying it. Policyholders, too, need to make sure that the family members are well aware of the policy details and their rights as nominees.

INFORMATION ABOUT CLAIMS AND CLAIM RELATED COURT CASES

Name of the Insurer: Kotak Mahindra Life Insurance Limited

1. Constraints which cause delay in settlement of claims

- There are cases wherein the nominee expires and there is no clear title of the legal heir, thus procuring those documents takes time.
- There are cases in rural areas wherein the claimants do not have the required mandatory documents and hence assisting them to get the requisite documents takes time.
- Waiting for Viscera and Chemical analysis report which is essential in cases wherein there is a decision to rule out suicide.

2. Initiatives taken by the company to ensure expeditious settlement of claims

- Hand holding drive wherein our 3rd party vendors would assist the customer in procuring legal documents &mandatory documents as an additional service for hassle free and faster closure of Claims.
- Training front desk officials in branches to ensure all mandatory documents are informed to the customer and explanation and handholding for all required documents.

3. Institutional Framework for review of repudiated claims

In cases of Frank Repudiations, the principle of Utmost Good faith and the provisions of section 45 of the Insurance Act are taken into consideration. In cases of Frank repudiations, the opinion of Legal team is mandatorily sought and as per the approval matrix or in case of discrepancy in opinion it may be referred to the Claims Review Committee for further opinion. On receipt of the Legal opinion the repudiation letters are sent to the Legal team for checking post which they are dispatched to the client. Review of Repudiated claims on receipt of complaints / Grievance A ‘Grievance’ or ‘Complaint’ may be defined as any communication that expresses dissatisfaction about an action or lack of action, about the standard of service/ deficiency of service of an insurance company and/or any intermediary or asks for remedial action. The grievance and complaint management is based on the regulatory directions of the circular issued by IRDA. The complaints which qualify the categories as defined by the regulator are registered in the Kotak Grievance Management System either by the CSD/ Claims Team.

Step-wise process is as follows:

- The registration of the complaints is done in Kotak Grievance Management System as per the categories defined by IRDA and an acknowledgement with the stipulated time frame for the same is sent by CSD to the complainant.
- The facts of the case are analysed and if the complaint cannot be reconsidered as per the opinion of the Claims teams of the grade L6 & above, then a communication to that effect is sent to the client.
- In case if the facts of the case and the information submitted by the claimant warrants a payment in any form then the opinion of the Internal Ombudsman or the Claims review Committee is taken as the case may be.
- When the final decision is taken a communication to that effect is given to the client with the time as stipulated by the regulator.

Statistics of cases of policyholders / claimants before Consumer Fora /Courts

NAME OF THE FORUM / COURT	NO. OF PENDING CASES
Consumer Courts	
District Forum*	157
State Commission	56
National Commission	6
Other Courts	
Civil Courts	23
High Courts @	6
Supreme Court	1
Total	**249**
@ of these, the number of appeals against orders of Insurance Ombudsman	NIL

* Also includes cases pending before Permanent LokAdalat at District Level.

4. Initiatives taken by the company for settlement of cases pending before various Fora and Courts (like LokAdalat, Settlement camps etc.)

After receipt of customer-related litigations, the Legal Team assesses the grievance of the customers and the past communications, if any, between the customer and the Insurer, to find out the possibility of a settlement. At this very stage, many litigants are called up and possibility of settlement is explored. However, the experience so far is that most of the customers say that they need to speak to their lawyer. Ultimately, very few settlements actually materialize.

SUMMARY OF COMPLAINTS, DISPOSAL & RESOLUTION - Kotak Mahindra Life

RECEIPT AND DISPOSAL OF COMPLAINTS		
Pending as at beginning	246	
Received during the period	3764	
Duplicate during the period	23	
Actual during the period	3741	
Attended to during the period	3882	97.37%
Pending as at the end of the period	105	2.63%

PERIOD OF PENDENCY		
Complaints pending as at the end of the period		
Less than 15 days	105	100.00%
16 – 30 days	0	0.00%
More than 30 days	0	0.00%
Total Pending	**105**	

AVERAGE RESOLUTION RATE	
Average Resolution Rate	20.96

REGISTRATION & MODE OF RECEIPT OF COMPLAINTS		
Complaints Registered in IGMS Portal	**433**	**11.57%**
o Registered by IRDAI	374	10.00%
o Email	169	
o Letter	112	
o Telephone	93	
o Registered by Policy Holder	59	1.58%
Complaints Registered in Insurer's portal	**3308**	**88.43%**
TOTAL COMPLAINTS	**3741**	

RESOLUTION CLASSIFICATION OF COMPLAINTS DISPOSED DURING THE YEAR *		
In favour	1150	31.65%
Partially in favour	9	0.25%
Reject	2475	68.11%

COMPLAINT TYPE CLASSIFICATION		
Complaint Type	**No. of Complaints**	**%**
Unfair Business Practices	2235	59.74%
Policy Servicing	672	17.96%
Proposal Processing	312	8.34%
Others	250	6.68%
Survival Claims	156	4.17%
Death Claims	72	1.92%
ULIP Related	44	1.18%
TOTAL	**3741**	

COMPLAINT DESCRIPTION CLASSIFICATION (Top 10)			
Complaint Description Type	**Complaint Type**	**No. of Complaints**	**%**
Malpractices or unfair business practices	UBP	1575	42.10%
Payment of premium not acted upon or wrongly acted upon	Pol Ser	254	6.79%
Complaint raised with Insurer not addressed	Others	220	5.88%
Alteration in policy not effected.	Pol Ser	156	4.17%
Product differs from what was requested or disclosed.	UBP	133	3.56%
Policy bond not received.	Prop Proc	126	3.37%
Tampering, Corrections, forgery of proposal or related papers	UBP	107	2.86%
Premium paying period projected is different from actual	UBP	80	2.14%
Surrender Value not paid	Sur Cla	76	2.03%
Excess proposal deposit not refunded	Prop Proc	67	1.79%

CLAIM HANDLING BY INSURANCE COMPANIES

1. Introduction:

Claim is a moment of truth as far as an Insurance policy is concerned. It is the culmination of the insurance contract. The expectation of the policyholder is whenever the claim amount has fallen due, the insurer honours the claim and makes the payment of the insured amount at the earliest and with least possible inconvenience. The efficiency of claim handling is a test of the customer service orientation of an insurer.

2. Importance of Efficient Claim Handling:

Claim has a different impact on the policyholder/ claimant and the insurer. In case of a claimant, the claim amount is the benefit whereas for an insurer it is an expenditure. A claimant would expect the payment of the due amount in time without facing any hardship whereas the insurer would want to pay the claims only after due satisfactory compliance of all the requirements for making the payment in accordance with the policy terms and conditions. The information asymmetry in so far as the understanding of the insurer and the policyholder/ claimant and the interpretation of clauses of the insurance contract is one of the main reasons for disputes relating to claims. Delay in settlement of claims creates undue hardship to the claimants who are already reeling under the impact of the loss caused to the subject matter of insurance. Repudiation of claims either fully or partially makes the claimant feel that the entire exercise of taking an insurance policy was futile and the premium paid was only an item of expenditure without any commensurate benefit. If the reasons for delay in settlement of claims and the reasons for partial or complete repudiation of claims are not informed to the claimant with clarity by the insurer, the claimant is left with no other option but to raise a dispute. Once a dispute is raised and the same is not resolved or explained with reasons, the policyholder/claimant loses trust in the insurer. Thus, there is little possibility that the claimant would take/ renew insurance with the insurer, thereby affecting new business or persistency. Further, the negative publicity about the unreasonable rejection of claims also can affect the potential of sourcing of new business or renewals by the insurer.

On the part of insurer, paying of all claims without proper examination can result in a situation where fraudulent claims also get entertained and paid. This would severely impact the financials of the company putting in jeopardy the very solvency of the insurance company. Therefore, the claim handling is a critical function of an insurer which has to be carried out with diligence and prudence without adversely affecting the customer service

3. Complaints Related to Claims:

Once a claim has been unduly delayed or repudiated by the insurer, there is a cause of complaint. The claimant takes up the matter first with the insurer. All the insurers have put in place internal mechanism to deal with such grievances and resolve them. The resolution of claim related complaints also generally includes review of the decision on claims by a Committee. After review, the decision on the claim is conveyed to the complainant. Once the complaint is not internally redressed, the claimant is forced to seek adjudication of the dispute. For this purpose, he may approach an insurance ombudsman, consumer forum or a civil court and later take it through the appellate channels if redress is not to his satisfaction.

There has been a general reduction of claim related complaints in life with the rate of reduction being close to 30 % in life insurance claims. While the volume of complaints in relation to total number of claims is very small, the problems faced by the complainants cannot be wished away given the inconvenience caused to them.

The major claim related complaints are as follows:

1. Insurer not disposing of the claim.

2. Difference between the amount claimed and the amount settled by the Insurer.

3. Insurer reduced the quantum of claim without providing proper reasons.

4. Insurer failing to offer settlement of claim after receipt of survey report.

4. Regulatory and Supervisory Framework

The regulatory framework and institutional arrangement for processing claims expeditiously and resolving grievances relating to claims is discussed below in brief:

A. Regulations

• IRDA (Protection of Policyholders' Interest) Regulations, 2002 constitutes the regulatory framework for the protection of policyholders' interests. In terms of Regulation 5, every insurer should have in place proper procedures and effective mechanism to address complaints and grievances of policyholders efficiently and with speed. Regulation 8 and 9 deals with claims procedure in respect of life insurance and general insurance policy respectively.

The Turn around Time (TAT) for claims related services as per the Regulations are as follows:

1. Death claim requirement after lodging the claim : 15 days
2. Death claim settlement (without investigation requirement) : 30 days
3. Death claim settlement / Repudiation (with investigation requirement) : 60 days

In terms of Regulation 8(5) and Regulation 9(6), where there is a delay on the part of the insurer in payment of life insurance claims or non-life insurance claims respectively, the insurer is required to pay interest @ bank rate plus two per cent for the delay.

• IRDA (Non-Linked Insurance Products) Regulations, 2013 and IRDA (Linked Insurance Products) Regulations, 2013 contain provisions relating to claim settlement in case of group life insurance policies.

• IRDAI (Appointment of Insurance Agents) Regulations, 2016, IRDAI (Registration of Corporate Agents) Regulations, 2015, IRDA (Insurance brokers) Regulations, 2013, IRDAI (Third Party Administrators – Health Services) Regulations, 2016 and IRDAI (Insurance Surveyors and Loss Assessors) Regulations, 2015 stipulate Code of conduct for insurance agents, corporate agents, brokers and TPAs respectively wherein aspects relating to claims are also specified.

• IRDAI has issued Circular No IRDA/HLTH/ MISC/CIR/216/09/2011 dated 20-9-2011 in respect of delay in claim intimation/document submission with respect to all life insurance contracts and non-life individual and group insurance contracts. IRDAI advised all companies not to repudiate delayed claims unless and until the reasons of delay are specifically ascertained, recorded and the insurers should satisfy themselves that the delayed claims would have otherwise been rejected even if reported in time.

B. Grievance Redressal System

• To enable timely resolution of grievances, IRDAI has issued Guidelines for Grievance Redressal by insurance companies on 27 July 2010 according to which every insurance company is required to acknowledge grievances within 3 days and resolve complaints within two weeks.

• Grievance cell in the Consumer Affairs Department of IRDAI also receives complaints from policyholders which include those relating to claims. The complaints are registered and forwarded to the insurers for resolution under advice to the complainants. The insurers are required to examine the complaints and resolve the same within two weeks.

• Where the complaints are not resolved to the satisfaction of the complainant, the complainant can take up the matter with the Insurance Ombudsman or any other appropriate forum.

C. Insurance Ombudsmen in Mediation and Adjudication of Claim related grievances

• In order to provide an expeditious and inexpensive forum for adjudication of matters relating to claims in respect of personal lines of insurance upto a certain limit, Government introduced a system of Ombudsman in the Insurance Sector with effect from 11th November 1998. Currently there are 17 insurance ombudsmen in the country who are allotted to different geographical areas as their areas of jurisdiction

• The grounds relating to claims for which a complaint can be made to the Insurance Ombudsman are as follows:

a. Any partial or total repudiation of claims by an insurer.
b. Any dispute on the legal construction of the policies in so far as such disputes relate to claims.
c. Delay in settlement of claims.

• Each Ombudsman is empowered to redress customer grievances in respect of insurance contracts on personal lines where the compensation amount sought is less than Rs.20 lakhs. The Insurance Ombudsman adjudicates upon the complaint and issues an Award. The insurer shall comply with the award given by the Ombudsman within 15 days of the receipt of the acceptance letter from the complainant and it shall intimate the compliance to the Ombudsman. IRDAI in order to monitor the noncompliance of the award of Insurance Ombudsman has issued Circulars Ref: CAD/Insu.Omb/10-11 dated 23-11-2010 and Ref: IRDAI/Cir/Misc/194/ 11/2015 dated 03-11-2015. In the recent circular dt.3.11.2015 issued by IRDAI Insurers have been advised as follows:

a. Orders of Judicial/Quasi-Judicial Bodies should be complied with by the Insurer within the time frame stipulated in the order or award and in cases where time frame is not specified in the order/award, the order/award should be complied within 60 days of the receipt of the order/ award by the Insurer and
b. In cases where the Insurer prefers an appeal against the order of the Judicial/ Quasi-Judicial body, such appeal against the order should be preferred with in the stipulated time limit as per the rules applicable.
c. The Complainant should be informed in the matter accordingly.

D. Supervision and Regulatory action

• IRDAI constantly monitors the claims payment position of the insurance companies by collecting the claims payment data quarterly.

• IRDAI monitors the claim handling systems based on the complaints registered in the IGMS.

• IRDAI regularly inspects the books of the insurance companies as per Section 33 of the Insurance Act, 1938 which includes the examination of systems and procedures relating to handling of claims, practices of making payment as well as compliance with various regulatory requirements relating to claim handling. Whenever any deviations are noticed regulatory action is initiated.

5. <u>Initiatives by Insurers</u>

Insurers themselves also take several steps for better claims handling. The steps include giving the claim related documents and the list of documents to be submitted along with the policy document itself, having a claim review committee headed by independent persons of repute from the industry / judiciary. The monitoring, supervision and constant interaction with the intermediaries like surveyors/loss assessors, TPAs etc. also enables these intermediaries to perform their responsibilities in accordance with regulations issued by IRDA and the Code of Conduct specified for them.

6. The Insurance Laws (Amendment) Act, 2015 –

Amendment of Section 45 of the Insurance Act vis.a vis claim settlement

The amendment made to Section 45 removes much of the confusion by (i) extending the period for calling to question the facts stated in proposal from two years to three years (ii) dropping the provision for such action even after two years on the ground of fraudulent intentions on the part of the proposer (iii) clearly defining the date of reckoning for determining the period of three years and (iv) defining fraud as any misrepresentation or concealment of fact or omission by the proposer or the agent.

The amendment states that in case of fraud, the insurer must write to the claimant the basis of their considering the proposal or the claim as an attempt to defraud the company. Onus is now on the policyholders or the beneficiaries to prove that the misstatement or suppression of a fact was not done deliberately. The amendment eliminates chances of litigation after three years of the commencement of risk by clearly stating that a policy cannot be disputed after the expiry of three years ‘on grounds whatsoever’.

The amendment has thus taken full care of the interest of the insurers as well as of the insured and it is likely to reduce litigation. Any policyholder can now be sure of payment of claims amount to his heir in case of his unfortunate demise if his life insurance policy has completed three years since inception or revival. The insurers, on the other hand, will have to upgrade their underwriting standards and skills to protect themselves against potential fraud.

7. Claims and Litigation

The basic principle on which insurance operates is ‘uberrima fides’ i.e. principle of utmost good faith. The good faith is applicable equally to insured as well as the insurer. The insured gives all the information required in the proposal form and the insurer has to give the information about the products like terms, conditions, warranties and exclusions in documents of offer like prospectus, brochure, advertisement etc. and also make them part of the policy document. The fine print of insurance policy and the legalese in the wording of policy terms and conditions makes it an unequal bargain from the customer’s point of view.

Since the insurer knows only those things about the insured and the risk as is disclosed by him in the proposal, any failure to disclose renders the position of insurer difficult. The insured has chosen to buy the insurance product and is presumed to have satisfied himself about the product as the principle of 'caveat emptor' or 'buyer beware' applies to insurance as well. However, considering the several terms and conditions in the insurance contract which are presented in highly technical legal terms, literal application of the principle to largely financially illiterate insured persons would shift the balance heavily in the insurer's favour in case of any dispute in enforcing the obligations under the insurance contract. Protection to an extent is provided to the insured through the 'contra proferentem' rule. As the decision to underwrite a policy is supposed to be taken by the insurer after obtaining all information necessary for understanding the risk and the policy terms and conditions being standard forms drafted by the insurer, while interpreting the clauses of contract, any unclear term is interpreted in favour of the insured and against the insurer. The interplay of these principles, provides reason for disputes in insurance. So, over the years, insurance has grown to be not only a subject matter of solicitation but also a fertile ground for litigation.

Disputes in insurance are basically disputes in contract and have to be taken up with civil court. To provide scope for settling the disputes through alternate dispute resolution mechanisms, the institution of Insurance Ombudsmen has been created by Government of India under the Redressal of Public Grievances Rules, 1998. However, only disputes on personal lines of insurance on only 5 grounds of complaint and where compensation sought is less than Rs. 20 lakhs can be taken up with Insurance Ombudsman. Absence of mechanisms of appeal against Awards or for enforcement of Awards make the legal recourse the only alternative for persons or insurers aggrieved by unsatisfactory Awards.

In case of commercial lines of insurance, while resolution through Arbitration and Conciliation is provided for, the Arbitration Awards do not provide finality leaving room for litigation even after arbitration. Further arbitration clause is provided in general for partial repudiation cases of claim and not in cases of denial of claim.

With the increasing publicity about the recourse to Consumer Fora under the Consumer Protection Act, 1986, the volume of cases before Consumer Fora on matters of insurance has also been increasing with more and more people taking recourse to Consumer Fora alleging deficiency of service. The delay in resolving a case before the District Forum and the several years taken in disposal of appeals by State Forum and National Forum because of the huge volume of cases pending before these Fora have rendered the recourse to Consumer Fora ineffective in the expeditious resolution of insurance related disputes.

In order to provide a separate forum for dealing with cases relating to third party claims in case of motor accidents, the Motor Accident Claims Tribunals have been set up under the Motor Vehicles Act. Several of these Tribunals are in operation across the country. The number of cases pending before these Tribunals is huge and the time taken for disposal owing to the involved processes, is also substantial. There is no finality to the decisions as cases where the claimants feel that the compensation ordered is too low, they go for Appeal to the High Court and where the insurer feels that the compensation ordered is too high, the insurer goes on an Appeal leading to increased number of appeals before High Court and if further appealed against, before the Supreme Court. The difficulty in resolving disputes about motor accidents arise of the onerous task of assessing the value of human life lost in the accident and there can always be divergence of views of either party leading to litigation and escalations in the form of appeals. A straight jacketed formula is difficult to implement. However, there is sufficient scope of settlement of disputes at the earliest to save the financial burden in the form of absence of any earning of the deceased, cost of filing a case and pursuing it and the consequent time value of the money ordered at some remote time after the loss occurred.

In addition to these, disputes regarding claims in other non-life insurance policies which are not on personal lines are taken up before Civil Courts, where long time is taken in deciding the matter, owing to the involved processes. Even after decision of the Court is received, there is the option of Appeal leading to delay in finality of the decision.

8. Insurance Awareness

Insurance awareness can help persons taking insurance to be more aware about the nuances of insurance, what to disclose and what to look for in an insurance product, how to understand the insurance product and comprehend the terms, conditions, exclusions and warranties in the insurance policy. When this meeting of minds of insurer and the policyholder/claimant about mutual rights and obligations is there, disputes warranting litigation would not arise. In non-life insurance, underwriting includes risk assessment. Therefore, suggesting the suitable insurance policy and also mechanisms of mitigating risks can be an important service provided by the insurer to the policyholder. Building insurance awareness and bringing in more transparency in policy terms and conditions through simplification of language can help in interpretational problems in claim handling, avoiding an important reason for a lot of litigation in claims.

9. Conclusion

Insurers should have proper systems in place for quick and proper handling of claims. Providing a reasoned and timely decision about the claim can help mitigate the agony of the claimant in approaching various channels only to understand why there is a delay and what is the reason for repudiation of claim in full or in part. A suitable mechanism at insurer’s level to ensure that this information would be provided promptly would reduce the number of complaints relating to claims.

FINDINGS AND OBSERVATION

1. Majority of Agents/selling Employees in Kotak Mahindra Life Insurance make sure that they explain each and every detail of the policies to their respective customer.

2. Better claim settlement process impacts the sales of the life insurance policies in positive sense.

3. Even though insurance companies employees/ Agents are serving full information to the customers, but still customers are not well versed regarding claim settlement process.

4. A strong agreement has been noticed in case of LIC of India in regard to the notion that their company is market leaders because of good claim settlement processing and whereas in case of Kotak Mahindra life insurance company respondents don't found that strong agreement.

5. As per the agents/employees of private companies, customers are mostly provided their claim settlement with in specified time limit, but Kotak Mahindra life insurance is in better position than ICICI Prudential and HDFC life.

6. Majority of managerial level employees in Kotak Mahindra Life Insurance strongly supported that policies related to claims settlement should be regularly updated to customers.

7. Employees strongly supported that cost of handling of policies can be reduced with proper claim management. Proper claim management will help in faster settlement at reduced cost.

8. Majority of managerial level employees strongly supported that integrated communication system helps in fast claims settlement. Due to various modes of communication such as emails, fax and phone calls etc. now days claim settlement is faster and reliable.

9. In case of refusal of claims, proper opportunities should be given to customers.

10. Employees strongly supported that quick claim settlement can be used as effective marketing tool.

11. Proper claim management will reduce the cost of claims handling and hence increase the profitability of the organizations.

12. Quality of services related to claim settlement can be improved with constant feedback from customers.

13. Awareness regarding claim settlement process of Kotak Mahindra Life Insurance is not that strong. Customers are highly dependable on sales persons/agents for that.

14. Most of the respondents didn't file claim on their life insurance policies, which shows that even though claims are the ultimate result of life insurance companies but still it occurs rarely. Due to that sometimes they don't consider it as important as it is.

15. Respondents of LIC of India rated higher number of formalities while filing claims on life insurance policies than few number of formalities by the respondents of Kotak Mahindra Life Insurance Ltd.

16. Support during the claim settlement is provided by both the life insurance companies, but LIC of India employees are ahead of Kotak Mahindra Life Insurance employees since they keep in touch with the customers regularly and rarely change their jobs.

17. Filed claims are largely settled within said duration by HDFC life and ICICI prudential. Here also LIC of India is ahead of Kotak Mahindra Life Insurance.

18. Promptness in claim settlement improves the trust of the customers and motivates them to buy other life insurance products of the same life insurance companies.

19. During claim settlement, quality of services is considered to important factor for over all good process. Services provided during claim settlement in LIC of India are ahead of Kotak Mahindra Life Insurance due to its large and strong management framework.

20. Respondents of the life insurance companies largely agreed that terms and conditions on policies document should be considered for better understanding of life insurance policies. But still customers seldom focus on terms and conditions.

Conclusions

Claim settlement process need to be as per requirement of the customers, so that at the time of need, no customer should be suffered due complexity of the claim settlement process. Faster claim settlement process reduces the cost of processing any claim whereas multiple stages in the process should be avoided since it increases the cost of claim settlement. For increasing the speed, policyholders should be provided proper information on regular bases. Kotak Mahindra Life Insurance is the oldest private life insurance provider in India; adaptability is one of the major strength of this organization. In order to make claim settlement process more transparent and customer oriented, stress should be given on that. Company should adopt flexible and they have to update their claim settlement as per the changing time and trend.

Suggestions:

1. Kotak Mahindra life Insurance can improve their sales by improving their claim settlement process and by developing long term relationship with their customers.

2. Kotak Mahindra life Insurance still can create new touch points for sales of new products and services such as online available of all insurance products, setting up online claim intimation system, dedicated claim management teams etc. in order to attract younger generation of crowd and reduces the overall cost of handling of insurance policies.

3. Kotak Mahindra life Insurance can improvise communication channel placed between the agents/sales persons and managerial level employees of the company with the customers in regard of claim settlement process as well as policy matters.

4. Kotak Mahindra life Insurance in order to maintain and gain better position in life insurance market, speedy and hurdle free settlement of claims will attracts the new customers for further investments. Repudiation of the claims should be the last choice for the company.

5. Kotak Mahindra life Insurance can start doorstep claim settlement services. This will save claimant's time and money and give the company another chance to impress their customers and generate insurance business from them.

6. For policyholders it will be very suitable to have all required documents checklist for claims along with life insurance policies at the time of purchase of the insurance coverage.

7. In order to simplifying the claim settlement process, it suggested to implement universal claim form for every type of claims and companies.

8. It is suggested to introduce instant payment option of claims with certain terms and conditions. For this instant payment companies may charge extra depending on the overall claim amount.

9. It is suggested to keep on checking their public relationship status through time to time customers' feedback.

10. Kotak Mahindra life Insurance is suggested to organize customer awareness campaign regular interval in different part of the countries.

BIBLIOGRAPHY

IRDAI Annual Report 2017-18

Consumer Affairs Booklet

Kotak Mahindra Life Annual Report 2017-18

Kotak eTerm Plan brochure

Internal Circulated mail and campaign

Others:

https://www.moneycontrol.com/news/business/personal-finance/-1372455.html

https://www.grevesgroup.com/life-insurance-claim-investigations.html

https://www.coverfox.com/life-insurance/articles/life-insurance-claim-process/

https://www.personalfn.com/fns/insurance-claim-settlement-for-mysterious-deaths

https://nios.ac.in/media/documents/VocInsServices/m3-f7.pdf

http://www.policyholder.gov.in/how_to_make_a_claim_life.aspx#

http://shodhganga.inflibnet.ac.in/bitstream/10603/36942/11/11_chapter%203.pdf

https://www.indiastudychannel.com/resources/138594-Life-insurance-procedure-for-settlement-of-claims-advantages-and-clauses-in-the-policy.aspx

https://m.economictimes.com/wealth/insure/hiding-vital-facts-while-buying-insurance-claims-may-be-rejected/articleshow/16888651.cms

https://www.coverfox.com/life-insurance/term-insurance/claims/

https://www.google.com/amp/s/m.businesstoday.in/lite/story/9-situations-when-your-life-insurance-claim-may-get-rejected/1/280188.html

https://www.coverfox.com/life-insurance/articles/life-insurance-claims-rejection/

https://www.policybazaar.com/life-insurance/general-info/articles/resaon-forlife-insurance-claim-rejection/

https://www.policybazaar.com/life-insurance/term-insurance/articles/why-term-life-insurance-claim-gets-rejected/

https://www.moneychai.com/claim-settlement-ratio-irda-term-insurance.html

assuredgain.com/term-insurance-claim-settlement-ratio-irda-2017-2018/

https://www.google.com/amp/s/www.basunivesh.com/2019/01/18/latest-irda-claim-settlement-ratio-2017-18/amp/

https://www.mintwise.com/blog/claim-settlement-ratio-for-term-insurance-by-irda-2016-2017/

https://www.mintwise.com/claim-settlement-ratio-kotak-life-insurance

https://www.kotak.com/en/about-us/our-business.html

https://m.economictimes.com/auto-finance/case-study-insurance-company-wants-accident-victim-to-submit-irrelevant-documents-faces-heat/articleshow/38780014.cms

UNIVERSITY OF MUMBAI

PROJECT REPORT ON

"Comparative analysis of non banking financial company of Bajaj finance & Mahindra Financial company"

T.Y.B.M.S. (SEMESTER VI)

ACADEMIC YEAR: 2019 – 2020

SUBMITTED BY

RANJITH RAJU INGALE

BACHELOR OF MANAGEMENT STUDIES

SEAT NO– 1162758

BGPS

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

2019-2020

A PROJECT REPORT ON

"Comparative analysis of non banking financial company of Bajaj finance & Mahindra Financial company"

SUBMITTED

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE

BACHELOR OF MANAGEMENT STUDIES

By

Name: RANJITH RAJU INGALE

SEAT No – 1162758

T.Y.B.M.S. (SEMESTER VI)

BGPS

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

CERTIFICATE

This is to certify that Mr. RANJITH RAJU INGALE

Seat no 1162758 of Third Year B.M.S., Semester VI (2019 – 2020) has successfully completed the project on Comparative analysis of non banking financial company of Bajaj finance & Mahindra Financial company under the guidance of Assistant Prof. __ANIKET SONSURKAR. SIR

Ass. Prof. Aniket Sonsurkar sir

Project Guide **External Examiner**

Asst. Prof Draksha Khan Ma'am **Dr.Subhash Vadgule sir**

Course Coordinator **Principal**

BGPS

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

ACKNOWLEDGEMENT

Thank you universe , for helping me see this obstacle as an opportunity

I take this opportunity to thank the University of Mumbai for giving me chance to do this project.

I would like to thank my Principal, Dr. Subhash Vadgule sir for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our Course Coordinator

Asst. Prof. Draksha Khan,ma'am for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide Prof Aniket Sonsurkar sir whose guidance and care made the project successful.

I would like to thank my College Library, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially who supported me throughout my project.

DECLARATION

I, RANJITH RAJU INGALE the student of T.Y.B.M.S. Semester VI (2019 – 2020) hereby declare that I have completed the project on Comparative analysis of non banking financial company of Bajaj finance & Mahindra Financial company The information submitted is true and original to the best of my knowledge.

RANJITH RAJU INGALE

SEAT NO-1162758

BGPS, MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037

INDEX

CHAPTER 1: Meaning:

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property. A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in installments by way of contributions or in any other manner, is also a non-banking financial company (Residuary non-banking company).

1.1 INTRODUCTION:

A Non Banking Financial Company (NBFC) is a company registered under the Companies Act, 2013 of India, engaged in the business of loans and advances, acquisition of shares, stock, bonds, hire-purchase insurance business or chit-fund business, but does not include any institution whose principal business is that of agriculture, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

The working and operations of NBFCs are regulated by the Reserve Bank of India (RBI) within the framework of the Reserve Bank of India Act, 1934 (Chapter III-B) and the directions issued by it. On November 9, 2017, Reserve Bank of India (RBI) issued a notification outlining norms for outsourcing of functions/services by Non-Bank Financial Institution (NBFCs) As per the new norms, NBFCs cannot outsource core management functions like internal audit, management of investment portfolio, strategic and compliance functions for know your customer (KYC) norms and sanction of loans. Staff of service providers should have access to customer information only up to an extent which is required to perform the outsourced function. Boards of NBFCs should approve a code of conduct for direct sales and recovery agents. For debt collection, NBFCs and their outsourced agents should not resort to intimidation or harassment of any kind. All NBFCs' have been directed to set up a grievance redressal machinery, which will also deal with the issues relating to services provided by the outsourced agency.

Simply put, a Non-Banking Financial Company (NBFC) receives money as a whole or in instalments connected to a scheme and runs its financial process. There are a variety of NBFCs that an individual comes across in day to day life that involves itself in various financial activities.

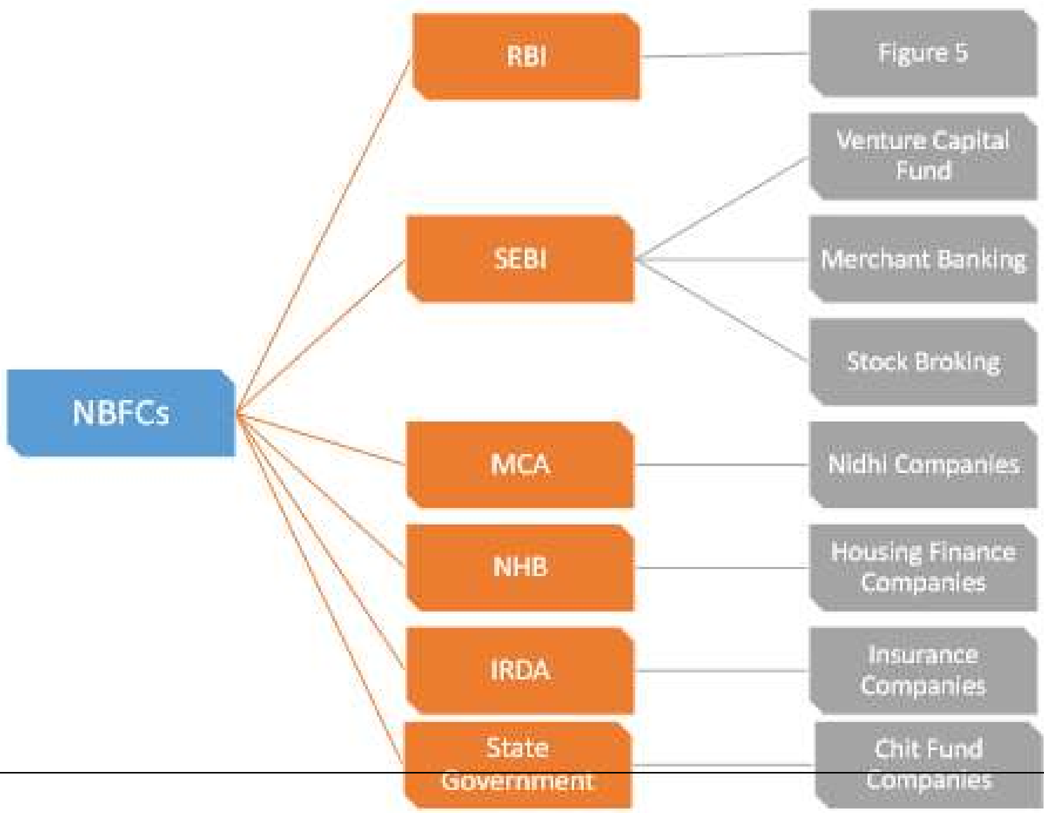
Non-Banking Financial Institutions are growing as an integral component of the Indian financial system. The NBFCs are heterogeneous in terms of their activities and size of operations and serve as critical financial intermediaries for credit seekers of the country. They are strengthening the economy and have etched a distinct place for themselves by serving the credit requirements of both wholesale and retail customers.

They **facilitate bank-related financial services** like investment, contractual savings, market broking and risk pooling but do not possess a banking license. NBFCs today have gained much traction in the economy. They add considerable depth to the overall financial sector. NBFIs have a growing significance as a key player in broadening the economic horizons of creditors in India. Recent traction in the lending sector that to NBFC growth has generated immense academic and research interests from scholars who intend to dive deep into its onset, growth and performance.

In August of 2016, the union cabinet welcomed foreign direct investment (FDI) under the automatic route in regulated Non-banking financial companies.

Here are ways in which NBFCs help the economy:

- They supplement the banking infrastructure of the country by distributing excess resources to individuals and companies that face fund deficit.
- On the other hand, NBFIs also bring competition in financial services available in the country.
- While banks may offer packaged deals on financial services, NBFIs offer strictly customized services to suit the specific needs of clients they serve. Very often, NBFIs specialize in one or two particular sectors and develop an informational advantage.



NBFCs (Non Banking Financial Companies) play an important role in promoting inclusive growth in the country, by catering to the diverse financial needs of bank excluded customers. Further, NBFCs often take lead role in providing innovative financial services to Micro, Small, and Medium Enterprises (MSMEs) most suitable to their business requirements. NBFCs do play a critical role in participating in the development of an economy by providing a fillip to transportation, employment generation, wealth creation, bank credit in rural segments and to support financially weaker sections of the society. Emergency services like financial assistance and guidance is also provided to the customers in the matters pertaining to insurance.

NBFCs are financial intermediaries engaged in the business of accepting deposits delivering credit and play an important role in channelizing the scarce financial resources to capital formation. They supplement the role of the banking sector in meeting the increasing financial needs of the corporate sector, delivering credit to the **unorganized sector** and to small local borrowers. However, they do not include services related to agriculture activity, industrial activity, sale, purchase or construction of immovable property. In India, despite being different from banks, NBFC are bound by the **Indian banking industry** rules and regulations.

NBFC focuses on business related to loans and advances, acquisition of **shares**, stock, bonds, **debentures**, securities issued by government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business, chit business.

The banking sector would always be the most important sector in the field of business because of its credibility in supporting manufacturing, infrastructural development and even being the backbone for the common man's money. But despite this, the role of NBFCs is critical and their presence in a country would only boost the economy in the right direction.

1.2. COMPANY PROFILE OF BAJAJ FINANCE COMPANY:

Bajaj Finance Limited a subsidiary of Bajaj Finserv, is an Indian Non-Banking Financial Company (NBFC). The company deals in Consumer Finance, SME (Small and Medium-sized Enterprises) and Commercial Lending, and Wealth Management.

Headquartered in Pune, Maharashtra, the company has 294 consumer branches and 497 rural locations with over 33,000+ distribution points. The company reported a pre-tax profit of Rs.626 crores and a post-tax profit of Rs.408 crores at a ROA of 0.8% and ROE of 5.1% in Q2 FY17.

Originally incorporated as Bajaj Auto Finance Limited on March 25, 1987, the non-bank singularly focused on providing two and three wheeler finance. After 11 years in the auto finance market, Bajaj Auto Finance Ltd launched its initial public issue of equity share and was listed on the BSE and NSE.

At the turn of the 20th century, the company ventured into the durables finance sector. In the subsequent years, Bajaj Auto Finance diversified into business and property loans as well.

In the year 2006, the company's assets under management hit the Rs.1,000 crore mark and is currently at Rs.52,332 crore. 2010 saw the company's registered name change from Bajaj Auto Finance Limited to Bajaj Finance Limited.

Ownership

The parent company, Bajaj Finserv Limited, holds 57.28% of the total shares. and has a controlling stake in the subsidiary. Other major investors include Maharashtra Scooters Limited, Government of Singapore, Smallcap World Fund INC and AXIS Long Term Equity Fund.

1987 - Bajaj Auto Finance was incorporated on 25th March, as a Private Limited Company to take up Hire Purchase Finance and Lease Finance activity. It became a deemed public company by virtue of Section 43(A) of the Act with effect from 20th

October 1987 and

the word private was deleted by the Registrar of Companies, Maharashtra, Mumbai.

- The company is primarily engaged in the Hire Purchase Financing of Two, Three Wheelers, Leasing of equipments and vehicles and Bill Discounting. The company is also engaged in Real Estate Operations as Project Management Consultant. The Company was promoted by Bajaj Auto Ltd and Bajaj and Auto Holdings Ltd.

1992 - The Company is proposed to enter into other areas of financing, such as Bills Discounting.
- The Company is proposed to increase the financing activities of the Company by introduction of various schemes of financing cars, trucks and leasing of equipment.
- It is proposed to increase the share capital of the Company by public issue of upto 50,00,000 equity shares of Rs.10/- each at a premium, to be determined in consultation with the concerned Authorities.
- During the year under review, Company has opened a brach office at Hyderabad for promoting Company's financing schemes.

1993 - The Company has, for the first time, issued commercial Papers (CPs) to the extent of Rs.80 million. The issue of Commercial Papers has been rated as P1+ (pronounced P one plus) by The Credit Rating and Information Services of India Limited (CRISIL). This rating is the best rating for CPs.
- During the year under review, Company has opened its branch offices at New Delhi, Chennai, Bangalore and Mumbai for promoting Company's financing schemes.
- The proposal of issue of 67,00,000 equity shares of Rs.10/- each at a premium of upto Rs.70/- per equity share was approved by the shareholders.
- It is proposed to issue shares to the public at an appropriate time and at a suitable premium after taking into account the Capital Market conditions.

1994 - The Company offered 64,88,200 No. of equity shares of Rs 10 each at a premium of Rs 80 per share of which 23,13,200 shares were offered to promoters and their associates and the balance 41,75,000 shares were offered to the Indian Public. All were accepted.
- During the year under review, Company has opened its branch office at Nagpur for promoting Company's financing schemes.
- The Company is entering into financing of other automobiles mainly through the branch network.

1995 - During the year, Company has allotted, pursuant to a Public Issue, 4,15,000 No. of Equity Shares of Rs.10 each for cash at a premium of Rs. 80 per Equity Share. After allotment of shares ,Company's paid up share capital is Rs. 164,884,500 as at 31.3.95.
- After allotment of shares against Public Issue on 28th May, 1994, Company has ceased to be a subsidiary Company of Bajaj Auto Limited.
- The Company has opened its branch offices at Vijaywada, Nasik, Vishakhapattanam, Calcutta, Goa, Madurai and Pune for promoting Company's

financing schemes.
1996 - The Company has obtained a credit rating of FAA+ from CRISIL for its Fixed Deposit Schemes.
- During the year, Company has opened its branch offices at Baroda and Trivandrum for promoting Company's financing schemes. The Company has a network of 15 branches.
1997 - Bajaj Auto Finance plans to double its borrowing capacity from Rs 100 crore to Rs 200 crore.
- The Credit Rating and Information Services of India Ltd (Crisil) has assigned P1+ ratings to the debt programmes of Wipro and Bajaj Auto Finance Ltd.
- Crisil has also reaffirmed the FAAA rating assigned to the fixed deposits (FD) programme of Bajaj Auto Finance and the FA+ rating assigned to the FD programme of Vysya Bank Housing Finance Ltd.

1998 - Bajaj Auto Finance Ltd (BAFL), has entered into a tie-up with Godrej GE Appliances, Korean consumer durables conglomerate LG and air-conditioning major Blue Star to finance their consumer durables.
- Bajaj Auto Finance Ltd has come out with a scheme a low downpayment plan to aggressively push sales of its parent company. The low downpayment scheme is being launched by BAFL, along with its earlier 9 per cent interest finance scheme.

1999 - Bajaj Auto Finance has gone in for demateralisation of its share and joined the National Securities Depository Ltd.- BAFL's tie-up with BPL to finance all its consumer durables except refrigerators is aimed at synergising its existing business and adding value for its customers.
- BAFL has regional tie ups with Daewoo's in Punjab, Voltas in Andhra Pradesh, Sharp in Maharashtra and Carrier Aircon in Gujarat, some of which could be upgraded to national tie ups.

2000 - The Credit Rating Information Services of India Ltd (Crisil) on March 6 reaffirmed the EAAA rating for the fixed deposit programme of Bajaj Auto Finance Ltd (BAFL). The company's Rs 10-crore commercial paper programme has been assigned P1+ rating.

2002-Bajaj Auto Finance Ltd has informed that the Board has decided to reappoint Mr Dipak Poddar as Managing Director of the Company, for a further period of five years.

2003
-Approves to voluntarily delist the Equity Shares from Pune Stock Exchange Ltd & The Stock Exchange Ahmedabad, in accordance with the provisions of SEBI (Delisting Securities)- Guidelines 2003

2004
--Ties up with Bajaj Auto Finance for finance scheme on Intel Pentium 4 PC.
-Bajaj Finance Ltd Issues Rights in the Ratio of 6:10

2008
- Bajaj Auto has increased the stakes in the extremely competitive 125 cc bike segment by offering its vehicles at extremely low financing rates.
- Bajaj Auto Finance Ltd has informed that the Board of Directors of the Company at

its meeting held on October 22, 2008, have appointed Shri. D J Balaji Rao as an additional Director of the Company.

2009

-Bajaj Auto Finance Ltd. - Board recommends Dividend of Rs. 2/- per share (20%)
2010
-Bajaj Auto Finance Ltd. - Board recommends Dividend of Rs. 6/- per share (60%)
-Company has changed its name from Bajaj Auto Finance Ltd to BAJAJ FINANCE LTD

2011
-Bajaj Auto Finance Ltd. - Board recommended Dividend of Rs. 10 per share (100%)

2012
Bajaj Finance Ltd - Board recommended Dividend of Rs. 12/-

2013
-Bajaj Finance Ltd Issues Rights in the Ratio of 3:19

2014
-Bajaj Finance acquires Bajaj Financial Solutions for worth Rs 17cr.

2015
-Bajaj Finance subsidiary gets license to commence housing finance business from National Housing Bank (NHB)

2016
-Bajaj Finserv introduces the smarter way to pay, Enables EMI payments on retail fashion, travel and small appliances
-Bajaj Finance Ltd has approved Issue of one fully paid bonus equity share of the face value of Rs. 2 each for one equity share of the face value of Rs. 2 each

2017
- Bajaj Finance enters into SSA with MobiKwik

Bajaj Finserv was formed in April 2007 as a result of its demerger from Bajaj Auto Limited to further the Group's interests in financial services. This demerger enabled Bajaj Finserv to independently run the core businesses of Lending, Protection and savings. Bajaj Finserv Limited is the holding company for the businesses dealing with financial services of the Bajaj Group. It serves millions of customers in the financial services space by providing solutions for asset acquisition through financing, asset protection through general insurance, family protection and income protection in the form of life and health insurance and retirement and savings solutions

Lending
Bajaj Finance Limited (BFL), participates in the financial business and is a company listed on The Stock Exchange, Mumbai (the BSE) and the National Stock Exchange (NSE).
BFL also operates through a 100% subsidiary namely, Bajaj Housing Finance

Limited (BHFL) which is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC) for its mortgage business. BHFL started its operations in FY2018 and all the incremental mortgage business is now done through BHFL.

1.3 COMPANY PROFILE OF MAHINDRA FINANCE:

Mahindra & Mahindra Financial Services Limited (**MMFSL**) is a rural NBFC headquartered in Mumbai, India. It is amongst the top tractor financers in India and offers a wide range of financial products to address varied customer requirements. The NBFC has 1000+ offices spread over 1 in every 3 villages across India with a total of more than 4.7 million customers to date.

Mahindra Finance started on 1 January 1991, as Maxi Motors Financial Services Limited.[5] They received the certificate of commencement of business on 19 February 1991. On 3 November 1992, Mahindra Finance changed their name to Mahindra & Mahindra Financial Services Limited. Mahindra Finance is registered with the Reserve Bank of India as an asset finance, deposit taking NBFC.

In 1993 it commenced financing M&M Utility vehicles and in 1995 started its first branch outside Mumbai, in Jaipur. The company began financing Non M&M vehicles in 2002 and got into the business of financing commercial vehicles and construction equipment in 2009. 2011 was the year in which they had a joint venture with Rabobank subsidiary for tractor financing in the US and consolidated the product portfolio by introducing small and medium enterprises (SME) financing.

Mahindra Asset Management Company Private Limited is a wholly owned subsidiary of Mahindra and Mahindra Financial Services Limited (MMFSL). Mahindra AMC Pvt Ltd, is the Investment Manager for Mahindra Mutual Fund. It started its operation in the first week of July 2016, with an AUM of 1200 Million INR and its NAV is floating around 1000 INR

Mahindra Mutual Fund endeavors to offer a variety of mutual fund schemes pan India, with special focus in rural and semi-urban areas.

In FY 2012-13, the insurance broking subsidiary, Mahindra Insurance Brokers Limited (MIBL) crossed the 8,00,000 mark in terms of the policies served. The company's total policies, at the end of 2012-13, stood at 8,39,408 for both life and non-life retail business lines. It reached a total of Rs. 600 Crores gross premium. The income increased by 85 per cent from Rs. 46.6 Crores in 2011-12 to Rs. 86.3 Crores in 2012-13. During the year, MIBL entered into a strategic partnership with LeapFrog Investments, world's largest investor in insurance for the underserved.[12] Through its subsidiary company, Inclusion Resources Private Limited, LeapFrog invested Rs. 80.4 Crores for a 15 per cent shareholding in MIBL. Mahindra finance launched online insurance aggregator Paybima[13]. Paybima is the online portal of Mahindra Insurance Brokers Ltd.

In FY 2012-13, Mahindra Rural Housing Finance Limited (MRHFL) disbursed loans aggregating to Rs. 432.9 Crores, up from Rs. 266.8 Crores in the previous year. The profit after tax for 2012-13 stood at Rs. 222.3 Crores, against Rs. 11.9 Crores in the previous year. The outstanding loan portfolio, as on 31 March 2013, stood at Rs. 879.5 Crores

Mahindra Finance's wholly owned subsidiary, Mahindra Business & Consulting Services Private Limited (MBCSPL), provides staffing services primarily to Mahindra Finance. It also serves the subsidiaries (MIBL and MRHFL) and parent company (Mahindra & Mahindra Limited). During the year, MBCSPL deputed 8,098 employees to these companies. The Profit after Tax increased from Rs. 7.1 Lacs in 2011-12 to Rs. 173.8 Lacs in 2012-13.and also turnover.

Type	**Public**
Traded as	NSE: M&MFIN BSE: 532720
ISIN	INE774D01024
Industry	NBFC
Founded	1991
Headquarters	Mumbai, India
Area served	India
Key people	Ramesh Iyer, Vice Chairman & President Mahindra Financial Service Sector
Products	Financial services
Revenue	▲₹11,996.46 crore (US$1.7 billion) (2020)
Operating income	▼₹1,556.13 crore (US$220 million) (2020)

Net income	▼₹1,075.15 crore (US$150 million) (2020)
Total assets	▲₹81,792.58 crore (US$11 billion) (2020)
Total equity	▲₹11,969.00 crore (US$1.7 billion) (2020)

1.4: OBJECTIVE OF STUDY:

- To give an overview about financial data of Baja Finance & Mahindra Finance.
- To analysis the profitability position of above financial companies.
- To offer findings and suggestions and conclusion of this study.

1.5 LIMITATION OF THE STUDY:

- This study is restrained to Bajaj Finance and Mahindra Finance.
- This study is based on evidence provided by secondary sources.
- This education contains financial data of Bajaj Finance and Mahindra Finance.

1.6: SCOPE OF THE STUDY:

- The current study aims at measuring the profitability position of Nonbanking Finance companies in India.

- The study could help the company as well as the financiers to understand its financial efficiency.

- It aims to help the management to find out its financial problems at present and the Specific areas in the business, which might need some effort for more effective and efficient utilization of its resources.

➢ RESEARCH METHODOLOGY

SOURCES OF DATA: Secondary data is used for the study.

Period of the Study: The study covers a period of Five years from the financial year 2016-2020.

CHAPTER: 3 LITERATURE REVIEW

Jafor Ali Akhan (2010) writes on "Non-Banking Financial Companies (NBFCs) in India". The book discussed the fi-nancial system in India. It covers the financial intermediaries including commercial banks, regional rural banks, cooperative banks and Non-Banking Financial Companies in India. The book is good source in getting information on businesses, classification, management of assets, risk coverage, etc of the NBFCs in India.

Shailendra Bhushan Sharma and Lokesh Goel (2012) write on "Functioning and Reforms in Non-Banking Financial Companies in India". Non-Banking Financial Companies do offer all sorts of banking services, such as loans and credit facilities, retirement planning, money markets, underwriting and merger activities. These compa-nies play an important role in providing credit to the un-organized sector and to the small borrowers at the local level. Hire purchase finance is by far the largest activity of NBFCs. The rapid growth of NBFCs has led to a gradual blurring of dividing lines between banks and NBFCs, with the exception of the exclusive privilege that commercial banks exercise in the issuance of cheques. This paper pro-vides an exhaustive account of the functioning of and re-cent reforms pertaining to NBFCs in India.

Subina Syal and Menka Goswami (2012) writes on "Fi-nancial Evaluation of Non-Banking Financial Institutions: An Insight"in 'Indian Journal of Applied Research'. The Indian financial system consists of the various financial insti-tutions, financial instruments and the financial markets that facilitate and ensure effective channelization of payment and credit of funds from the potential investors of the economy. Non-banking financial institutions in India are one of the ma-jor stakeholders of financial system and cater to the diversified needs by providing specialized financial services like invest-ment advisory, leasing, asset management, etc. Non-banking financial sector in India has been a considerable growth in the recent years. The aim of the present study is to analyze the financial performance and growth of non-banking financial in-stitutions in India in the last 5 years. The study is helpful for the potential investors to get the knowledge about the finan-cial performance of the non-banking financial institutions and be helpful in taking effective long-term investment decisions.

Sornaganesh and Maria Navis Soris17 (2013) B "A Fun-damental Analysis of NBFCs in India" in 'Outreach'. The study was made to analyze the performance of five NBFCs in India. The annual reports of these companies are evaluated so as to ascertain investments, loans disbursed, growth, return, risk, etc. To sum up, the study is concluded that the NBFCs are earning good margins on all the loans and their financial efficiency is good.

Taxmann’s (2013) published “Statutory Guide for Non-Banking Financial Companies” is published by Tax-mann’s Publications, New Delhi. The book listed the laws relating to Non-Banking Financial Companies. The rules and laws governing the kinds of businesses undertaken by different types of NBFCs are also discussed.

Amit Kumar and Anshika Agarwal (2014) published a paper entitled “Latest Trends in Non-banking Financial Institutions” in ‘Academicia: An International Multidisciplinary Research Journal’. In Indian Economy, there are two major Financial Institutions, one is banking and other is Non-Banking. The Non-Banking Financial Institutions plays an important role in our economy as they provide financial services on wide range, they also work to offer enhanced equity and risk-based products, along with this they also provide short to long term finance to different sectors of the economy, and many other functions. This paper examines the latest trends in Non-Banking Financial Institutions. This paper analyzes the growth and enhanced prosperity of financial institutions in India.

Dash Saroj K, et al (2014) writes on “Housing Loan Dis-bursement in India: Suggestive Metrics to Prevent Bad Debts” in ‘International Journal of Management, IT and Engineering’. Non-Banking Financial Corporation (NBFC) in each of the countries involved in the business of lending mort-gage loans took stock of their policies and terms & conditions while disbursement of loans. Critics and some experts might argue that given the technologically advanced systems in place to do credit scoring, it is enough to have certain set of quantitative parameters to do a check. The parameters, which are discussed in the credit scoring software, are primarily quantitative parameters and some qualitative features whose measurements are also quantified.

Naresh Makhijani (2014) writes on “Non-Banking Finance Companies: Time to Introspect” in ‘Analytique’. Over the last few years the Non Banking Finance Companies (NBFC) sector has gained significant advantages over the banking system in supplying credit under-served and unbanked are-as given their reach and niche business model. However, off late the Reserve Bank of India has introduced and suggested various changes in the existing regulatory norms governing NBFCs with a view to bring NBFCs regulations at par with the banks. The ongoing and proposed regulatory changes for the NBFCs in terms of increased capital adequacy, tougher provi-sion norms, removal from priority sector status and changes in securitization guidelines could bring down the profitability and growth of the NBFC sector. NBFCs will need to introspect and rethink their business models as they will now not only have to combat stringent regulatory norms but also have to face the challenge of rising cost of funds, scare capital and direct competition from banks.Ravi Puliani and Mahesh Puliani (2014) writes a book enti-tled “Manual of Non-Banking Financial Companies”. The book discussed the glossary of terms that are used in banking operations and non-banking activities. The book covers the circulars and directions issued by Reserve Bank of India from time to time to control, manage and regulate the business of NBFCs.

Shail Shakya (2014) published a working paper entitled “Regulation of Non-banking Financial Companies in In-dia: Some Visions & Revisions”. Non-Banking Financial Companies are pioneer in their cash deployment, accessibili-ty to the markets and others to count. NBFCs are known for their higher risk taking capacity than the banks. Despite being an institution of attraction for the investors, NBFCs have played a significant role in the financial system. Many specialized services such as factoring, venture capital finance, and financing road transport were championed by these institutions. NBFC sector has more significantly seen a fair degree of consolidation, leading to the emergence of large companies with diversified activities. However, the recent financial crisis has highlighted the importance of widening the focus of NBFC regulations to take particular account of risks arising from the regulatory gaps, from arbitrage opportunities and from inter-connectedness of various activities and entities associated with the financial system. The regulatory regime is lighter and different than the banks. The steady increase in bank credit to NBFCs over the recent years means that the possibility of risks being transferred from more lightly regulated NBFC sector to the banking sector in India can’t be ruled out.

Thilakam and Saravanan (2014) writes on “CAMEL Analysis of NBFCs in Tamil Nadu” in ‘International Journal of Business and Administration Research Review’. Financial intermediation is a crucial function of Banks, Non Banking financial companies (NBFCs) and Development Financial In-stitutions (DFIs) the post reform period in India is characteized by phenomenal growth of NBFCs complementing the role of banks in mobilizing funds and making it available for investment purposes. During the last decade NBFCs have undergone wide volatility and change as an industry and have been witnessing considerable business upheaval over the last decade because of market dynamics, public sentiments and regulatory environment. To evaluate the soundness of NBFCs in Tamil Nadu over a decade, the authors made an attempt of CAMEL criteria for analysis of selected Companies. Based on findings the suggestions were offered to overcome the difficulties face by selected NBFCs in their development.

Balachandran (2006) in his study on NBFCs has revealed that in the financial market, different financial products are available which provide on effective payment and credit system and thereby facilitate the channelizing of funds from savers to investors in the economy and thus the NBFCs play an important role in Indian financial system. The researcher has also traced the growth of NBFCs from 7000 in 1981 to 40,000 in 1995. Deposits in these NBFCs have been growing at a much higher rate than with commercial banks.

Dubey and Shubhashish (2007) analysed that NBFC’s in India had a great revolution after 1991 liberalization which led to simple regulatory mechanisms and allowance to greedy investors to park their money with

NBFC’s. With more customers’ base and unwise investments started rising to have large profitability. This in turn leads to weak not compatible with strong players and fading of golden era for NBFC’s.

Jafor (2009) stated that the NBFCs have been playing a very significant role in the present day rigorous money-market conditions. They are serving the nation by supporting the economic reconstruction and giving a booster to industrial production. They are engaged into the business of providing loans and advances of small amounts for a short-period to small borrowers. The NBFCs play an important role in channelizing these savings into investment. They have supplemented the role played by the banks.

Sundaram (2010) has analyzed the growth, profitability and Financial Performance of NBFCs. The researcher suggested that the RBI must exercise full control over the NBFCs like that of its control over commercial banks, since these companies are growing very fast as that of Banks.

Khalil (2011) analyzed the financial performance of those non-bank finance companies which are providing the services of investment advisory, asset management, leasing and investment finance for 2 years from 2008 to 2009. Ratio analysis method has been used to analyze the. The study concluded that the financial performance of NBFCs was better in 2008 as compared to the overall decline in 2009 caused by many factors. Suresh (2011) investigated the performance of NBFCs in India (other than banking, insurance, and chit fund companies) during the year April 2008–March 2009. Study highlighted that Financial and Investment Companies’ growth in income, main as well as other, decelerated during the period and growth of total expenditure also decelerated but it was higher than the income growth. Sornaganesh et al. (2013) investigated the fundamental analysis of NBFC in India to analyze the profitability position of 5 sample NBFC companies, like STF, SF, BF, and M and MF for the period from April 2008 to March 2012, using Ratio Analysis. The study revealed that SF has performed better in terms of Earnings Per Share but STF and M&MF are far better than other in NPM.

Perumal and Satheskumar (2013) studied on the topic “NBFCs” analyzing the Balance Sheets and income statements of two sample companies, viz., Sundaram Finance Limited and Lakshmi General Finance Limited for the period 2007–2012 using primary and secondary data. The study was performed using various statistical techniques such as average, standard deviation, co-efficient of variation, trend analysis, index number, etc. and concluded that the contribution of NBFCs to economic development is highly significant.Kumar and Naresh (2013) conducted a study using CAMEL ranking approach to assess relative performance of Indian public

sector banks. The study observed that there is significant difference between the mean values of CAMEL ratios of public sector banks. It is found that the top two performing banks are Bank of Baroda and Andhra Bank because of high capital adequacy and asset quality. The study recommends that banks has to improve its management efficiency, asset, earning quality and liquidity position.
Kumar and Kumar (2013) highlighted that though ranking of ratios is different for different banks in State Bank group. But there is no statistically significant difference between the CAMEL ratios. It signifies that the overall performance of State Bank group is same; this may be because of adoption of modern technology, banking reforms and recovery mechanism. SBI needs to improve its position with regard to asset quality and capital adequacy, SBBJ should improve its management efficiency and SBP should improve its earning quality.

Kumar and Afroze (2014) revealed that Loans, Management Efficiency, Liquidity and Sensitivity have statistically significant influence on the capital adequacy of private sector banks. However, the independent variable asset quality has negligible influence on capital adequacy of Indian private sector banks. Moreover, the study reveals that the Indian private sector banks maintain a higher level of capital requirement than prescribed by Reserve Bank of India.

Kumar and Sanjeev (2014) applied capital adequacy, assets quality, management, earning, liquidity, systems and controls (CAMELS) model on the secondary data Indian old private sector banks the period from 2007 to 2012. The study reveal that 6 banks out of 13 selected banks have shown good and excellent financial performance. Tamil Nadu Mercantile Bank secured first position in terms of overall composite ranking followed by Federal Bank. On the basis of CAMELS criteria Tamil Nadu Mercantile Bank, Federal Bank and Nainital Bank have shown excellent financial performance. On the contrary Catholic Siyrian Bank, ING Vysya Bank and Dhanalakshmi Bank. were worst performing banks in terms of financial performance.

Kumar and Sanjeev (2016) expressed that Reserve Bank of India recommended two supervisory rating models named as CAMELS and capital adequacy, assets quality, compliance, systems and controls for rating of Indian commercial, private and foreign banks operating in India. The study examined each parameter of CAMELS system by review of literature and empirical studies.In the light of the above review of literature the main objective of the study is to provide theoretical knowledge about the role and challenges face by NBFCs in India. The nature of present study is mainly qualitative and does not make use of any statistical technique for analysis. The present study has been done mainly on the basis of literature review and secondary information available from various journals, conference proceedings and reports of professional bodies.

CHAPTER 4: DATA ANALYSIS & INTERPERTATION:

BAJAJ FINANCE BALANCE SHEET:

Balance Sheet of Bajaj Finance (in Rs. Cr.)	**Mar '20**	**Mar '19**	**Mar '18**	**Mar '17**	**Mar '16**
	12 mths	12 mths	12 mths	12 mths	12 mths
Sources Of Funds					
Total Share Capital	119.99	115.37	115.03	109.37	53.55
Equity Share Capital	119.99	115.37	115.03	109.37	53.55
Reserves	31,693.22	19,310.41	16,403.26	9,490.94	7,271.06
Networth	31,813.21	19,563.63	16,518.29	9,600.31	7,426.64
Secured Loans	104,205.94	86,351.72	38,867.16	29,590.53	30,445.12
Unsecured Loans	0.00	0.00	14,872.04	12,447.85	6,579.58
Total Debt	104,205.94	86,351.72	53,739.20	42,038.38	37,024.70
Total Liabilities	136,019.15	105,915.35	70,257.49	51,638.69	44,451.34
Gross Block	1,228.14	972.22	705.05	531.91	422.58
Less: Accum. Depreciation	0.00	317.89	240.39	170.78	135.58
Net Block	1,228.14	654.33	464.66	361.13	287.00
Capital Work in Progress	0.00	0.00	0.00	0.00	0.00
Investments	20,138.98	10,370.41	3,660.46	4,074.70	1,034.07
Inventories	0.00	0.00	0.00	0.00	0.00
Sundry Debtors	867.18	891.97	34,203.92	25,654.78	0.00
Cash and Bank Balance	679.36	241.69	228.73	325.80	1,329.15
Total Current Assets	1,546.54	1,133.66	34,432.65	25,980.58	1,329.15
Loans and Advances	115,089.91	96,341.47	45,071.25	33,314.03	43,806.30
Total CA, Loans & Advances	116,636.45	97,475.13	79,503.90	59,294.61	45,135.45
Current Liabilities	1,905.55	2,515.64	12,061.42	10,796.81	1,636.96
Provisions	78.87	68.88	1,310.11	1,294.94	368.22
Total CL & Provisions	1,984.42	2,584.52	13,371.53	12,091.75	2,005.18
Net Current Assets	114,652.03	94,890.61	66,132.37	47,202.86	43,130.27
Total Assets	136,019.15	105,915.35	70,257.49	51,638.69	44,451.34
Contingent Liabilities	0.00	1,997.94	1,432.74	1,462.29	216.09

Book Value (Rs)	530.26	336.10	285.80	174.59	1,359.63

FINANCE DATA OF MAHINDRA FINANCE:

BALANCE SHEET OF MAHINDRA FINANCE:

Balance Sheet of Bajaj Finance (in Rs. Cr.)	**Mar '20**	**Mar '19**	**Mar '18**	**Mar '17**	**Mar '16**
	12 mths	12 mths	12 mths	12 mths	12 mths
Sources Of Funds					
Total Share Capital	119.99	115.37	115.03	109.37	53.55
Equity Share Capital	119.99	115.37	115.03	109.37	53.55
Reserves	31,693.22	19,310.41	16,403.26	9,490.94	7,271.06
Networth	31,813.21	19,563.63	16,518.29	9,600.31	7,426.64
Secured Loans	104,205.94	86,351.72	38,867.16	29,590.53	30,445.12
Unsecured Loans	0.00	0.00	14,872.04	12,447.85	6,579.58
Total Debt	104,205.94	86,351.72	53,739.20	42,038.38	37,024.70
Total Liabilities	136,019.15	105,915.35	70,257.49	51,638.69	44,451.34
Gross Block	1,228.14	972.22	705.05	531.91	422.58
Less: Accum. Depreciation	0.00	317.89	240.39	170.78	135.58
Net Block	1,228.14	654.33	464.66	361.13	287.00
Capital Work in Progress	0.00	0.00	0.00	0.00	0.00
Investments	20,138.98	10,370.41	3,660.46	4,074.70	1,034.07
Inventories	0.00	0.00	0.00	0.00	0.00
Sundry Debtors	867.18	891.97	34,203.92	25,654.78	0.00
Cash and Bank Balance	679.36	241.69	228.73	325.80	1,329.15
Total Current Assets	1,546.54	1,133.66	34,432.65	25,980.58	1,329.15
Loans and Advances	115,089.91	96,341.47	45,071.25	33,314.03	43,806.30
Total CA, Loans & Advances	116,636.45	97,475.13	79,503.90	59,294.61	45,135.45
Current Liabilities	1,905.55	2,515.64	12,061.42	10,796.81	1,636.96
Provisions	78.87	68.88	1,310.11	1,294.94	368.22
Total CL & Provisions	1,984.42	2,584.52	13,371.53	12,091.75	2,005.18
Net Current Assets	114,652.03	94,890.61	66,132.37	47,202.86	43,130.27
Total Assets	136,019.15	105,915.35	70,257.49	51,638.69	44,451.34
Contingent Liabilities	0.00	1,997.94	1,432.74	1,462.29	216.09
Book Value (Rs)	530.26	336.10	285.80	174.59	1,359.63

PROFIT/LOSS STATEMENT OF MAHINDRA FINANCE:

Profit & Loss account of Mahindra & Mahindra Financial Services (in Rs. Cr.)	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16
	12 mths	12 mths	12 mths	12 mths	12 mths
INCOME					
Revenue From Operations [Gross]	10,097.85	8,722.91	6,633.47	6,173.91	5,853.16
Less: Excise/Sevice Tax/Other Levies	0.00	0.00	0.00	0.00	0.00
Revenue From Operations [Net]	10,097.85	8,722.91	6,633.47	6,173.91	5,853.16
Total Operating Revenues	10,097.85	8,722.91	6,633.47	6,173.91	5,853.16
Other Income	147.29	86.90	51.74	63.63	51.94
Total Revenue	10,245.14	8,809.81	6,685.20	6,237.54	5,905.10
EXPENSES					
Cost Of Materials Consumed	0.00	0.00	0.00	0.00	0.00
Operating And Direct Expenses	0.00	30.48	13.28	0.00	0.00
Changes In Inventories Of FG,WIP And Stock-In Trade	0.00	0.00	0.00	0.00	0.00
Employee Benefit Expenses	1,148.45	1,090.12	832.47	680.90	558.81
Finance Costs	4,828.75	3,944.56	3,081.62	2,857.43	2,639.29
Depreciation And Amortisation Expenses	118.29	60.23	44.19	46.02	40.89
Other Expenses	751.42	666.78	543.66	724.00	578.40
Total Expenses	8,901.38	6,427.37	5,083.35	5,617.47	4,866.92
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	1,343.76	2,382.44	1,601.85	620.07	1,038.18
Exceptional Items	0.00	0.00	64.97	0.00	0.00
Profit/Loss Before Tax	1,343.76	2,382.44	1,666.82	620.07	1,038.18
Tax Expenses-Continued Operations					
Current Tax	437.36	576.86	549.56	363.50	535.60
Less: MAT Credit Entitlement	0.00	0.00	0.00	0.00	0.00

Deferred Tax	0.00	248.52	41.17	-143.67	-170.01
Tax For Earlier Years	0.00	0.00	0.00	0.00	0.00
Total Tax Expenses	437.36	825.38	590.73	219.83	365.59
Profit/Loss After Tax And Before ExtraOrdinary Items	906.40	1,557.06	1,076.09	400.23	672.60
Profit/Loss From Continuing Operations	906.40	1,557.06	1,076.09	400.23	672.60
Profit/Loss For The Period	906.40	1,557.06	1,076.09	400.23	672.60
OTHER ADDITIONAL INFORMATION					
EARNINGS PER SHARE					
Basic EPS (Rs.)	14.74	25.33	18.52	7.09	11.92
Diluted EPS (Rs.)	14.71	25.28	18.49	7.04	11.83
VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIALS STORES, SPARES AND LOOSE TOOLS					
Imported Raw Materials	0.00	0.00	0.00	0.00	0.00
Indigenous Raw Materials	0.00	0.00	0.00	0.00	0.00
STORES, SPARES AND LOOSE TOOLS					
Imported Stores And Spares	0.00	0.00	0.00	0.00	0.00
Indigenous Stores And Spares	0.00	0.00	0.00	0.00	0.00
DIVIDEND AND DIVIDEND PERCENTAGE					
Equity Share Dividend	0.00	293.78	160.97	0.00	227.51
Tax On Dividend	0.00	0.00	0.00	0.00	43.76
Equity Dividend Rate (%)	0.00	325.00	200.00	120.00	200.00

PROFIT/LOSS STATEMENT OF BAJAJ FINANCE:

Profit & Loss account of Bajaj Finance (in Rs. Cr.)	**Mar 20**	**Mar 19**	**Mar 18**	**Mar 17**	**Mar 16**
	12 mths	12 mths	12 mths	12 mths	12 mths
INCOME					
Revenue From Operations [Gross]	23,671.83	17,383.97	12,240.32	9,258.03	6,956.59
Less: Excise/Sevice Tax/Other Levies	0.00	0.00	0.00	0.00	0.00
Revenue From Operations [Net]	23,671.83	17,383.97	12,240.32	9,258.03	6,956.59
Total Operating Revenues	23,822.53	17,383.97	13,287.77	9,963.02	7,304.31
Other Income	11.62	16.88	41.45	25.95	79.17
Total Revenue	23,834.15	17,400.85	13,329.22	9,988.97	7,383.48
EXPENSES					
Cost Of Materials Consumed	0.00	0.00	0.00	0.00	0.00
Operating And Direct Expenses	0.00	2,237.41	0.00	0.00	0.00
Changes In Inventories Of FG,WIP And Stock-In Trade	0.00	0.00	0.00	0.00	0.00
Employee Benefit Expenses	2,294.56	1,721.17	1,401.43	931.67	629.63
Finance Costs	7,857.55	5,938.85	4,584.74	3,803.37	2,926.86
Depreciation And Amortisation Expenses	270.70	137.37	101.96	71.16	56.34
Other Expenses	2,798.06	1,330.75	2,154.54	1,561.36	1,263.23
Total Expenses	17,026.02	11,365.55	9,272.86	7,171.45	5,418.91
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	6,808.13	6,035.30	4,056.36	2,817.52	1,964.57
Exceptional Items	0.00	0.00	0.00	0.00	0.00
Profit/Loss Before Tax	6,808.13	6,035.30	4,056.36	2,817.52	1,964.57
Tax Expenses-Continued Operations					
Current Tax	1,927.01	2,043.73	1,427.00	1,070.00	753.81
Less: MAT Credit Entitlement	0.00	0.00	0.00	0.00	0.00

Deferred Tax	0.00	101.23	-17.34	-89.03	-67.76
Tax For Earlier Years	0.00	0.00	0.00	0.00	0.00
Total Tax Expenses	1,927.01	2,144.96	1,409.66	980.97	686.05
Profit/Loss After Tax And Before ExtraOrdinary Items	4,881.12	3,890.34	2,646.70	1,836.55	1,278.52
Profit/Loss From Continuing Operations	4,881.12	3,890.34	2,646.70	1,836.55	1,278.52
Profit/Loss For The Period	4,881.12	3,890.34	2,646.70	1,836.55	1,278.52
OTHER ADDITIONAL INFORMATION					
EARNINGS PER SHARE					
Basic EPS (Rs.)	83.25	67.52	47.05	34.01	242.30
Diluted EPS (Rs.)	82.60	66.95	46.57	33.67	238.83
VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIALS STORES, SPARES AND LOOSE TOOLS					
Imported Raw Materials	0.00	0.00	0.00	0.00	0.00
Indigenous Raw Materials	0.00	0.00	0.00	0.00	0.00
STORES, SPARES AND LOOSE TOOLS					
Imported Stores And Spares	0.00	0.00	0.00	0.00	0.00
Indigenous Stores And Spares	0.00	0.00	0.00	0.00	0.00
DIVIDEND AND DIVIDEND PERCENTAGE					
Equity Share Dividend	0.00	231.19	197.96	0.00	140.57
Tax On Dividend	0.00	47.52	40.30	0.00	28.70
Equity Dividend Rate (%)	500.00	300.00	200.00	180.00	250.00

- PROFITABILITY ANALYSIS :

The main aim of a business is to earn profits. Thus a company has to attract and retain those customers who are profitable. This is known as profitability analysis or customer profitability analysis (CPA). In Simple terms – An analysis of cost and revenue of the firm which determines whether or not the firm is profiting is known as profitability analysis

- GROSS PROFIT MARGIN
- NET PROFIT MARGIN
- CASH PROFIT MARGIN
- OPERATING PROFIT MARGIN
- RETURN ON CAPITAL EMPLOYED
- RETURN ON NET WORTH

GROSS PROFIT MARGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	32.44	7.86
2019	34.48	8.91
2018	32.34	9.74
2017	35.25	6.78
2016	70.72	8.68

Clarification

It reveals the gross profit ratio of Bajaj finance and Mahindra finance of India from 2016 to 2020.This gross profit ratio shows a fluctuating trend during the study period. The bajaj finance has the highest gross profit ratio (70.72) in 2016 and Mahindra finance has the lowest gross profit ratio of 6.78. In last 5 years The Bajaj finance has highest gross profit ratio than Mahindra finance.

NET PROFIT MARGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	6.19	2.92
2019	7.55	8.94
2018	8.06	8.94
2017	9.22	8.27
2016	19.72	7.53

Clarification

The table shows that the net profit ratio of Bajaj finance and Mahindra finance Companies of India from 2016 to 2020. The net profit ratio shows the fluctuating trend during the study period. The Bajaj finance has the highest Net Profit Ratio of 19.72 and Mahindra finance has the lowest Net Profit Ratio of 2.92 for the year 2020. In last 5 years The Bajaj finance has highest Net Profit Ratio than Mahindra finance.

CASH PROFIT MARAGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	11.86	11.80
2019	13.14	12.09
2018	13.19	10.86
2017	14.37	10.17
2016	29.98	10.07

Clarification

The table shows that the cash profit ratio of Bajaj finance and Mahindra finance Companies of India from 2016 to 2020. The cash profit margin shows the fluctuating trend during the study period. The Bajaj finance has the highest cash profit margin of 14.37% in 2017.The Mahindra finance has the lowest cash profit margin than Bajaj finance for the year 2016 to 2020.

OPERATING PROFIT MARGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	33.28	12.74
2019	35.01	12.38
2018	32.82	12.78
2017	35.55	10.24
2016	71.33	11.30

Clarification

The table shows that the operating profit ratio of Bajaj finance and Mahindra finance Companies of India from 2016 to 2020. The operating profit ratio shows the fluctuating trend during the study period. The Mahindra finance has the lowest operating profit margin than Bajaj finance in a study period i.e 2016 to 2020.

RETURN ON CAPITAL EMPLOYED MARGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	11.17	14.01
2019	11.89	17.62
2018	12.33	17.43
2017	13.41	14.66
2016	13.45	18.13

Clarification

The table shows that the return on capital employed of Bajaj finance and Mahindra finance Companies of India from 2016 to 2020. The return on capital employed shows the fluctuating trend during the study period. The Mahindra finance has the highest return on capital employed than Bajaj Finance in the study period i.e for the year 2016-2020.

RETURN ON NETWORTH MARGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	10.76	3.86
2019	13.54	14.01
2018	12.93	14.37
2017	14.01	13.60
2016	13.70	14.29

Clarification

The table shows that the return on net worth of Bajaj finance and Mahindra finance Companies of India from 2016 to 2020. The return on net worth shows the fluctuating trend during the study period. For the year 2016-2020 the return on net worth of Bajaj finance is highest. The Mahindra finance has the lowest return on net worth than Bajaj finance for the study period of the year 2016-2020.

- LIQUIDITY AND SOLVENCY RATIO

  Liquidity ratios measure a company's ability to convert their assets to cash. The solvency ratio includes financial obligations in both the long and short term, whereas liquidity ratios focus more on a company's short-term debt obligations and current assets.

- CURRENT RATIO
- QUICK RATIO
- DEBT EQUITY RATIO
- LONG-TERM DEBT EQUITY RATIO

CURRENT RATIO MARGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	0.55	1.08
2019	37.71	1.08
2018	2.88	1.06
2017	2.56	1.12
2016	2.10	1.10

Clarification

The table shows that the current ratio of Bajaj and Mahindra finance Companies of India from 2016 to 2020.The current ratio shows the fluctuating trend during the study period. The Mahindra finance has the lowest current ratio than Bajaj finance for the study period of the year 2016-2020.

QUICK RATIO MARGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	58.35	0.97
2019	37.46	0.90
2018	5.92	0.92
2017	4.87	0.89
2016	22.37	0.90

Clarification

The table shows that Quick Ratio of Bajaj and Mahindra finance Companies of India from 2016 to 2020.The Quick Ratio shows the fluctuating trend during the study period. The Bajaj finance has the highest Quick Ratio than Mahindra finance for the study period of the year 2016-2020.

DEBT EQUITY RATIO MARGIN (%)

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	3.28	0.09
2019	4.45	0.07
2018	3.25	0.09
2017	4.38	0.10
2016	5.05	0.08

Clarification

The table shows that the Debt Equity Ratio of Bajaj and Mahindra finance Companies of India from 2016 to 2020.The Debt Equity Ratio shows the fluctuating trend during the study period. The Bajaj finance has the highest Debt Equity Ratio than Mahindra finance for the study period of the year 2016-2020.

LONG TERM DEBIT EQUITY RATIO:

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	-	0.06
2019	4.45	0.06
2018	2.61	0.07
2017	3.45	0.08
2016	3.45	0.07

Clarification

The table shows that the Long-term Debt Equity Ratio of Bajaj and Mahindra finance Companies of India from 2016 to 2020.The Long-term Debt Equity Ratio shows the fluctuating trend during the study period. For the year 2020 Mahindra finance has lowest long-term debt equity ratio than Bajaj finance. In 2016 and 2020 Mahindra finance has lowest long-term debt equity ratio than Bajaj finance.

- MANAGEMENT EFFICIENCY RATIOS

  A management efficiency ratio is a financial ratio designed to measure the efficiency of management in controlling the working capital or other resources used by the business. For example, the inventory turnover ratio. Also known as an Activity ratio, or an Efficiency ratio.

❖ INVESTMENT TURNOVER RATIO

❖ DEBTORS TURNOVER RATIO

❖ FIXED ASSET TURNOVER RATIO

❖ ASSET TURNOVER RATIO

INVESTMENT TURNOVER RATIO

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	0.18	1.22
2019	-	13.96
2018	-	18.30
2017	-	17.18
2016	-	16.24

Clarification

The table shows that the Investment turnover Ratio of Bajaj and Mahindra finance Companies of India from 2016 to 2020. The Investment turnover Ratio shows the fluctuating trend during the study period. The Mahindra finance has the highest Investment turnover Ratio than Bajaj finance for the study period of the year 2016-2020. In 2018 and 2019 Mahindra finance has the highest investment turnover ratio than Bajaj finance.

DEBTOR’s TURNOVER RATIO

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	27.08	13.10
2019	0.99	15.06
2018	0.44	15.93
2017	0.39	16.17
2016	-	16.13

Clarification

The table shows that the Debtor turnover Ratio of Bajaj and Mahindra finance Companies of India from 2016 to 2020.The Debtor turnover Ratio shows the fluctuating trend during the study period. The Bajaj finance has the highest Debtor turnover Ratio than Mahindra finance for the study period of the year 2020.

FIXED ASSET TURNOVER RATIO:

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	19.40	3.16
2019	21.36	3.34
2018	22.74	3.44
2017	21.82	3.32
2016	19.30	3.35

Clarification

The table shows that the Fixed Asset turnover Ratio of Bajaj and Mahindra finance Companies of India from 2016 to 2020.The Fixed Asset turnover Ratio shows the fluctuating trend during the study period. The Bajaj finance has the highest Fixed Asset turnover ratio than Mahindra in study period of 2016-2020.

ASSET TURNOVER RATIO:

YEAR	BAJAJ FINANCE	MAHINDRA FINANCE
2020	0.20	1.23
2019	0.20	1.54
2018	0.22	1.55
2017	0.21	1.64
2016	0.20	1.77

Clarification

The table shows that the Asset turnover Ratio of Bajaj and Mahindra finance Companies of India from 2016 to 2020. The Asset turnover Ratio shows the fluctuating trend during the study period. The Mahindra finance has the highest Asset turnover Ratio than Bajaj finance for the study period of the year 2016-2020.

CHAPTER 5: CONCLUSION

- On the Basis of above discussion on last five years financial data of Bajaj finance and Mahindra finance, it is safe to conclude that Bajaj finance is most profitable than Mahindra finance.

- The Profitability Ratio of Bajaj finance is higher as compared to Mahindra finance. In Profitability Ratio, Bajaj finance is much better in Gross Profit Ratio, Net Profit Ratio, Operating Profit Ratio and Return on Net worth Ratio on comparison with Mahindra finance.

- As per Liquidity and Solvency Ratio, Bajaj finance shows better position to run a company as compared to Mahindra finance and it helps a investor to take a decision.

- Bajaj finance has more ability to use its assets and liabilities to generate loans and deposits compared to Mahindra finance. As its Management Efficiency Ratio is much better than Mahindra finance.

- In Short Bajaj finance has better Financial Position While it is a Top Leading NBFC's company in India.

BIBLOGORAPHY:

- WEBLIOGRAPHY:

  - *www. Rbi.org.in*
  - *www. Nelito.com*
  - *www.Wikipedia*
  - *www.indiantimes.com*
  - *www.sg.inflibent*
  - *www. Semanticscholar.org*
  - *www.moneycontrol.com*

A REPORT ON

EVALUATION OF WORKING CAPITAL MANAGEMENT IN INDIAN OVERSEAS BANK

BY

C. INFANTA SAVINA

INDIAN OVERSEAS BANK

A PROJECT REPORT ON

ANALYSIS OF WORKING CAPITAL MANAGEMENT IN INDIAN OVERSEAS BANK

BY

(C. INFANTA SAVINA)
(Seat No. 1162757)

A PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF

THE MMS PROGRAM (CLASS OF 2012)
INSTITUTE OF MANAGEMENT AND COMPUTER STUDIES

CERTIFICATE

This is to certify that Miss. C. Infanta Savina

Seat no: 1162757 of Third Year BMS., Semester VI(2019 – 2020)

has successfully Completed the Project on A studyofevaluationof workingcapitalmanagementinIndianoverseas bank.

Under the guidance of Assistant Prof Draksha Khan

Project Guide *External Examiner*

Asst.Prof Draksha Khan *Dr.Subhash Vadgule*

Course Coordinator *Principal*

College Seal

ACKNOWLEDGEMENT

I Thanks all who help me to completing my project and making this successful.

I would like acknowledge the following as being idealistic channels and fresh dimension in the competition of this project.

I take this opportunity to thank the University of Mumbai for giving me chance todo this project.

I would like to thank my principal, Subhash Vadgule for providing the necessary facilities required for completion of project.

I take this opportunity to thank our course coordinator Asst. Prof. Draksha Khan, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide Prof. Draksha Khan whose guidance and care made the project successful.

I would like to thank my college library, for having provided various reference books and magazines related to my project.

Lastly, I would thank each and every person who directly or indirectly helped me in the completion of the project especially Titus.

THANK YOU,

PLACE: MUMBAI C. INFANTA SAVINA

DATE: 15TH OCT, 2012

DECLARATION

C.INFANTASAVINAthe student of T.Y.B.M.S Semester VI (2019-2020) hereby declare that I have completed the project on A studyon evaluation of working capital management in Indian overseas bank.

The information submitted is true and original to the best of my knowledge

Place: MUMBAI C. INFANTA SAVINA

Date: 15TH OCT, 2012

TABLE OF CONTENT

TABLE OF CHART & ILLUSRATION

EXECUTIVE SUMMARY

Management of working capital includes consideration for net working capital, by managing current assets to current liabilities. This means organization have to factor in a certain amount of risk-return trade-offs in the decision making process.

In order to avoid problems organization have to make good decisions which overlap between current assets and current liabilities are used.

The essence of the study is that the highest valued assets of a banking company is its working capital which constitutes the major part of total capital of the banking company. It helps to know the current condition of the bank the total amount of its current assets & total amount of current liabilities.

I am releving theoretical aspects related to working capital management in the IOB, profile of IOB, major other banks who is the competitors of IOB and analysis of their performance & growth, analysis & interpretation of working capital of IOB gives overall financial view of IOB in the banking sector.

CHAPTER 1

INTRODUCTION

- **INTRODUCTION**

The overall success of the company depends upon its working capital position. So it should be handled properly because it shows the efficiency & financial strength of a company.

WCM is highly important in firms as it is used to generate further returns for thr stakeholders.

Working Capital Management is a very important fact of financial management due to:

- Investments in current assets represent a substantial portion of

total investment.

- Investment in current assets & the level of current liabilities have to be geared quickly to change sales.

The working capital is the life blood & nerve centre of a business firm. The importance of working capital in any industry needs no special emphasis. No business can run effectively without a sufficient quantity of working capital.

It is crucial to retain right level of working capital. WCM is one of the most important functions of corporate management. A business enterprises with ample working capital is always in a position to avail advantages of any favourable opportunity either to buy raw material or to implement a special order or to wait for enhanced market status.

Working capital can be utilized for operating costs that are involved in the everyday life of business. Even very successful business owners may need working capital funds when the unexpected circumstances arises.

WCM is highly important in firms as it is used to generate further return for the stakeholders. When working capital is managed improperly, allocating more than enough of it will render management non-efficient & reduce the benefits of short term investments. On the other hand, if working capital is too low, the company may miss a lot of profitable investment opportunities or suffer short term liquidity crises, leading to degradation of company credit, as it cannot respond effectively to temporary capital requirements.

Some the points to be studied under this topic are:

- How much cash should a firm hold?
- What should be the firms credit policy?
- How to & when to pay the creditors of the firm?

- **OBJECTIVES**

The objectives of project on Management of working capital are as follows-:

- To determine policy regarding profitability, liquidity and risk by considering company s objectives.
- To determine the quantum and structure of current assets.
- Determining the relationship between the current assets and current liabilities and hence liquidity is determined.

Optimization of the amount of sales and investment in receivables.
Analysis of Financial Statements

- **SCOPE**

The management of working capital helps us to maintain the working capital at a satisfactory level by managing the current assets and current liabilities. It also helps to maintain proper balance between profitability, risk and liquidity of the business significantly.
By managing the working capital, current liabilities are paid in time. If the firm makes payment to it creditors for raw material in time, it can have the availability of raw material regularly, which doesn t cause any obstacles in production process. Adequate working capital increases paying capacity of the business but the excess working capital causes more inventory, increases the possibility of delay in realization of debts.
On the other hand, absence of adequate working capital leads to decrease in return on investment. The goodwill of the firm is also adversely affected due to the inability to pay current liabilities in time.

Hence, the management of working capital helps to manage all the factors affecting the working capital in the most profitable manner.

- **COMPANY PROFILE**

Established in 1937, Indian Overseas Bank (IOB) is a leading bank based in Chennai, India. IOB had the distinction of simultaneously commencing operations in three branches at Karaikudi, Chennai, and Yangon (Myanmar). Since IOB aimed to encourage overseas banking and foreign exchange operations, it soon opened its branches in Penang and Singapore. Today, Indian Overseas Bank boasts of a vast domain in banking sector with over 1400 domestic branches and 6 branches overseas.

IOB was the first bank to venture into consumer credit, as it introduced the popular Personal Loan scheme. In 1964, the Bank started computerization in the areas of inter-branch reconciliation and provident fund accounts. Indian Overseas Bank was one of the 14 major banks which were nationalized in 1969. After nationalization, the Bank emphasized on opening its branches in rural parts of India. In 1979, IOB opened a Foreign Currency Banking Unit in the free trade zone in Colombo.

In the year 2000, Indian Overseas Bank undertook an initial public offering (IPO) that brought the government's share in the bank's equity down to 75%. The equity shares of IOB are listed in the Madras Stock Exchange (Regional), Bombay Stock Exchange, and National Stock Exchange of India Ltd., Mumbai. Since its inception, IOB has absorbed various banks including the latest — Bharat Overseas Bank — in 2007.

The Bank's IT department has developed software, which is used by its 1200 branches to provide online banking to customers. Indian Overseas Bank also has a network of about

500 ATMs throughout India. Its International VISA Debit Card is accepted at all ATMs belonging to the Cash Tree and NFS networks. IOB also offers Internet Banking; it's one of the banks that the Govt. of India has approved for online payment of taxes.

Indian Overseas Bank offers investment options like Mutual Funds and Shares. It provides a wide range of consumer and commercial banking services, including Savings Account, Current Account, Depositary Services, VISA Cards, Credit Cards, Debit Cards, Online Banking, Any Branch Banking, Home Loans, NRI Account, Agricultural Loans, Payment of Bills / Taxes, Provident Fund Scheme, Forex Collection Services, Retail Loans, etc.

- **ORGANISATION CHART**

- **RESEARCH METHODOLOGY**

- **Primary Data:**

The information is collected through the primary sources like:

- Talking with the employees of the department.
- Getting information by observations e.g. in manufacturing processes.
- Discussion with the head of the department.

- **Secondary Data:**

The data is collected through the secondary sources like:

- Annual Reports of the company.
- Office manuals of the department.
- Magazines, Reports in the company.
- Policy documents of various departments.

CHAPTER 2.

CONCEPTUAL RELEVANCE OF WCM IN IOB

- **WHAT IS WORKING CAPITAL?**

Working capital refers to the investment by the company in short terms assets such as cash,
marketable securities. Net current assets or net working capital refers to the current assets less current liabilities.
Symbolically, it means,
Net Current Assets = Current Assets Current Liabilities.

- **DEFINITIONS OF WORKING CAPITAL:**

The following are the most important definitions of Working capital:

1) Working capital is the difference between the inflow and outflow of funds. In other words it is the net cash inflow.

2) Working capital represents the total of all current assets. In other words it is the Gross working capital, it is also known as Circulating capital or Current capital for current assets are rotating in their nature.

3) Working capital is defined as The excess of current assets over current liabilities and provisions. In other words it is the Net Current Assets or Net Working Capital

- **IMPORTANCE OF WORKING CAPITAL**

Working capital may be regarded as the lifeblood of the business. Without insufficient working capital, any business organization cannot run smoothly or successfully.

In the business the Working capital is comparable to the blood of the human body. Therefore the study of working capital is of major importance to the internal and external analysis because of its close relationship with the current day to day operations of a business. The inadequacy or
mismanagement of working capital is the leading cause of business failures.

To meet the current requirements of a business enterprise such as the purchases of services, raw materials etc. working capital is essential. It is also pointed out that working capital is nothing but one segment of the capital structure of a business.

In short, the cash and credit in the business, is comparable to the blood in the human body like finance s life and strength i.e. profit of solvency to the business enterprise. Financial management is called upon to maintain always the right cash balance so that flow of fund is maintained at a desirable speed not allowing slow down.

Thus enterprise can have a balance between liquidity and profitability. Therefore the management of working capital is essential in each and every activity.

- **WORKING CAPITAL MANAGEMENT**

- **INTRODUCTION:**

Working Capital is the key difference between the long term financial management and short term financial management in terms of the timing of cash.
Long term finance involves the cash flow over the extended period of time i.e 5 to 15 years, while short term financial decisions involve cash flow within a year or within operating cycle.
Working capital management is a short term financial management.

Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities & the inter relationship that exists between them. The current assets refer to those assets which can be easily converted into cash in ordinary course of
business, without disrupting the operations of the firm.

- **COMPOSITION OF WORKING CAPITAL:**

4.2.1 Major Current Assets
1) Cash
2) Accounts Receivables
3) Inventory
4) Marketable Securities

4.2.2 Major Current Liabilities
1) Bank Overdraft
2) Outstanding Expenses
3) Accounts Payable
4) Bills Payable

The Goal of Working Capital Management is to manage the firm s current assets & liabilities, so that the satisfactory level of working capital is maintained.
If the firm cannot maintain the satisfactory level of working capital, it is likely to become insolvent & may be forced into bankruptcy. To maintain the margin of safety current asset should be large enough to cover its current assets.
Main theme of the theory of working capital management is interaction between the current assets & current liabilities.

- **CONCEPT OF WORKING CAPITAL:**

The term working capital denotes the requirement of then money by a manufacturing enterprises for its day-to-day financing of:-

- Purchase a raw material, stores & spares.
- Payment of wages to employees.
- Payment of other expenses towards energy, fuel & water consumption, statutory dues, rates & taxes carriage expenses etc.
- Other expenses required to be incurred in connection with the production, selling & administration etc

There are 2 types of working capital:

- On the basis of concept
    - Gross working capital

- Net working capital
- On the basis of time
    - Permanent/fixed working capital
    - Fluctuating/ variable working capital

5.1 ON THE BASIS OF CONCEPT:-

5.1.1 Gross working capital: -

Grosss working capital means the firm's investment in total current or floating (circulating) assets.

- **Optimum investment in current assets:**

Excessive investments impairs firm s profitability, as idle investment earns nothing. Inadequate working capital can threaten solvency of the firm because of its inability to meet its current obligations. Therefore there should be adequate investment in current assets.

- **Financing of current assets:**

Whenever the need for working capital funds arises, agreement should be made quickly. If surplus funds are available they should be invested in short term securities.

5.1.2 Net working capital (NWC):- defined by 2 ways,

Difference between current assets and current liabilities
Net working capital is that portion of current assets which is financed with long term funds.

NET WORKING CAPITAL = CURRENT ASSETS CURRENT LIABILITIES

If the working capital is efficiently managed then liquidity and profitability both will improve. They are not components of working capital but outcome of working capital. Working capital is basically related with the question of profitability versus liquidity & related aspects of risk.

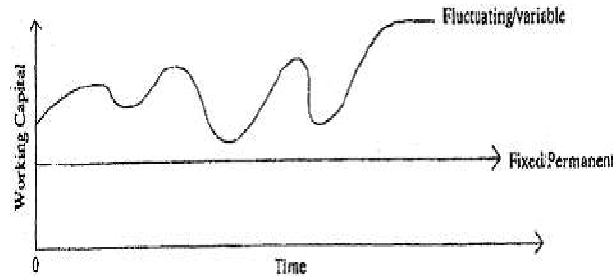
- **ON THE BASIS OF TIME:-**

- **Permanent/fixed working capital:-**

  Permanent working capital may be defined as a minimum level of current assets. Which is required by a firm to carry on its business operation. Every firm has to maintain a minimum level of raw materials, WIP, finished goods and cash balances.

For e.g:- extra inventory of finished goods will have to be maintained to support the peak periods of sales permanent working capital is permanently needed for the business & therefore, it should be financed out of long term funds.

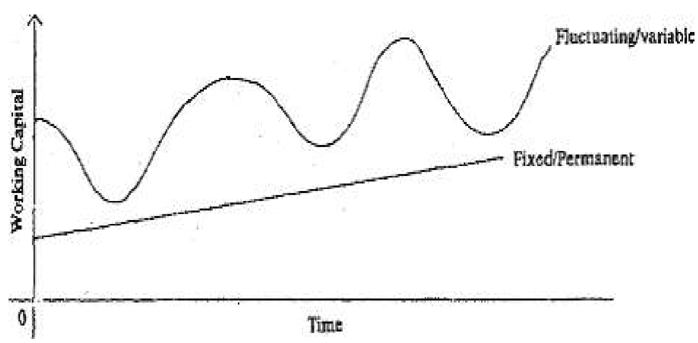
Fixed working capital remaining constant overtime



- **Fluctuate/variable working capital:-**

  It is the extra working capital needed to support the changing production & sales activities of the firm. The amount of temporary working capital keeps on fluctuating on time to time on the basis of business activities.

  Both king of working capital-permanent & variable(temporary) are necessary to facilitates production & sales through the operating cycle. The amount over & above permanent working capital is temporary variable of fluctuates.



Fixed working capital increasing over time

6 <u>DETERMINANTS OF WORKING CAPITAL NEEDS</u>

There are no set rules or formulas to determine the working capital requirements of a firm. The corporate management has to consider a number of factors to determine the level of working capital. The amount of working capital that a firm would need is affected not only by the factors associated with the firm itself but is also affected by economic, monetary and general business environment. Among the various factors the following are important ones.

- **Nature and Size of Business**

The working capital needs of a firm are basically influenced by the nature of its business. Trading and financial firms generally have a low investment in fixed assets, but require a large investment in working capital. Retail stores, for example, must carry large stocks of a variety of merchandise to satisfy the varied demand of their customers. Some manufacturing businesses' like tobacco, and construction firms also have to invest substantially in working capital but only a nominal amount in fixed assets. In contrast, public utilities have a limited need for working capital and have to invest abundantly in fixed assets. Their working capital requirements are nominal because they have cash sales only and they supply services, not products. Thus, the amount of funds tied up with debtors or in stocks is either nil or very small. The working capital needs of most of the manufacturing concerns fall between the two extreme requirements of trading firms and public utilities.

The size of business also has an important impact on its working capital needs. Size may be measured in terms of the scale of operations. A firm with larger scale of operations will need more working capital than a small firm. The hazards and contin-gencies inherent in a particular type of business also have an influence in deciding the magnitude of working capital in terms of keeping liquid resources.

- **Manufacturing Cycle**

The manufacturing cycle starts with the purchase of raw materials and is completed with the production of finished goods. If the manufacturing cycle involves a longer period the need for working capital will be more, because an extended manufacturing time span means a larger tie-up of funds in inventories. Any delay at any stage of manufacturing process will result in accumulation of work-in-process and will en-hance the requirement of working capital. You may have observed that firms making heavy machinery or other such products, involving long manufacturing cycle, attempt to minimise their investment in inventories (and thereby in working capital) by seeking advance or periodic payments from customers.

- **Business Fluctuations**

Seasonal and cyclical fluctuations in demand for a product affect the working capital requirement considerably, especially the temporary working capital requirements of the firm. An upward swing in the economy leads to increased sales, resulting in an increase in the firm's investment in inventory and receivables or book debts. On the other hand, a decline in the economy may register a fall in sales and, consequently, a fall in the levels of stocks and book debts.

Seasonal fluctuations may also create production problems. Increase in production level may be expensive during peak periods. A firm may follow a policy of steady production in all seasons to utilise its resources to the fullest extent. This will mean accumulation of inventories in off-season and their quick disposal in peak season. Therefore, financial arrangements for seasonal working capital requirement should be made in advance. The financial plan should be flexible enough to take care of any seasonal fluctuations.

- **Production Policy**

If a firm follows steady production policy, even when the demand is seasonal, inven-tory will accumulate during off-season periods and there will be higher inventory costs and risks. If the costs and risks of maintaining a constant production schedule are high, the firm may adopt the policy of varying its production schedule in accordance with the changes in demand. Firms whose physical facilities can be utilised for manufacturing a variety of products can have the advantage of diversified activities. Such firms manufacture their main products during the season and other products during off-season. Thus, production policies may differ from firm to firm, depending upon the circumstances. Accordingly, the need for working capital will also vary.

- **Turnover of Circulating Capital**

The speed with which the operating cycle completes its round (i.e., cash → raw materials → finished product → accounts receivables → cash) plays a decisive role in influencing the working capital needs.

- **Credit Terms**

The credit policy of the firm affects the size of working capital by influencing the level of book debts. Though the credit terms granted to customers to a great extent depend upon the norms and practices of the industry or trade to which the firm belongs; yet it may endeavor to shape its credit policy within such constraints. A long collection period will generally mean tying of larger funds in book debts. Slack collection procedures may even increase the chances of bad debts.

The working capital requirements of a firm are also affected by credit terms granted by its creditors. A firm enjoying liberal credit terms will need less working capital.

- **Growth and Expansion Activities**

As a company grows, logically, larger amount of working capital will be needed, though it is difficult to state any firm rules regarding the relationship between growth in the volume of a firm's business and its working capital needs. The fact to recognize is that the need for increased working capital funds may precede the growth in busi-ness activities, rather than following it. The shift in composition of working capital in a company may be observed with changes in economic circumstances and corporate practices. Growing industries require more working capital than those that are static.

- **Operating Efficiency**

Operating efficiency means optimum utilisation of resources. The firm can minimise its need for working capital by efficiently controlling its operating costs. With in-creased operating efficiency the use of working capital is improved and pace of cash cycle is accelerated. Better utilisation of resources improves profitability and helps in relieving the pressure on working capital.

- **Price Level Changes**

Generally, rising price level requires a higher investment in working capital. With increasing prices the same levels of current assets need enhanced investment. However, firms which can immediately revise prices of their products upwards may not face a severe working capital problem in periods of rising levels. The effects of increasing price level may, however, be felt differently by different firms due to variations in individual prices. It is possible that some companies may not be affected by the rising prices, whereas others may be badly hit by it.

- **Other Factors**

There are some other factors, which affect the determination of the need for working capital. A high net **profit margin** contributes towards the working capital pool. The net profit is a source of working capital to the extent it has been earned in cash. The cash inflow can be calculated by adjusting non-cash items such as depreciation, out-standing expenses, losses written off, etc, from the net profit, (as discussed in Unit 6).

The firm's appropriation policy, that is, the policy to retain or distribute profits also has a bearing on working capital. Payment of dividend consumes cash resources and thus reduces the firm ',s working capital to that extent. If the profits are retained in the business, the firm's working capital position will be strengthened.

In general, working capital needs also depend upon the means of transport and communication. If they are not well developed, the industries will have to keep huge stocks of raw materials, spares, finished goods, etc. at places of production, as well as at distribution outlets.

- **APPROACHES TO MANAGING WORKING CAPITAL**

Two approaches are generally followed for the management of working capital: (i) the conventional approach, and (ii) the operating cycle approach.

7.1. The Conventional Approach

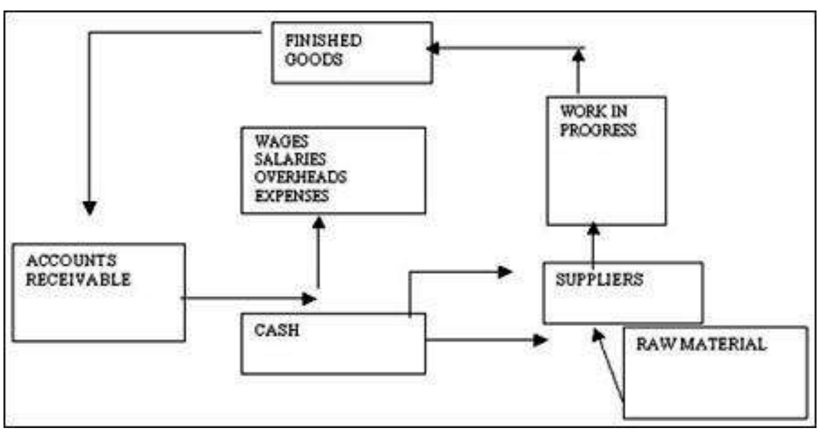
This approach implies managing the individual components of working capital (i.e. inventory, receivables, payables, etc) efficiently and economically so that there are neither idle funds nor paucity of funds. Techniques have been evolved for the management of each of these components. In India, more emphasis is given to the management of debtors because they generally constitute the largest share of the invest-ment in working capital. On the other hand, inventory control has not yet been practised on a wide scale perhaps due to scarcity of goods (or commodities) and ever rising prices.

7.2. The Operating Cycle Approach

This approach views working capital as a function of the volume of operating expenses. Under this approach the working capital is determined by the duration of the operating cycle and the operating expenses needed for completing the cycle. The duration of the operating cycle is the number of day involved in the various stages, commencing with acquisition of raw materials to the realisation of proceeds from debtors. The credit period allowed by creditors will have to be set off in the process. The optimum level of working capital will be the requirement of operating expenses for an operating cycle, calculated on the basis of operating expenses required for a year.

In India, most of the organisations use to follow the conventional approach earlier, but now the practice is shifting in favour of the operating cycle approach. The banks usually apply this approach while granting credit facilities to their clients.

OPERATING CYCLE OF WORKING CAPITAL



- **ADEQUACY OF WORKING CAPITAL**

The firm should maintain a sound working capital position. It should have adequate working capital to run its business operations. Both excessive as well as inadequate working capital positions are dangerous from the firms point of view. Excessive working capital not only impairs the firms profitability but also result in production interruptions and inefficiencies.

- **The dangers of excessive working capital are as follows:**

  - It results in unnecessary accumulation of inventories. Thus, chances of inventory mishandling, waste, theft and losses increase.
  - It is an indication of defective credit policy slack collections period. Consequently, higher incidence of bad debts results, which adversely affects profits.
  - Excessive working capital makes management complacent which degenerates into managerial inefficiency.
  - Tendencies of accumulating inventories tend to make speculative profits grow. This may tend to make dividend policy liberal and difficult to cope with in future when the firm is unable to make speculative profits.

- **Inadequate working capital is also bad and has the following dangers:**

  - It stagnates growth. It becomes difficult for the firm to undertake profitable projects for non- availability of working capital funds.
  - It becomes difficult to implement operating plans and achieve the firm s profit target.
  - Operating inefficiencies creep in when it becomes difficult even to meet day commitments.
  - Fixed assets are not efficiently utilized for the lack of working capital funds. Thus, the firm s profitability would deteriorate.
  - Paucity of working capital funds render the firm unable to avail attractive credit opportunities etc.
  - The firm loses its reputation when it is not in a position to honour its short-term obligations.

As a result, the firm faces tight credit terms.

An enlightened management should, therefore, maintain the right amount of working capital on a continuous basis. Only then a proper functioning of business operations will be ensured. Sound financial and statistical techniques, supported by judgment, should be used to predict the quantum of working capital needed at different time periods.

A firm s net working capital position is not only important as an index of liquidity but it is also used as a measure of the firm’s risk.
Risk in this regard means chances of the firm being unable to meet its obligations on due date. The lender considers a positive net working as a measure of safety. All other things being equal, the more the net working capital a firm has, the less likely that it will default

in meeting its current financial obligations. Lenders such as commercial banks insist that the firm should maintain a minimum net working capital position.

Indian Overseas Bank

CHAPTER 3

PRACTICAL APPLICATION OF IOB

- **<u>WORKING CAPITAL ASSESSMENT IN IOB</u>**

- Borrowers with working capital limit upto Rs.2crores (Rs.7.5crore for MSME borrowers) will be assessed as per Nayak Committee Recommendation i.e.Turnover Method.

- When the working capital limits are fixed under turnover method. It is based on sales projections.

- Borrowers enjoying working capital limit of Rs.2crore and upto Rs.10crore in respect of MSME borrowers the existing traditional method of arriving at the permissible bank finance calling CMA data will be continued.

- **FOR E.G**:

  If the holding period of raw material in a borrower unit is more than the normal average period in general in a particular industry and in that level if the borrower is really doing well then we have to based on past experience of the borrower.

- **CURRENT RATIO**:

  It is stipulated by IOB that the current ratio of 1.33:1 (1.25:1) for MSE units continued as benchmark for deciding the working capital requirements of borrower. However, in justifiable cases lower current ratio can be considered acceptable on a case to case basis depending upon then components of current assets and current liabilities.

- **MONITARING AND FOLLOW UP**:

  Borrower with working capital limit of above 10crore who has opted for cash budget system has to submit cash budget with Annexure relating to position of C.A & C.L every month.

- **COMPUTATION OF W.C LIMIT:**

- MSME units requiring fund based working capital limits upto Rs.7.5crore to be provided the limits computed on the basis of 20% of their projected annual turnover method.

The units would be required to bring in 5% of their annual turnover margin money. 25% of the annual turnover should be compared as working capital requirement of which one fifth should be met by the borrower contributions and balance by the bank. Gross sales are the basis for the projected turnover.

- In case the W.C cycle is shorter than three months, the working capital required would be less than 25% of projected turnover. The bank finance need not be 20% of turnover. However, borrower's consent should be obtained in waiting for sanctioning reduced limit.

- If ne W.C or margin in the system is already in excess of 5% of turnover. The working capital limit from bank could be fixed less than 20%. However, the genuine requirement of the units are to be met adequately. There is no restriction on extending finance at a level that is higher than 20% of turnover.

- For the purpose of working out bank finance in case of an existing unit, the basis officials and entrepreneurs should work out an agreed growth rate and projected turnover based on the past performance, the likely prospects and few other factors like modernization/ expansion of existing manufacturing capacity government policy on taxation etc.

- For those sectors in the industry which are recording positive growth & when the individual unit in the industry has also recorded positive growth during the last 2 to 3 yrs growth rate of a minimum of 15% over the current year's turnover may be accepted for arriving at projected sales turnover.

- For new units. Break even level of capacity/sales or nearby that level may be accepted as the accepted projected sales turnover for sanction of necessary working capital limit.The projection accepted by the term lending institutions for the first year of operation may be accepted by the bank for accessing working capital requirement of new units.

- For fixing limits against stocks, receivables etc. the existing syatems and procedure should continue. The operations of the limits should be allowed after taking into account the value of stock & unpaid stocks.

- **<u>CASE STUDY ANALYSIS</u>**

BRANCH –THANE

A/C- ADITI BROOMS PVT.LTD.

ACTIVITY- MANUFACTURING & SELLING OF NATURAL BROOMS.

PURPOSE OF NOTE: TO CONSIDER THE REQUEST OF THE COMPANY TO SANTION THEM WORKING CAPITAL LIMIT IN THE FORM OF CASH CREDIT OF RS.300.LACS

- **BACKGROUND OF THE CO.**

M/S. Aditi Brooms Pvt.Ltd. is a pvt ltd co. incorporated on 17.01.2011 with following as its directors.

- Mr. mayur L gala
- Mr. bhawanji M karani

The company is engaged in manufacturing & selling of natural brooms.

Mr. mayor L gala is the key promoter of the company, has vast experience of business in this field.

He was engaged with his father shri laliji gala in the business.

Shri laliji gala had started the business of manufacturing & traditional brooms during 1945 in the name of m/s. laliji ravji & co. at masjid bunder, Mumbai.

- **FINANCIAL INDICATOR OF SUBJECT COMPANY**

Year Ending	31.3.2011	31.3.2012	31.3.2013	31.3.2014
Audit status	Audited	Estimated	Projection	Projection
Netsales	43.37	699.04	1000	1150
Operating profit	0.61	26.64	41.33	52.09
Net profit after tax	0.61	18.65	28.93	36.46
Cash generation	0.61	18.65	28.93	36.46
Net working capital	81.6	100.27	139.2	179.66
Current ratio	1.83:1	1.26:1	1.34:1	1.38:1
TNW	1.6	44.27	73.2	109.66
TOL/TNW	111.6	10.05	6.74	5.97
Adjusted TOL/TNW	1.21	1.26	0.96	
Term liability/TNW	50	-1.07	0.63	

- **FINANCIAL POSITION OF SUBJECTED COMPANY**

Year Ending	31.3.2011	31.3.2012	31.3.2013
Audit Status	Audited	Provisional	Projection
LIABILITIES:			
capital reserves	1.6	44.27	73.2
long term liabilities	80	56	70
current liabilities	98.72	389.17	423.49
TOTAL LIABILITIES	180.32	489.44	566.69
ASSESTS:			
fixed assets	Nil	nil	nil
non current assets	Nil	nil	nil
current assets	180.32	489.44	566.69
intangible assests	Nil	nil	nil
TOTAL ASSETS	180.32	489.44	566.69

- **COMMENTS ON FINANCIAL/PERFORMANCE OF THE COMPANY**

As the company has started their activity during third quarter of the financial year, their balance sheet shows the performance of a quarter for the year ended 2010-11.As this was their first year, the past performance cannot be ascertained.

SALES:

They have achieved sales of Rs.105.00 lacs which is for two months sales.

As per provisional B/S as of 31.3.2012 they achieved sales of Rs.699.04 lacs as against projected turnover of Rs 1000 lacs for 2011-12.

The co. stated that they could not achieve the targeted sales as the crop was not upto the mark during the year 2011-12 and also this was their first year of operation.

Though the bank have sanctioned a CC limit of Rs.300 lacs, the avg utilisation was less.

It is informed that they started their another unit at banglore, put together the sales projected for Rs.1000 lacs may be achievable for the year 2012-13

PROFITS:

The main cost is towards raw material and labour charges. As the company could not achieved the estimated sales, they could not achieve the estimated profit also for the financial yr 2011-12.

TNW:

The directors have brought Rs.25 lacs as capital with plough back of profit this is increased to Rs. 44.27 lacs as on 31.3.2012

In addition to this Rs.56 lacs is brought in as unsecured loan which will be in the business as projected.

TOL/TNW:

TOL/TNW is very high for 2011 & 12. By taking the USL as quasi equity this will improve.

NWC & CR:

NWC is positive & shown increasing with the NWC increasing the current ratio also projected above the benchmark level.

Overall financial projected appears satisfactory.

- **ASSESSMENT OF WORKING CAPITAL (Rs. In lacs)**

Particulars	31.3.2013
Current assets :	
Stock	293.59
Sundry debtors	246.58
Other current assets	26.53
Total current assets	**566.69**
Less: Current liabilities:	
Sundry creditors	110.10
Other current liabilities	13.39
Total current liabilities	**123.49**
Working capital gap (WCG)	**443.20**
Less: 25% of C.A	141.67
Projected NWC for 2013	301.53
MPBF	300.00
Cash credit requested	**300.00**

Indian Overseas Bank

CHAPTER 4

REVIEW OF LITERATURE

- **WORKING CAPITAL:**

Working capital is the fund available for meeting day to day requirement. Difference between current assets and current liabilities is called working capital.

- **CURRENT ASSETS:**

Current asset are resources, which are in cash or will soon be converted into cash within accounting year.

- **CURRENT LIABILITIES:**

Current liabilities are committment which will soon require settlement within the accounting year.

A] A study on woking capital management with special reference to HMT MACHINE TOOL LTD. Kala massery was done by ms.smitha saviout on june 2007.

The objective of the study is to analyse the liquidity position of the company to compute the average collection & payment period & to analyse the short term solvency of the concern.

The conclusion of the study is that the working capital of the company is found not satisfactory. Analyzing the various liquidity ratios, it is found that all the liquidity ratios are not good than the normal concepts.

The large holding of current assets strengthens firms liquidity position but it also reduces the overall profitability.

Effort of reducing working capital is a continuous exercise & it is an opportunity for improvement.

B] A study on WCM IN APPOLO TYRES LTD, KOCHI was done by ms. Faizal a on june 2007.

The objective of the study is to analyse the management of different components of w.c in the concern to examine the liquidity position of the company, to compute the average collection period & to project the working capital needs of the company.

The conclusion of the study is that the sufficient working capital should be maintained. The performance of the company is very impressive. The company's financial management & inventory department are working very effective & efficient.

The suggestions made will be of much useful to the company for their better management of working capital.

C] A study on WCM is done by Prakash Kumar Sharma on STATE BANK OF INDIAon 12th june, 2010. He had taken into consideration the current assets & the current liabilities of the state bank of india. It shows that in the year 2007 & 2008 the net working capital is so high but in the year 2009 it was so low, but in the year 2010 SBI is able to manage the working capital properly.

D] A study on WCM at NALCO done by RAKESH KUMAR BARAL have studied the components of working capital management system of NALCO. It is found that the company has a sound & effective policy & its performance is very good even in this bad recession situation company has managed to past good profit. Company is competing well at the domestic as well as the international level & it is among the low cost producer of aluminium in the world only because of its proper management of finance, specially the short term finance known as the working capital.

CHAPTER 5.

GROWTH AND PERFORMANCE OF IOB

INDIAN OVERSEAS BANK

BALANCE SHEET AS AT 31.03.2013

-------IN RS. CR-------

Particulars	Mar '12	Mar '11	Mar '10
	12 mths	**12 mths**	**12 mths**
Capital and Liabilities:			
Total Share Capital	797	618.75	544.8
Equity Share Capital	797	618.75	544.8
Net Worth	**11,927.66**	**9,324.93**	**7,524.58**
Deposits	178,434.18	145,228.75	110,794.71
Borrowings	23,613.85	19,355.40	8,982.20
Total Debt	**202,048.03**	**164,584.15**	**119,776.91**
Other Liabilities & Provisions	5,672.50	4,875.19	3,794.90
Total Liabilities	**219,648.19**	**178,784.27**	**131,096.39**
	Mar '12	**Mar '11**	**Mar '10**
	12 mths	**12 mths**	**12 mths**
Assets:			
Cash & Balances with RBI	10,198.91	10,010.89	7,666.45
Balance with Banks	6,062.19	2,007.76	2,158.19
Advances	**140,724.44**	**111,832.98**	**79,003.93**
Investments	**55,565.88**	**48,610.45**	**37,650.56**
Gross Block	2,699.76	2,535.57	2,460.53
Accumulated Depreciation	970.66	859.36	768.63
Net Block	**1,729.10**	**1,676.21**	**1,691.90**
Capital Work In Progress	14.95	4.9	7.67
Other Assets	5,352.70	4,641.08	2,917.70
Total Assets	**219,648.17**	**178,784.27**	**131,096.40**
Contingent Liabilities	42,601.94	33,490.63	31,288.74
Bills for collection	24,927.12	15,838.45	11,252.80
Book Value (Rs)	135.34	131.96	116.54

INDIAN OVERSEAS BANK

Profit and loss a/c on 31.3.2013

---IN Rs.CR---

Particulars	Mar' 12	Mar' 11	Mar' 10	Mar' 09	Mar' 08
	12mths	**12mths**	**12mths**	**12mths**	**12mths**
Income:	17,897.08	12,101.47	10,245.77	9,641.40	7,968.25
Interest Earned	1,716.02	1,278.02	1,196.59	1,713.07	1,075.46
Other Income	**19,613.10**	**13,379.49**	**11,442.36**	**11,354.47**	**9,043.71**
Total Income					
Expenditure	12,880.91	7,893.44	7,077.91	6,771.81	5,288.79
Interest expended	2,082.98	1,741.14	1,734.75	1,271.84	949.68
Employee Cost	2,031.78	1,473.33	1,320.98	737.99	419.34
Selling and Admin Expenses	111.06	105	111.76	100.94	75.1
Depreciation	1,456.25	1,094.04	490	1,146.10	1,108.46
Miscellaneous Expenses	0	0	0	0	0
Preoperative Exp Capitalised	4,633.23	3,606.12	3,385.96	2,307.20	1,610.73
Operating Expenses	1,048.84	807.39	271.53	949.67	941.85
Provisions & Contingencies	**18,562.98**	**12,306.95**	**10,735.40**	**10,028.68**	**7,841.37**
Total Expenses	**1,050.13**	**1,072.54**	**706.96**	**1,325.79**	**1,202.34**
	Mar' 12	**Mar' 11**	**Mar' 10**	**Mar' 09**	**Mar' 08**
Net Profit for the Year	0	0	0	0	0
Extraordinary Items	0	0	0	0	0
Profit brought forward	**1,050.13**	**1,072.54**	**706.96**	**1,325.79**	**1,202.34**
Total	0	0	0	0	0
Preference Dividend	416.83	359.56	223.09	286.82	203.96
Equity Dividend	0	0	0	0	0
Corporate Dividend Tax	**13.18**	**17.33**	**12.98**	**24.34**	**22.07**
Earning Per Share (Rs)	45	50	35	45	35
Equity Dividend (%)	135.34	131.96	116.54	109.06	87.05
Book Value (Rs)					
Appropriations	586	324.98	356.29	1,029.30	409.16
Transfer to Statutory Reserves	47.3	388	127.58	9.67	589.22
Transfer to Other Reserves	416.83	359.56	223.09	286.82	203.96
Proposed Dividend	0	0	0	0	0
Balance c/f to Balance Sheet	**1,050.13**	**1,072.54**	**706.96**	**1,325.79**	**1,202.34**
Total					

FROM THE B/S OF IOB (31ST MARCH 2012)
……RS IN CR….

2.1. ANALYSIS OF NET WORKING CAPITAL OF IOB

PARTCULARS	MAR'08	MAR'09	MAR'10	MAR'11	MAR'12
CURRENT ASSETS	**2061.29**	**2340.93**	**2917.70**	**4641.08**	**5352.70**
LESS:CURRENT ASSETS	**6323.84**	**7858.26**	**3794.90**	**4875.19**	**5672.50**
NET WORKING CAPITAL	**(4262.55)**	**(4917.34)**	**(877.20)**	**(234.11)**	**(319.80)**

GRAPH FOR CURRENT ASSETS

INTERPRETATION:-

As you can see, this graph shows that the flow of current assets was go on increasing and there is 15.33% increase in current assets in 2012. It means the increase in current assets shows the liquidity soundness of the IOB.

GRAPH FOR CURRENT LIABILITES

INTERPRETATION:-

Current liabilities shows company short term debts pay to outsiders. In 2009, current liabilities was increased heavily but suddenly in 2010 it was go down and again in 2012 it was increase upto 16.35% as compare to 2011.

As we see the last 5 years current assets is less than current liabilities. It means that the company not having enough fund to meet its pay to outsiders.

<u>GRAPH FOR NET WORKING CAPITAL</u>

INTERPRETATION:-

Working capital to finance day to day operatons of a firm. In every company or bank there should be an optimum level of working capital. It should not be too less or not too excess.

In the IOB there is too less working capital, the decreasing in working capital arises because the high current liabilities in the business.

CALCULATION OF CURRENT RATIO

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

BALANCE SHEET ON 31ST DEC	MAR'08	MAR'09	MAR'10	MAR'11	MAR'12
CURRENT ASSETS	2061.29	2340. 93	2917.70	4641.08	5352.70
CURRENT LIABILIITES	6323.84	7258.26	3794.90	4875.19	5672.50
CURRENT RATIO	**0.33**	**0.32**	**0.76**	**0.95**	**0.94**

INTERPRETATION:-

If current assets is below 1 it indicates that current liabilities exceeds current assets, then the company may have problems paying its bills on time.

So usually, a higher current ratio is better than a lower current ratio with regard to maintaining liquidity.

CALCULATION OF QUICK RATIO

FORMULA

QUICK ASSETS = CURRENT ASSETS + BANK BAL + CASH IN HAND + ADVANCES- INVENTORY

CURRENT LIABILITIES

PARTICULARS	**MAR'08**	**MAR'09**	**MAR'10**	**MAR'11**	**MAR'12**
CURRENT ASSETS	2,061.29	2,340.93	2,917.70	4,641.08	5,352.70
BANK BAL	1,217.09	4,981.46	2,158.19	2,007.76	6,062.19
CASH IN HAND	9,124.23	5,940.44	7,666.45	10,010.89	10,198.81
ADVANCES	60,423.84	74,885.27	79,003.93	1,11,832.98	1,40,724.44
CURRENT LIABILITIES	6,323.84	7,258.26	3,794.90	4,875.19	5,672.50
QUICK RATIO	**11.32**	**11.46**	**23.61**	**25.94**	**27.55**

INTERPRETATION:-

Quick Ratio is an indicator of company's short-term liquidity. Quick ratio specifies whether the assets that can be quickly converted into cash are sufficient to cover current liabilities.

Ideally, quick ratio should be 1:1 this indicates that the business can meet its current financial obligations with the available quick funds on hand.

IOB quick ratio has increasing year by year it indicates that many lenders are interested in this ratio.

<u>CALCULATION OF WORKING CAPITAL TURNOVER RATIO</u>

FORMULA

COST OF SALES

WORKING CAPITAL TURNOVER RATIO = -----------------------------

NET WORKING CAPITAL

PARTICULARS	MAR'08	MAR'09	MAR'10	MAR'11	MAR'12
COST OF SALES	1535.64	2206.25	3274.20	3501.11	4522.17
NET WORKING CAPITAL	(4262.55)	(4917.34)	(877.20)	(234.11)	(319.80)
WCTR	(0.36)	(0.44)	(3.73)	(14.95)	(14.14)

INTERPETATION:-

WCTR was goes on increasing in negative form year by year. It shows that cost of sales goes on increasing but as compare to net working capital it was very high and NWC is low, it indicates that cost is high as compare to profit.

COMPARISON OF IOB WITH THEIR COMPETITORS

Particulars	IOB	Hdfc bank	SBI	BOB	PNB
Market Performance	10 of 100	8 of 100	22 of 100	23 of 100	18 of 10
Probability Of Bankruptcy	29.56 %	29.0%	1.0 %	39.38 %	35.6 %
Operating Margin	29.30 %	46.76%	36.42 %	53.61 %	50.18 %
Profit Margin	23.12 %	31.93 %	23.48 %	44.63 %	35.16 %
Price to Book	N/A	4.47 T	1.18 T	0.92 T	0.79 T
Return On Asset	0.53 %	1.61 %	0.92 %	1.28 %	1.18 %
Price to Earning	5.72 T	25.63 T	7.09 T	5.06 T	4.79 T
Gross Profit	34.37 B	98.68 B	606.78 B	82.86 B	106.9 B
Price to Earnings To Growth	0.23 T	N/A	0.53 T	0.47 T	0.58 T
Return On Equity	9.88 %	16.60 %	16.27 %	20.87 %	19.27 %
Cash Flow from Operations	(295.13 B)	(496 B)	(1890 B)	(663.75 B)	(682.01 B)
One Year Low	68.75	400.45	N/A	618.3	703.45
N/A	2.36 B	671.04 M	1.15 B	339.18 M	
Working Capital	(1047 B)	(1291.34B)	N/A	(831.41 B)	(778.44 B)
Cash per Share	90.97 T	101.46 T	916 T	339.13 T	82.27 T
Market Capitalization	N/A	1430 B	1310 B	278.97 B	240.58 B
Total Asset	1470 B	1834.03B	N/A	1166.8 B	1046.86 B
Current Liabilities	1181.42 B	1493.88 B	N/A	982.74 B	885.64 B
Retained Earnings	N/A	65.28 B	N/A	50.63 B	14.15 B
Net Income	10.78 B	55.79 B	177.05 B	52.49 B	50.25 B
Total Debt	236.14 B	260.64 B	1580 B	73.19 B	50.48 B
Price to Sales	N/A	8.08 T	1.66 T	2.24 T	1.62 T
Revenue	46.63 B	174.77 B	754.23 B	117.6 B	142.95 B
Cash and Equivalents	72.5 B	239.67 B	614.74 B	139.42 B	27.9 B
Current Asset	134.42 B	202.54 B	N/A	151.33 B	107.2 B
Earnings Per Share	N/A	23.64 T	274.83 T	134.01 T	148.17 T
Current Valuation	217.55 B	1430 B	2210 B	199.7 B	254.4 B

3.1. ANALYSIS AND INTERPRETATION OF IOB WITH THEIR COMPETITORS.

- **Operating Margin for IOB**

Operating Margin shows how much operating income a company makes on each dollar of sales. It is one of the profitability indicators which helps analysts to understand whether the firm is successful or not making money from everyday operations.

$$\text{OPERATING MARGIN} = \frac{\text{operating income}}{\text{Revenue}} \times 100 = \underline{29.30\%}$$

A good Operating Margin is required for a company to be able to pay for its fixed costs or pay out its debt which implies that the higher the margin, the better. This ratio is most effective in evaluating the earning potential of a company over time when comparing it against firm's competitors.

<u>OPERATING MARGIN COMPARISON</u>

IOB is currently under evaluation in operating margin category among related companies.

- **Profit Margin for IOB**

Profit Margin measures overall efficiency of a company and shows its ability to withstand competition as well as defend against adverse conditions such as rising costs, falling prices, decline in sales or management distress. Profit margin tells investors how well the company executes on its overall pricing strategies as well as how effective the company in controlling its costs.

PROFIT MARGIN = $\frac{\text{NET INCOME}}{\text{REVENUE}}$ X 100 = 23.12%

In a nutshell, Profit Margin indicator shows the amount of money the company makes from total sales or revenue. It can provide a good insight into companies in the same sector, as well as help to identify trends of a company from year to year.

PROFIT MARGIN COMPARISON

Indian is currently under evaluation in profit margin category among related companies.

Profit margin of IOB & SBI are almost in the same level, but IOB should increase their profit to be in the market.

- **Return On Asset for IOB**

Return on Asset or ROA shows how effective is the management of the company in generating income from utilizing all of the assets at their disposal. It is a useful ratio to evaluate the performance of different departments of a company as well as to understand management performance over time.

RETURN ON ASSETS = $\frac{\text{NET INCOME}}{\text{TOTAL ASSETS}}$ X 100 = 0.53%

Return on Asset measures overall efficiency of a company in generating profits from its total assets. It is expressed as the percentage of profits earned per dollar of Asset. A low ROA typically means that a company is asset-intensive and therefore will needs more money to continue generating revenue in the future.

RETURN ON ASSET COMPARISON

IOB is currently under evaluation in return on asset category among related companies.
As IOB having low % of ROA as compare to other banks so IOB need to generate revenue in future with better management of assets.

- **Gross Profit for IOB**

Gross Profit is the most basic measure of business operational efficiency. It is simply the difference between sales revenue and the cost associated with making a product or providing a service. It is calculated before deducting administrative expenses, taxes, and interest payments.

GROSS PROFIT = REVENUE - COST OF REVENUE = 34.37B

Gross Profit varies significantly from one sector to another and tells investor how much money a business would have made if it didn't have to pay any overhead expenses such as salary, taxes, or rent.

GROSS PROFIT COMPARISON

Indian is currently under evaluation in gross profit category among related companies.
As compare to their competitors IOB having low gross profit. To make increasing in the gross profit. IOB must have to concentrate on their sales apart and to reduce their cost on revenue.

- **Return On Equity for IOB**

Return on Equity or ROE tells company stockholders how effectually their money is being utilized or reinvested. It is a useful ratio when analyzing company profitability or the management effectiveness given the capital invested by the shareholders. ROE shows how effecently a company utilizes investments to generate income.

$$\text{RETURN ON EQUITY} = \frac{\text{NET INCOME}}{\text{TOTAL EQUITY}} \times 100 = \underline{9.88\%}$$

For most industries Return on Equity between 10% and 30% are considered desirable to provide dividends to owners and have funds for future growth of the company. Investors should be very careful using ROE as the only efficiency indicator because ROE can be high if a company is heavily leveraged.

<u>RETURN ON EQUITY COMPARISON</u>

Indian is currently under evaluation in return on equity category among related companies.
It means that IOB is coming under the range of 10% to 30% & having limited fund to growth of their bank as compare to other banks as follows.

- **Cash Flow from Operations for IOB**

Operating Cash Flow reveals the quality of a company's reported earnings and is calculated by deducting company's income taxes from earnings before interest, taxes and depreciation (EBITDA). In other words, Operating Cash Flow refers to the amount of cash a firm generates from the sales or products or from rendering services. Operating Cash Flow typically excludes costs associated with long-term investments or investment in marketable securities and is usually used by investor or analyst to check on the quality of a company earnings.

Operating cash flow = EBITDA – Taxes = (295.13B)

Operating Cash Flow shows the difference between reported income and actual cash flows of the company. If a firm does not have enough cash or cash equivalents to cover its current liabilities, then both investors and management should be concerned about company having enough liquid resources to meet current and long term debt obligations.

- **Working Capital for IOB**

Working Capital is measure of company efficiency and operating liquidity. The working capital is usually calculated by subtracting Current Liabilities from Current Assets. It is important indicator of the firm ability to continue its normal operations without additional debt obligations.

WORKING CAPITAL = CURRENT ASSET – CURRENT LIABILITIES = (1047B)

Working Capital can be positive or negative, depending on how much of current debt the company is carrying on its balance sheet. In general terms, companies that have a lot of working capital will experience more growth in the near future since they can expand and improve their operations using existing resources. On the other hand, companies with small or negative working capital may lack the funds necessary for growth or future operation. Working Capital also shows if the company has sufficient liquid resources to satisfy short-term liabilities and operational expenses.

WORKING CAPITAL COMPARISON

Indian is currently under evaluation in working capital category among related companies.
It means IOB having negative working capital it indicates that it will suffer the problems in future & will have a need of funds to stable % extend its business.

- **Current assets for IOB**

Current Asset is all of company's assets that can be used to pay off current liabilities within current fiscal period or over next 12 months. Current Asset includes cash or cash equivalents, accounts receivable, short-term investments, and the portion of prepaid liabilities which will be paid within next 12 months. Because these assets are easily turned into cash, they are sometimes referred to as liquid assets.

CURRENT ASSETS = CASH + DEPOSITS + LIQUID ASSETS = 134.42B

Current Asset is important to company's creditors and private equity firms as they will often be interested in how much that company has in current assets, since these assets can be easily liquidated in case the company goes bankrupt. However it is usually not enough to know if a company is in a good shape just based on current asset alone; the amount of current liabilities should always be considered.

CURRENT ASSET COMPARISON

Indian is currently under evaluation in current asset category among related companies.

- **Current Liabilities for IOB**

Current Liabilities is company's short term debts. This usually includes obligations that are due within next 12 months or within one fiscal year. Current liabilities are very important in analyzing a company's financial health as it requires the company to convert some of its current assets into cash.

CURRENT LIABILITIES = PAYABLES + ACCRUED DEBT = 1181.42B

Current liabilities appear on the company's balance sheet and include all short term debt accounts, accounts and notes payable, accrued liabilities as well as current payments due on the long-term loans. One of the most useful applications of Current Liabilities is the current ratio which is defined as current assets divided by its current liabilities. High current ratios mean that current assets are more than sufficient to pay off current liabilities.

CURRENT LIABILITIES COMPARISON

Indian is currently under evaluation in current liabilities category among related companies.
It means IOB having burden of debts & have to pay huge liabilities to creditors.

- **Total Asset for IOB**

Total Asset is everything that a business owns. It is the sum of current and long-term assets owned by a firm at a given time. These assets are listed on a balance sheet and typically valued based on their purchasing prices, not the current market value.

TOTAL ASSETS = TANGIBLE ASSETS = 1470B

Total Asset is typically divided on the balance sheet on current asset and long-term asset. Long-term is the value of a company property, and other capital assets that are expected to be useable for more than one year. Long term assets are reported net of depreciation. On the other hand current assets are assets that are expected to be sold or converted to cash as part of normal business operation.

TOTAL ASSET COMPARISON

Indian is currently under evaluation in total asset category among related companies.
But as compare to BOB & PNB it having better total assets.

- **Net Income for IOB**

Net income is the profit of a company for the reporting period which is derived after taking revenues and gains and subtracting all expenses and losses. Net income is one of the most watched numbers by money managers as well as individual investors.

NET INCOME = (REVENUE + GAIN) – (EXPENSES + LOSS) = 10.70B

Because income is reported on the Income Statement of a company and is measured in dollars some investors prefer to use Profit Margin which measures income as a percentage of sales.
To make the net profit IOB has to increase profit margin % in respect of increase in sales. It will help them to increase in net income of the bank.

NET INCOME COMPARISON

Indian is currently under evaluation in net income category among related companies.
In other words, IOB is very behind in terms of net income as compare to other banks.

- **Total Debt for IOB**

Total Debt refers to the amount of long term interest-bearing liabilities that a company carries on its balance sheet. That may include bonds sold to public, notes written to banks or capital leases. Typically, debt can help a company magnify its earnings, but the burden of interest and principle payments will eventually prevent the firm from borrow excessively.

TOTAL DEBT = BONDS + NOTES = <u>236.14B</u>

In most industries, total debt may also include current portion of long-term debt. Since debt terms vary widely from one company to another, simply comparing outstanding debt obligations between different companies may not be adequate. It is usually meaningful to compare total debt amounts between companies that operate within the same sector.

<u>TOTAL DEBT COMPARISON</u>

Indian is currently under evaluation in net income category among related companies.

- **Revenue for IOB**

Revenue is income that a firm generates from business activities such us rendering services or selling goods to customers. It is a crucial part of business and is important item when evaluating financial statements of a company. Revenues from a firm's main business operations can be reported on the income statement as sales revenue, net sales, or simply sales, depending on the industry in which given company operates.

REVENUE =MONEY RECEIVED – DISCOUNT AND RETURNS = 46.63B

Revenue is typically recorded when cash or cash equivalents are exchanged for services or goods and can includes product or services discounts, promotions, as well as early payments on invoices or services rendered in advance.

REVENUE COMPARISON

Indian Overseas Bank is rated **below average** in revenue category among related companies. Market size based on revenue of Money Center Banks industry is currently estimated at about **2.02 Trillion**. Indian holds roughly **46.63 Billion** in revenue claiming about **2.31%** of all equities under Money Center Banks industry.

Chapter 6

FINDINGS, SUGGESTIONS & CONCLUSION

- **FINDINGS**

While interpreting ratios's of IOB with other competitors wo founf that:-

- Relationship of Working Capital to Current Asset for Indian Overseas Bank is rated below average in working capital category among related companies. It is rated below average in current asset category among related companies .

- Relationship of Current Liabilities to Current Asset for Indian Overseas Bank is rated second overall in current liabilities category among related companies.

- Relationship of Current Liabilities to Working Capital for Indian Overseas Bank is rated fifth overall in current liabilities category among related companies. It is rated below average in working capital category among related companies .

While interpreting, ratio's to working capital we found that:-

- Current assets are less than current liabilities it indicates that company used short term funds for short term requirement where long term funds are most costly then short term funds.

- Quick ratio is goes on increasing at each year with sum percentage. It indicate that current financial obligations can meet with quick funds.

- Negative working capital turnover shows because of high cost of sales and low in net working capital.

- **SUGGESTIONS**

- Normally, all the performance of Indian overseas bank compare to other banks are under valuation.
- We can say, that the growth & performance of the IOB is not well as compare to their competitors.
- IOB must improve the working capital management with effective proper cash flow forecasting.
- This should take into account the impact of unforeseen events, market cycles, loss of prime customer and actions by competitors.
- To make efficient working capital management proper collaboration with your customer instead of being focused only on your own operations will also yield good results.
- If feasible, helping them to plan their inventory requirement efficiently to match your production with their consumption will help reduce inventory levels.
- IOB has to work on the important measure to manage working capital because it will help the company's operational and financial efficiency.
- Current asset of IOB as compare to their competitors was good but the current liabilities of IOB is not well, high current liabilities reduce the working capital which was happen with IOB.
- The IOB can make better working capital by raise funds, which comparatively economical as compare to long term funds.
- Proper control on the debtor's collection period which is major part of current assets.
- IOB take control on cash balance because cash is non earning assets and increasing cost of funds.
- IOB has to reduce the inventory holding period with use of zero inventory concepts.
- Current assets should be managed more efficiently so as to avoid unnecessary blocking of capital that could be used for other purposes.

- **CONCLUSION**

- Analysis of working capital management is an in depth analysis. It covers the entire financial management of the company.

- The INDIAN OVERSEAS BANK is a company which give preference to the common mans by providing better customer services.

- Any change in the working capital will have an effect on a business's cash flows. A positive change in working capital indicates that the business has paid out cash.

- Hence, an increase in working capital will have a negative effect on the business's cash holding.

- However, a negative change in working capital indicates lower fund to pay off short term liabilities (current liabilities), which may had bad indirect effect to the future of the company.

- For the best management to the working capital strict eye watch should be their now-a-days.

- WCM is imp aspect of financial management in the bank. The evaluation of WCM in INDIAN OVERSEAS BANK has revealed that the current ratio is in increasing trend.

- The analysis has been conducted on WCM which will help the company to manage its working capital efficiently & effectively.

- Overall the company has good liquidity position but as see to current liabilities. They not having sufficient funds to repayment of liabilities.

Indian Overseas Bank

Chapter 7

BIBLIOGRAPHY

- **BOOKS**
  - Financial management by I.M.PANDEY
  - Financial management by PRASSANA CHANDRA

- **MANUAL FROM IOB**

- **WEBSITES**
  - www.iob.com
  - www.wikipedia.com
  - www.google.com
  - http://www.globusz.com/ebooks/workingcapital/
  - http://www.macroaxis.com/invest/compare/IOB.NS
  - www.moneycontrol.com

A PROJECT REPORT ON

SALES PROMOTION STRATEGY OF CADBURY

SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

Mr. MOHD. SHAHID SHAMSHUDDIN
SEAT NUMBER: 1162775

UNDER THE GUIDANCE OF

ASST. PROF. DRAKSHA KHAN

BGPS'MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

NAAC ACCREDITATION

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

DECLARATION

I the undersigned **Mr. Mohd. Shahid Shamshuddin** the student of T.Y.B.M.S. Semester hereby declare that the work embodied in this project work "**SALES PROMOTION STRATEGY OF CADBURY**", forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DRAKSHA KHAN.** is a result of my own research work and has not been previously submitted to any other university for any other degree/ diploma to this or any other university.

Wherever references have been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Place: Mumbai
Date of Submission:

Mr. Mohd. Shahid Shamshuddin
Seat number: **1162775**

CERTIFICATE

This is to certify that **Mr. Mohd. Shahid Shamshuddin** has worked and duly completed his project work for the degree of bachelor of management studies under the faculty of commerce in the subject of and his project is entitled, **"SALES PROMOTION STRATEGY OF CADBURY",** under the guidance of **ASST. PROF. DRAKSHA KHAN.**

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any degree and diploma of any university.

It is his own work and facts represented by his personal findings and investigations.

Place: Mumbai

Dated:

ASST.PROF. Mrs. Draksha Khan	ASST. PROF. Mrs. Draksha Khan
BMS Course Coordinator	Project Guide
Principal	External Examiner
	Signature & Date

BGPS "

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

NAAC ACCREDITATION

J.K. KNOWLEDGE CENTER, WADALA (EAST), MUMBAI: - 400037

ACKNOWLEDGMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in
the completion of this project. I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal,** for providing the necessary facilities required for completion
of this project.

I take this opportunity to thank our **Course Co-ordinator Asst.Prof. Draksha Khan**, for their moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Asst.Prof. Draksha Khan** whose guidance and care made the project successful. I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my **Parents and Peers** who supported me throughout my project.

INDEX

CHAPTER 1

EXECUTIVE SUMMARY

Though the Indian market has lot of potential to expand, it is very hard to survive in this kind of market. The Indian market has cut throat competition may it be in FMCG sector or consumer durables. Increasing growth can be achieved at the expense of competitors. This results in companies trying to gain competitive edge through increasing differentiation in their brands emphasizing how they meet the needs of customer.

Today’s consumers are becoming harder please. They are smarter, many more competitors with equal or better offers approach more price conscious, more demanding, less forgiving and them. The challenge is not only to produce good products but also to make people buy them. Now on such a competitive field it becomes a Herculean task for a company to differentiate its brands and make them stand out among the diverse range. The company tries to overcome such difficulties by introducing various marketing strategies and advertising techniques, sales promotion is now a day’s widely used strategies by various companies. Various sales promotion techniques helps the company to increase its sales by offering something free with the product or by offering the product at lower cost if purchased at a large quantity. This increase in sales is generally short term. Promotion helps the company to create awareness and interest towards the product that is followed by the desire to buy the product.

Time has changed gone the days when child would sit back and obey the orders of parents. They take part actively in decision making for buying the smallest of the product in household, considering the influence of the children in the day to day buying decision the strategy to promote gifts to children is yielding outstanding results. Creativity and innovation is the key to this form of promotions. The more different and attractive your give away gift appears, the more likely it is that it will be a runaway success.” The trend has become a craze and all leading brands are ready to offer something different. Specialized Giveaway makes excellent premiums. The giveaways should be something genuinely useful, and it should be kept in a place where the prospects will refer to it when they have need for a product.

It’s important you position your giveaway effectively. The test liking and the desire of the child is considered before making buying decision. So various companies are targeting the children for sales promotion. If the child is happy then the parents readily buys the product.

This report attempts to study the sales promotion strategies for children that are adopted by the companies in growing its sales volume.

Chapter 2

LITERATURE REVIEW

A literature review is a select analysis of existing research which is relevant to your topic, showing how it relates to your investigation. It explains and justifies how your investigation may help answer your question or gaps in research area. The literature review is any part of summary or nor the description in your field.

1] Customer Satisfaction

Amway conducted business through affiliated with companies in more than 100 countries around the world.-it was ranked by Forbes as one of the largest private companies in US in 2008.

In 2008 66% of Amway market reported sales is increase including sales growth in china, Russia and Indian markets. Amway India sales grew 40% to $230 million. The majority of Amway sales today come from health and beauty sector. In small towns Amway began over 51 years.

The head office stretches one mile from east to west and is comprised of 80 buildings and 3.5 million square feet of office and manufacturing space. More than 4,000 of Amway 14000 employees

2] Loyalty about Product

Justina stated when I saw this business in 1979.It is not about products it is the people and the plan. I got so much from the association, the encouragement. Quite honestly, the people that I am (still today) associated with have done way more than either of my parents had ever done for me. No wonder I gravitated towards this company. I still love Amway for the memories. My grown children have said they remember the times we went on Amway weekends as the best times of their lives. I know there are people who paid the money to make a quick buck and got out and talk negative, but I believe they never even knew what they were in.The most honest, high integrity company I have ever known.

Chapter 3

OBJECTIVE & SCOPE STUDY

- To study the sales promotion strategy of Cadbury India limited by doing secondary market research
- To study the Cadbury competitors in Indian market.
- To study the most effective promotion strategy of Cadbury in India.

3.1 HISTORY OF CADBURY

Cadbury's as we know it today started from humble beginnings in Bull Street, Birmingham. A shop was opened by John Cadbury in 1824. It did not start as a confectionery shop but sold tea and coffee and homemade drinking chocolate or cocoa which he made himself for his customers.

John Cadbury moved into the manufacturing of drinking chocolate and cocoa. By the early 1840's Cadbury operated from a factory in Bridge Street and went into partnership with his brother Benjamin. 'Cadbury Brothers of Birmingham'. Cadbury's received a Royal Warrant in 1854 as manufacturers of chocolate for Queen Victoria. Cadbury's moved on to become a limited company and after the death of Richard Cadbury the sons of the two brothers joined the firm headed by George Cadbury. This was very much a family business in every sense of the word.

In 1969 the Cadbury Group merged with Schweppes. Cadbury Schweppes Plc is a leader in confectionery and soft drinks both in the UK and abroad. With factories all over the world and a host of well known brand names it has become a household name in many countries.

3.2 INTRODUCTION TO COMPANY

Cadbury India is a food product company with interests in Chocolate Confectionery, Milk Food Drinks, Snacks, and Candy. Cadbury is the market leader in Chocolate Confectionery business with a market share of over 70%. Some of the key brands of Cadbury are Cadbury Dairy Milk, 5 Star, Perk, Éclairs, Celebrations, Temptations, and Gems. In Milk Food drinks segment, Cadbury's main product - Bournvita is the leading Malted Food Drink in the country.

Cadbury is the world's largest confectionery company and its origins can be traced back to 1783 when Jacob Schweppes perfected his process for manufacturing carbonated mineral water in Geneva, Switzerland. In 1824, John Cadbury opened in Birmingham selling cocoa and chocolate. Cadbury and Schweppes merged in 1969 to form Cadbury Schweppes plc. Milk chocolate for eating was first made by Cadbury in 1897 by adding milk powder paste to the dark chocolate recipe of cocoa mass, cocoa butter and sugar. In 1905, Cadbury's top selling brand, Cadbury Dairy Milk, was launched. By 1913 Dairy Milk had become Cadbury's best selling line and in the mid twenties Cadbury's Dairy Milk gained its status as the brand leader. Cadbury India began its operations in 1948 by importing chocolates and then re-packing them before distribution in the Indian market. Today, Cadbury has five company-owned manufacturing facilities at Thane, Induri (Pune) and Malanpur (Gwalior), Bangalore and Baddi (Himachal Pradesh) and 4 sales offices (New Delhi, Mumbai, Kolkota and Chennai). Its corporate office is in Mumbai. Worldwide, Cadbury employs 60,000 people in over 200 countries.

Cadbury's distribution network used to encompasses 2100 distributors and 450,000 retailers. To avoid cannibalization of its higher priced products from lower priced ones, Cadbury is setting up two separate distribution channels – one for Core business & other for Mass markets, with different stockists, wholesalers and retailers. But today, Cadbury's distribution network reaches out to six lakh outlets each for its chocolate & confectionery brands (i.e. total reaching12 lakh outlets).

The total confectionery market is valued at Rupees 41 billion with a volume turnover of about 223500 tonnes per annum. The category is largely consumed in urban areas with a 73% skew to urban markets and a 27% to rural markets. Hard boiled candy accounts for 18%, Eclairs and Toffees accounts for 18%, Gums and Mints and lozenges are at par and account for 13%. Digestive Candies and Lollipops account for 2.0% share respectively. Overall industry growth is estimated at 23% in the chocolates segment and sugar confectionery segment has declined by 19%. The Milk Beverages industry is valued at Rupees 16.1 billion with an annual turnover of approx 63,000 tonnes. As per Nielsen estimates the industry is growing at 10.1%.

3.3.2 CADBURY INDIA

Cadbury India is a fully owned subsidy of Kraft Foods Inc. The combination of Kraft Foods and Cadbury creates a global powerhouse in snacks, confectionery and quick meals. With annual revenues of approximately $50 billion, the combined company is the world's second largest food company, making delicious products for billions of consumers in more than 160 countries. We employ approximately 140,000 people and have operations in more than 70 countries. Our core purpose "make today delicious" captures the spirit of what we are trying to achieve as a business. We make delicious foods you can feel good about. Whether watching your weight or preparing to celebrate, grabbing a quick bite or sitting down to family night, we pour our hearts into creating foods that are wholesome and delicious.

In India, Cadbury began its operations in 1948 by importing chocolates. After over 60 years of existence, it today has six company-owned manufacturing facilities at Thane, Induri (Pune) and Malanpur (Gwalior), Bangalore and Baddi (Himachal Pradesh) Hyderabad and 4 sales offices (New Delhi, Mumbai, Kolkata and Chennai). The corporate office is in Mumbai.

3.3 MISSION

"Cadbury's mission statement says simply: 'Cadbury means quality'; this is our promise. Our reputation is built upon quality; our commitment to continuous improvement will ensure that our promise is delivered'

3.4 VISION

The Barrow Cadbury Trust's vision is of a peaceful, equitable society, free from discrimination and based on the principle of social justice for all

3.5 OBJECTIVES

- To find out the famous products of cadbury among the consumers.
- To find out the consumer behaviour towards cadbury.
- To make lots of chocolate.
- Improve the quality of their chocolate.
- To Survive in the market.

Chapter 4

Promotion Strategies

MEANING

Promotion Strategy - the element of a firm's decision-making concerned with choosing the most appropriate mix of advertising, salespromotion, personal selling and publicity for communication with its market. The Promotion Strategy are as follows.

4.1 PULL STRATEGY FOR SALES PROMOTION

Sales promotion decisions are significantly affected by whether the company decides to do "pull or push strategies" to accomplish its objectives. Such a decision may require a little or a lot of cooperation from resellers. The requirements to implement one strategy might be little more than to just stock the product by the retailers.

The other strategy may demand more participation from resellers such as the ability to explain to the consumers as to how a product works.

PULL STRATEGY

In case of using a pull strategy, marketing efforts are directed at the ultimate consumer and consumer promotions such as consumer contests and sweepstakes, rebates, coupons, free samples, consumer premiums, etc are used. If this strategy is also chosen to include advertising, then, there are large advertising expenditures.

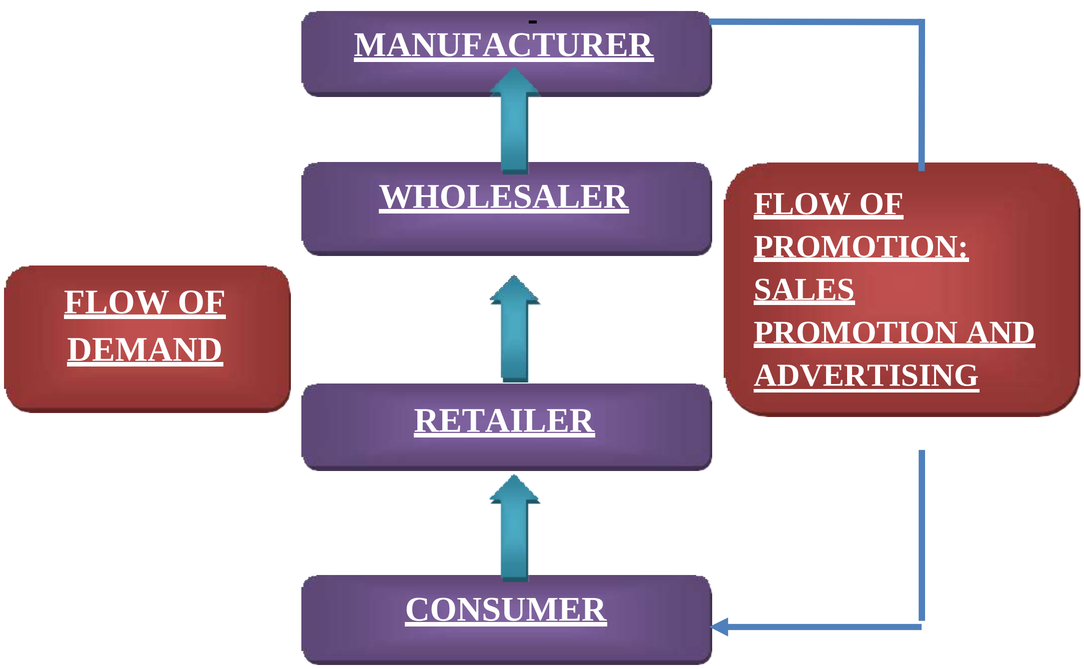
The objective of such promotional efforts would be to create sufficient consumer demand to pull the product through the channels that is the consumers are encouraged to demand the product from retailers who in torn place orders with wholesaler or manufacturer to meet the consumer demand.

This strategy may require little promotional efforts from the resellers except to stock input the product on shelves.

A pull strategy is appropriate when:-

- The product demand as high.
- It is possible to differentiate the product on the basis of real or emotional features.
- Brand consumers show high degree of involvement in the product purchase,
- There is reasonably high brand loyalty and
- Consumers make brand choice decision before they go to the store.

PULL:-

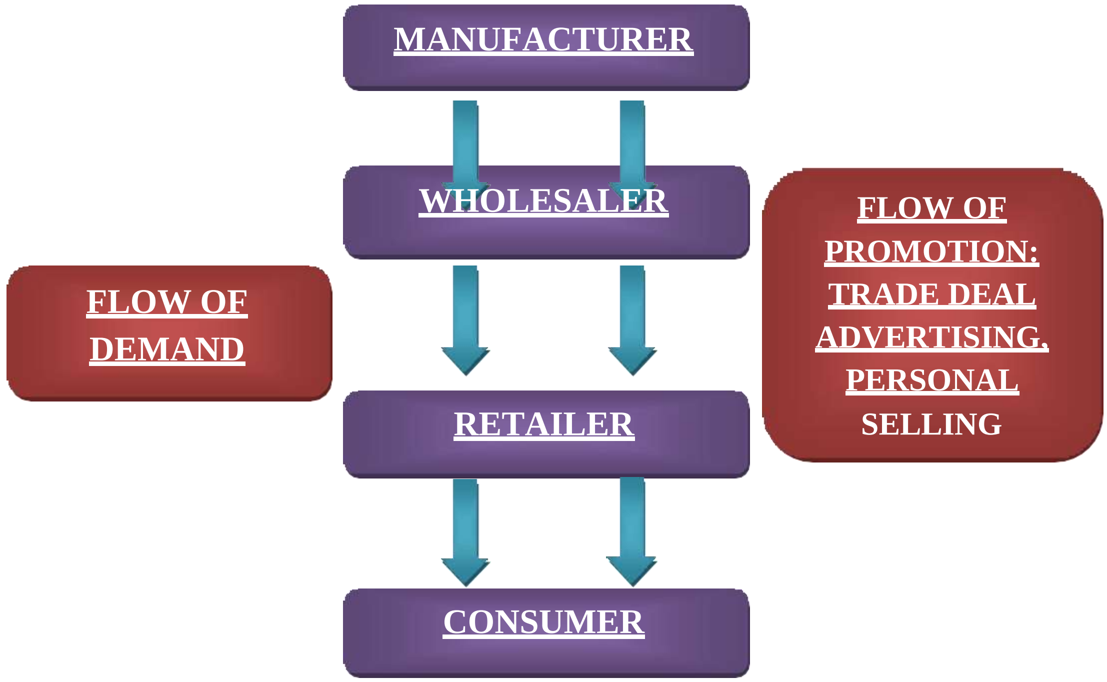


4.2 PUSH STRATAGY FOR SALES PROMOTION

If a firm decides to use push strategy, its efforts are directed at resellers and the manufacturer becomes very dependent on their personal selling abilities and efforts.

The promotional efforts are focused at pushing the product through the distribution channels; the resellers may be required to display, demonstrate and offer discounts, to sell the product. The communication to resellers is generally through trade circulars or the sales force.

PUSH:-



Push strategies generally appropriate for:-

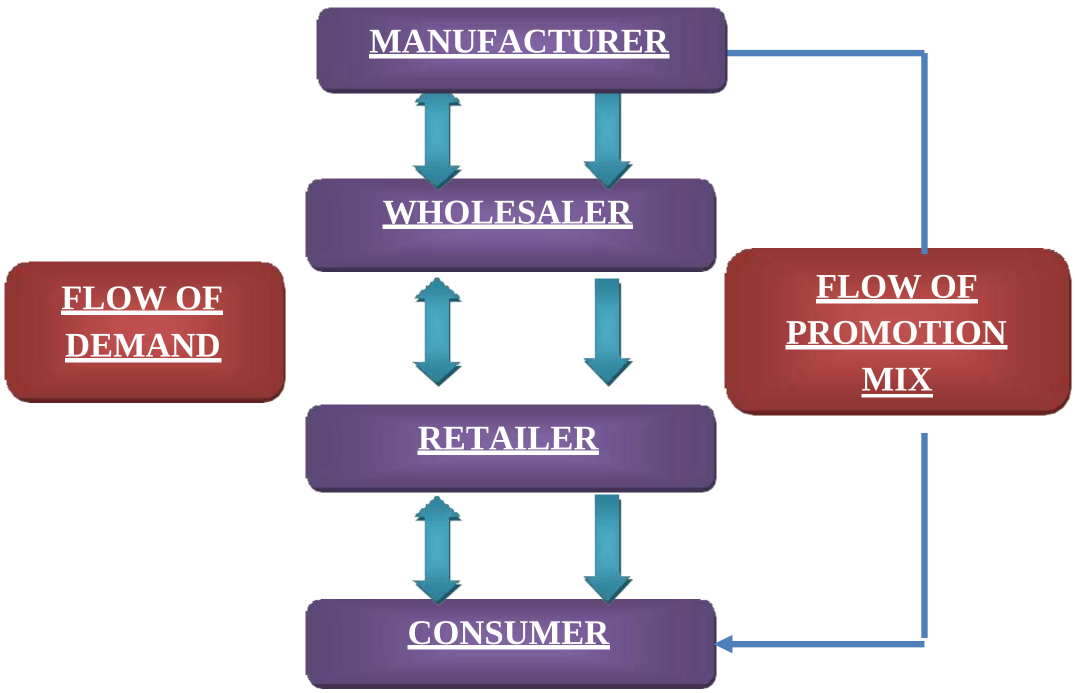
- Product categories where there is low brand loyalty
- Where many acceptable substitutes are available in the market.
- Relatively new products are to be launched
- When the brand choice is often made in response to displays in the stores,
- The product purchase is unplanned or on impulse and
- The consumer is familiar and has reasonably adequate knowledge about the product.

Manufacturers, who cannot afford to engage in sustained mass advertising, often use push strategy and offer effective incentives to dealers.

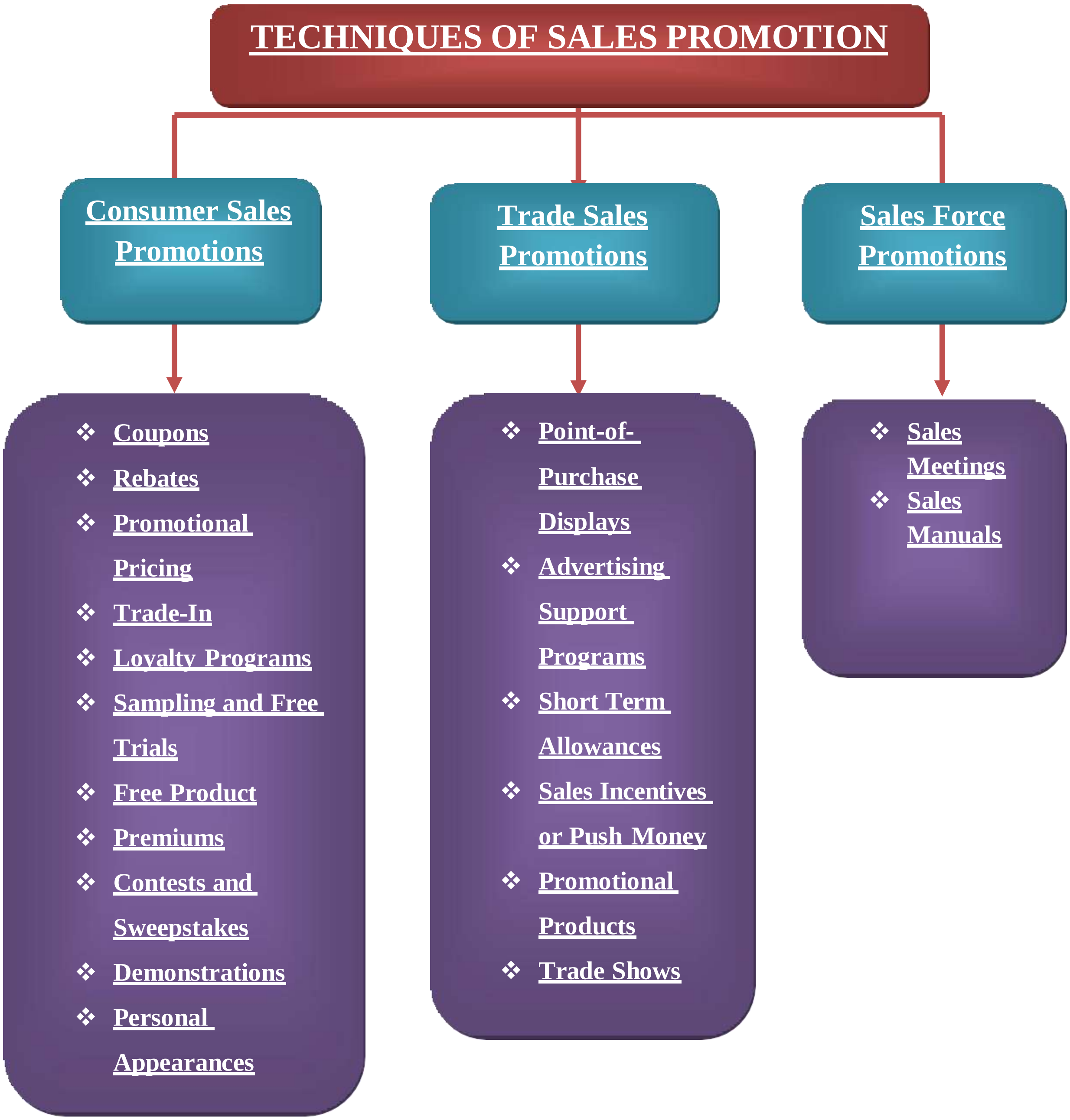
Retailer promotion: Buy **Cadbury's** products worth Rs.3000/- and get any 30 chocolates worth Rs.5 each free.

Through this offer the company is pushing its product to the retailers and now that the retailer has enough incentive the retailer stocks more and thus it becomes essential for the retailer to push the product to the consumers.

PULL AND PUSH:-



4.3 TECHNIQUES OF SALES PROMOTION



According to the **Institute of Sales Promotion,** "**Sales Promotion** comprises that range of techniques used to attain sales or marketing objectives in a cost effective manner by adding value to a product or service either to intermediaries or end users, normally but not exclusively within a defined time period."

Almost every Company uses Sales Promotion techniques at some stage of the product life cycle since sales promotion techniques provide a strong incentive to BUY!

CONSUMER SALES PROMOTION:-

Consumer sales promotions encompass a variety of short-term promotional techniques designed to induce customers to respond in some way. The most popular consumer sales promotions are directly associated with product purchasing. These promotions are intended to enhance the value of a product purchase by either reducing the overall cost of the product (i.e., get same product but for less money) or by adding more benefit to the regular purchase price (i.e., get more for the money).

While tying a promotion to an immediate purchase is a major use of consumer sales promotion, it is not the only one. As we noted above, promotion techniques can be used to achieve other objectives such as building brand loyalty or creating product awareness. Consequently, a marketer's promotional toolbox contains a large variety of consumer promotions.

The following 11 types of consumer sales promotions are:-

A. Coupons
B. Rebates
C. Promotional Pricing
D. Trade-In
E. Loyalty Programs
F. Sampling and Free Trials
G. Free Product
H. Premiums
I. Contests and Sweepstakes
J. Demonstrations
K. Personal Appearances

A. **Coupons:**

Most consumers are quite familiar with this form of sales promotion, which offers purchasers price savings or other incentives when the coupon is redeemed at the time of purchase. Coupons are short-term in nature since most (but not all) carry an expiration date after which the value may not be received. Also, coupons require consumer involvement in order for value to be realized. In most cases involvement consists of the consumer making an effort to obtain the coupon (e.g., clip from newspaper) and then presenting it at the time of purchase.

Coupons are used widely by marketers across many retail industries and reach consumers in a number of different delivery formats including:

- **Free-Standing Inserts (FSI)** – Here coupon placement occurs loosely (i.e., inserted) within media, such as newspapers and direct mail, and may or may not require the customer to cut away from other material in order to use.
- **Cross-Product** – These consist of coupons placed within or on other products. Often a marketer will use this method to promote one product by placing the coupon inside another major selling product. For example, a pharmaceutical company may imprint a coupon for a cough remedy on the box of a pain medication. Also, this delivery approach is used when two marketers have struck a cross promotion arrangement where each agrees to undertake certain marketing activity for the other.
- **Printout**– A delivery method that is common in many food stores is to present coupons to a customer at the conclusion of the purchasing process. These coupons, which are often printed on the spot, are intended to be used for a future purchase and not for the current purchase which triggered the printing.
- **Product Display** – Some coupons are nearly impossible for customers to miss as they are located in close proximity to the product. In some instances coupons may be contained within a coupon dispenser fastened to the shelf holding the product while in other cases coupons may be attached to a special display (see POP display below) where customers can remove them (e.g., tear off).
- **Internet** – Several specialized websites, such as HotCoupons.com, and even some manufacturer's sites, allow customers to print out coupons. These coupons are often the same ones appearing in other media, such as newspapers or direct mail. In other cases, coupons may be sent via email, though to be effective the customer's email

program must be able to receive HTML email (and not text only) in order to maintain required design elements (e.g., bar code).

- **<u>Electronic</u> –** The Internet is also seeing the emergence of new non-printable coupons redeemable through website purchases. These electronic coupons are redeemed when the customer enters a designated coupon code during the purchase process.

B. <u>Rebates:</u>

Rebates, like coupons, offer value to purchasers typically by lowering the customer's final cost for acquiring the product. While rebates share some similarities with coupons, they differ in several keys aspects. First, rebates are generally handed or offered (e.g., accessible on the Internet) to customers after a purchase is made and cannot be used to obtain immediate savings in the way coupons are used. (So called "instant rebates", where customers receive price reductions at the time of purchase, have elements of both coupons and rebates, but for our purposes we will classify these as coupons due to the timing of the reward to the customer.)

Second, rebates often request the purchaser to submit personal data in order to obtain the rebate. For instance, customer identification, including name, address and contact information, is generally required to obtain a rebate. Also, the marketer may ask those seeking a rebate to provide additional data such as indicating the reason for making the purchase.

Third, unlike coupons that always offer value when used in a purchase (assuming it is accepted by the retailer), receiving a rebate only guarantees value if the customer takes actions. Marketers know that not all customers will respond to a rebate. Some will misplace or forget to submit the rebate while others may submit after a required deadline. Marketers factor in the non-redemption rate as they attempt to calculate the cost of the rebate promotion.

Finally, rebates tend to be used as a value enhancement in higher priced products compared to coupons. For instance, rebates are a popular promotion for automobiles and computer software where large amounts of money may be returned to the customer.

C. Promotional Pricing:

One of the most powerful sales promotion techniques is the short-term price reduction or, as known in some areas, "on sale" pricing. Lowering a product’s selling price can have an immediate impact on demand, though marketers must exercise caution since the frequent use of this technique can lead customers to anticipate the reduction and, consequently, withhold purchase until the price reduction occurs again.

D. Trade-In:

Trade-in promotions allow consumers to obtain lower prices by exchanging something the customer possess, such as an older product that the new purchase will replace. While the idea of gaining price breaks for trading in another product is most frequently seen with automobile sales, such promotions are used in other industries, such as computers and golf equipment, where the customer’s exchanged product can be resold by the marketer in order to extract value.

E. Loyalty Programs:

Promotions that offer customers a reward, such as price discounts and free products, for frequent purchasing or other activity are called loyalty programs. These promotions have been around for many years but grew rapidly in popularity when introduced in the airline industry as part of frequent-filerprogrames. Loyalty programs are also found in numerous other industries, including grocery, pizza purchasing and online book purchases, where they may also be known as club card programs since members often must use a verification card as evidence of enrollment in the program.

Many loyalty programs have become ingrained as part of the value offered by a marketer. That is, a retailer or marketing organization may offer loyalty programs as general business practice. Under this condition loyalty program does not qualify as a sales promotion since it does not fit the requirement of offering a short-term value (i.e., it is always offered). However, even within a loyalty program that is part of a general business practice, a sales promotion can be offered such as special short-term offer that lowers the number of points needed to acquire a free product.

F. Samples, Free Product and Premiums:

Enticing members of a target market to try a product is often easy when the trial comes at little or no cost to the customer. The use of samples and free trials may be the oldest of all sales promotion techniques dating back to when society advanced from a culture of self-subsistence to a culture of trade.

Sampling and free trials give customers the opportunity to experience products, often in small quantities or for a short duration, without purchasing the product. Today, these methods are used in almost all industries and are especially useful for getting customers to try a product for the first time.

SAMPLING TECHNIQUE:

- In-store sampling
- Door to Door sampling
- Newspaper sampling
- On-package sampling
- Mobile sampling
- Trial offers

Some promotional methods offer free products but with the condition that a purchase be made. The free product may be in the form of additional quantities of the same purchased product (e.g., buy one, get one free) or specialty packages (e.g., value pack) that offer more quantity for the same price as regular packaging.

Another form of sales promotion involving free merchandise is premium or "give-away" items. Premiums differ from samples and free product in that these often do not consist of the actual product, though there is often some connection. For example, a cell phone manufacturer may offer access to free downloadable ringtones for those purchasing a cell phone.

G. Demonstrations and Personal Appearances:

Many products benefit from customers being shown how products are used through a demonstration. Whether the demonstration is experienced in-person or via video form, such as over the Internet, this promotional technique can produce highly effective results. Unfortunately, demonstrations are very expensive to produce. Costs involved in demonstrations include paying for the expense of the demonstrator, which can be high if the demonstrator is well-known (e.g., nationally known chef), and also paying for the space where the demonstration is given. An in-person or personal appearance by someone of interest to the target market, such as an author, sports figure or celebrity, is another form of sales promotion capable of generating customer traffic to a physical location. However, as with demonstrations, personal appearance promotion can be expensive since the marketer normally must pay a fee for the person to appear.

4.4 TRADE SALES PROMOTION

Certain promotions can help "push" a product through the channel by encouraging channel members to purchase and also promote the product to their customers. For instance, a trade promotion aimed at retailers may encourage retailers to instruct their employees to promote a marketer's brand over competitors' offerings. With thousands of products competing for limited shelf space, spending on trade promotion is nearly equal that spent on consumer promotions.

Many sales promotions aimed at building relationships with channel partners follow similar designs as those directed to consumers including promotional pricing, contests and free product. In addition to these, several other promotional approaches are specifically designed to appeal to trade partners. These approaches include:

A. Point-of-Purchase Displays
B. Advertising Support Programs
C. Short Term Allowances

D. Sales Incentives or Push Money
E. Promotional Products
F. Trade Shows

A. Point of Purchase Displays:

Point of purchase (POP) displays is specially designed materials intended for placement in retail stores. These displays allow products to be prominently presented, often in high traffic areas, and thereby increase the probability the product will standout. POP displays come in many styles, though the most popular are ones allowing a product to stand alone, such as in the middle of a store aisle or sit at the end of an aisle (i.e., end-cap) where it will be exposed to heavy customer traffic.

For channel partners, POP displays can result in significant sales increases compared to sales levels in a normal shelf position. Also, many marketers will lower the per-unit cost of products in the POP display as an incentive for retailers to agree to include the display in their stores.

B. Advertising Support Programs:

In addition to offering promotional support in the form of physical displays, marketers can attract channel members' interest by offering financial assistance in the form of advertising money. These funds are often directed to retailers who then include the company's products in their advertising. In certain cases the marketer will offer to pay the entire cost of advertising, but more often, the marketer offers partial support known as co-op advertising funds.

C. Trade Allowances:

This promotion offers channel partners price breaks for agreeing to stock the product. In most cases the allowance is not only given as encouragement to purchase the product but also as an inducement to promote the product in other ways such as by offering attractive shelf space or store location, highlighting the product in company-produced advertising or website display, or by agreeing to have the retailer's sales personnel "talk-up" the product to customers.

Allowances can be in the form price reductions (a.k.a. off-invoice promotion) and buy-back guarantees if the product does not sell in certain period of time.

D. Sales Incentives or Push Money:

Since sales promotions are intended to stimulate activity that leads to meeting promotional objectives, it makes sense that these can also apply to those in a channel member's organization who also affect sales. Thus, a marketer may offer sales promotions to their reseller's sales force and customer service staff where they are used as incentives to help sell more of the marketer's product. Sometimes called push money, these promotions typically offer employees cash or prizes, such as trips, for those that meet sales requirements.

E. Promotional Products:

Among the most widely used methods of sales promotions is the promotional product; products labeled with the brand or company name that serve as reminders of the actual product. For instance, companies often hand out free calendars, coffee cups and pens that contain the product logo.

F. Trade Shows:

One final type of trade promotion is the industry trade show (a.k.a. exhibitions, conventions). Trade shows are organized events that bring both industry buyers and sellers together in one central location. Spending on trade shows is one of the highest of all sales promotions. In fact, the Promotion Marketing Association estimates that over (US) $20 billion is spent annually by marketers to participate in trade shows. Marketers are attracted to trade shows since these offer the opportunity to reach a large number of potential buyers in one convenient setting. At these events most sellers attempt to capture the attention of buyers by setting up a display area to present their product offerings and meet with potential customers. These displays can range from a single table covering a small area to erecting specially built display booths that dominate the trade show floor.

3.5 SALES FORCE PROMOTION

Sales promotion directed towards the sales people is referred to as sales force promotions. These schemes are intended to motivate sales people to put in more efforts to increase sales, increase distribution, promote new or seasonal products, sell more deals to resellers, book more orders develop prospects lists and build up morale and enthusiasm.

Some of these activities are meant to prepare the sales people to do their jobs well and include sales meetings and manuals, training programmes, sales presentations, film and slide shows etc. Prize distribution to winners is the more tangible aspect of any such programme.

Objectives of sales force promotion schemes are:

- Increase sales volume
- Introduce a new product
- Reducing selling costs
- Offset competitive promotions
- Improve working habits
- Develop new prospect lists etc.

Tools used in sales force promotions:

A. <u>Sales meetings:</u>

Sales meetings are generally organized for sales people form one area, region or district more frequently, usually once a month, once in two months, or quarterly. These meetings bring

together sales people from different territories of the nation and are considered a popular way of educating sales people. There is a varying mixture of business and pleasure.

B. <u>Sales Manuals:</u>

Training materials such as manuals, visual aids, flip charts, programmes, learning books are most useful to sales people. The sales manuals usually contain product details, applications, manufacturing processes, prices, sales techniques etc. Some companies also have house journals that reports about the company programmers, new products, research activities, new polices, awards, promotions, etc. Other tools include Training, Sales contests, Incentives, Awards and prizes and also Premiums (gifts).

Chapter 5

Cadbury Brand

5.1 MAJOR ACHIVEMENTS

- Worlds No 1 Confectionery company
- World's No 2 Gums company.
- World's No 3 beverage company.
- World's No 3 beverage company.
- Cadbury Dairy Milk &Bournvita have been declared a "Consumer Super brand" for 2006-7 by Super brands India.
- Cadbury India has been ranked 5th in the FMCG sector, in a survey on India's most respected companies by sector conducted by Business World magazine in 2007.

5.2 CADBURY'S BRANDS

Cadbury Brands are divided in five categories:

1. <u>CHOCOLATES:</u>

➢ **Cadbury Dairy Milk:**

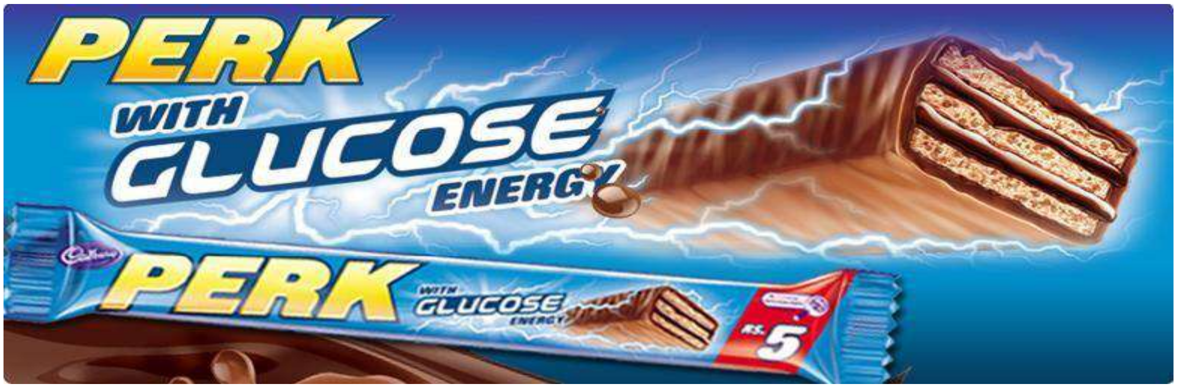
Cadbury Dairy Milk has been the market leader in the chocolate category for years. And has

participated and been a part of every Indian's moments of happiness, joy and celebration. Today, Cadbury Dairy Milk alone holds 30% value share of the Indian chocolate market.
In the early 90's, chocolates were seen as 'meant for kids', usually a reward or a bribe for children. In the Mid 90's the category was re-defined by the very popular `Real Taste of Life' campaign, shifting the focus from `just for kids' to the `kid in all of us'. It appealed to the child in every adult. And Cadbury Dairy Milk became the perfect expression of 'spontaneity' and 'shared good feelings.

- **5 Star:**

A leading knight in the Cadbury portfolio and the second largest after Cadbury Dairy Milk with a market share of 14%, Cadbury 5 Star moves from strength to strength every year by increasing its user base. More recently, to give consumers another reason to come into the Cadbury 5 Star fold, Cadbury 5 Star Crunchy was launched. The same delicious Cadbury 5 Star was now available with a dash of rice crispies

➢ Perk



With the rise of more value-for-money brands in the wafer chocolate segment, Cadbury Perk unveiled two new offerings - Perk XL and XXL.In 2004, with an added dose of 'Real Cadbury Dairy Milk' and an 'improved wafer', Perk became even more irresistible. The product was supported in the market with a new look and a new campaign. The advertisement spoke of the irresistible aspect of the brand, with 'Baaki sab Bhoola de' becoming the new mantra for Cadbury Perk.

➢ **Celebrations:**

Cadbury Celebrations is available in several assortments of chocolates like 5 Star, Perk, Gems, Dairy Milk and Nutties and rich dry fruits enrobed in Cadbury dairy milk chocolate in 5 variants, Almond magic, raisin magic, cashew magic, nut butterscotch and caramels. Cadbury Celebrations has become a popular brand on occasions such as Diwali, Rakhi and Dussera puja. It is also a major success as a corporate gifting brand. The communication is based on the emotional route and the tag line says "rishtepakne do" which fits with the brand purpose of strengthening your relationships with something sweet.

➢ **Bournville:**

Hailed as Cadbury's answer to the emerging market of luxury chocolates, Cadbury unveiled Bournville – the Indian formula for dark chocolate in 2009. The creative route taken was "You don't buy a Bournville you earn it" which aptly describes it as a chocolate meant for consumers with a mature palate. The campaign has successfully built Bournville with special credentials based on its distinct rich intense taste, quality ingredients (best Ghanaian Cocoa) and a British heritage

- **Éclairs:**

In India, Cadbury Dairy Milk Éclairs has been the most preferred brand in the Éclairs category for years and has always been a favourite with consumers. Éclairs advertising over the years has talked about the mesmerizing taste of Éclairs because of the Cadbury Dairy Milk chocolate it contains at its center.

- **Gems:**

The sheer taste and the fun associated with eating Cadbury Gems and the joy of sharing it with friends has made the brand a dear companion and a source of nostalgia for consumers.Early 2006 gave consumers one more reason to celebrate with Cadbury Gems; the launch of Cadbury Fruity Gems, a fruit flavored variant with a crispy shell outside and white chocolate inside. Now consumers had not one, but two reasons to enter the 'Masti' world of Cadbury Gems.

2. <u>SNACKS</u>:

- **Oreo:**

Launched in India in March 2011 the delicious combination of dark chocolate biscuit and vanilla cream was first introduced to the world in 1912. That original formula was so perfect that it has hardly been modified since. Each year more than 7.5 billion Oreo Biscuits are eaten, making it the world's No. 1 biscuit. Paired with a glass of milk, it is the perfect snack. Children across the world teach their parents the fun way to eat Oreo – twisting the biscuit open, licking the cream, and then dunking the biscuit in milk. It's no wonder then, that families the world over, come together over this tasty snack.

3.BEVERAGES:

- **Bournvita:**

The brand has been an enduring symbol of mental and physical health ever since it was launched in 1948. It is hardly surprising then, that Bournvita enjoys a major presence in the Malt Food market. Given its market share of 17%, Cadbury Bournvita reaches across hundreds of cities, towns and villages through 3,50,000 outlets in India. It is a universal truth that mothers attach a lot of emotional importance to nourishment while bringing up their children. However, children always look out for the tastiest option to make their daily dose of milk more enjoyable. Cadbury now offers two options to capture this appeal: Cadbury Bournvita, with its popular chocolate taste, and its latest offering, Cadbury Bournvita 5 Star Magic, leveraging the rich chocolate and caramel flavor of Cadbury 5 Star Cadbury Bournvita advertising has moved with the times to reflect the changing needs of the consumers.

- **Tang:**

The world's favorite powdered beverage –Tang, is now available in India the delicious and refreshing flavors of Orange & Lemon. Launched in March 2011, the combination of yummy taste and micronutrients such as Iron, Vitamin A B & C makes it a favorite with moms. At an affordable price, mothers are able to make a deliciously refreshing, nutritious and convenient drink for their kids. One of our power brands in India, Tang is right on trend as it delivers a winning bundle for consumers - affordability, convenience, nutrition and great fruit taste! Tang. Sold in more than 30 countries, Tang, is the latest brand from the Kraft Foods portfolio to enter the "billion dollar" brands club.

4.<u>CANDY</u>:

Halls

Halls was first launched in India in 1968 & soon established itself as a '**therapeutic'** candy competing in the cough lozenge market. Halls has been sold in India as part of the Pfizer & Warner Lambert networks before it came into the Cadbury fold in 2003 as part of a global merger with Adams Confectionery. Cadbury India Limited, India's leading Confectionery Company today announced the launch of a new marketing campaign for its leading mints brand 'Halls'. The new TVC revolves around the theme "ThandiSaansKa Blast" to demonstrate the 'Intense cooling leading to a feeling of rejuvenation'.

5.GUMS:

- **Bubbaloo:**

Cadbury India has expanded its confectionary portfolio in 2007 by foraying into the Bubble gum category with the launch of Bubbaloo Bubblegum- a successful bubblegum brand from its international portfolio. Bubbaloo is an innovative soft bubblegum with a centre filled liquid. It is filled with a high level of a great tasting fruit flavored liquid that floods your mouth instantly. Bubaloo is currently available in two yummy flavors- Strawberry and Mixed Fruit.

5.3 SALES PROMOTION STRATEGIES

Talking about contest Cadbury had various contest for children, in one of its contest in which the children had to collect the wrappers of chocolate of Rs. 10 or more and with every 10 wrappers returned they gave various gifts, the more number of wrapper the more the big was the gift they had given gifts like animal mask, sunglasses watches and cameras too. The other contest was that the children had to complete the line why they like the Cadbury chocolates……….

The best answer had been gifted with Cadbury gift hampers. Cadbury also gifted pens, pocket calendars, caps, t-shirt etc. as consolation prizes.

Internet promotion is one of the new innovative promotions by Cadbury; you can play different game on ‘www.cadburyindia.com’ with different chocolates of Cadbury.

In the small value chocolates like Éclairs and Gems Cadbury has a time to time promotion the jadoo card offer by Cadbury was rocking among the children. In this offer Cadbury gave a free jadoo card with two Éclairs, the card had a picture of animal which could not be seen in first look and that they why it was called jadoo card. The other product most popularly used to promote chocolates and confectionery is a Tatoo. These products have become a great craze in small and young children alike. Fluorescent tatoos have been welcomed with overwhelming craze, especially in the bubble gum and toffee section.

Gems the favorite chocolate pill between children have something to offer for children before when it was packed in rectangular card box it had a puzzle game printed on it. It also offered free James Bond and bugs and bunny stickers with it. Now gems are packed in cylindrical plastic tin

with a cricket game on its lid. Cadbury always has a promotion going on with one or the other brand of chocolate.

Cadbury's gift packs for the festive months:

Cadbury India has come out with some pretty packing and useful, appropriate gifts for the festive season. Assorted Cadbury confectionery is packed into different containers and gift boxes. E.g., a gift packs for Rs 85/- was available in a pretty plastic tray that can be used in the house. Also available are glass bowls, steel salvers, casserole, etc. Another attractive container is a beautiful hand-painted jewellery box. Some packs come with a free gift. For instance, floating candles, crystal timepiece, electrically operated samai, etc

5.4 ADVERTISING STRATEGY

Television, the print media and posters have been the main media of communication for Cadbury’s advertisements. However, with their understanding of the peculiarities of the Indian market, Cadbury has also explored many new ways of getting their message across to the consumers

- **Sheet Metal Dispensers**:This purple salesperson for Cadbury’s is found in almost every shop stocking their chocolates. Since it is placed on the cash counter, its design offers visibility, ease of vending, and protection from the elements. It is also placed in the most appropriate position to cater to the impulse buyers. This ‘first’ from Cadbury has become so popular that is now the standard design for all chocolate manufacturers.

- **Visicoolers& Refrigerators**: Visibility for chocolates drops in the summer, as they disappear into the refrigerator. In high throughput outlets, the visicooler serves the need for cooling while still maintaining the visibility of the product.

- **Jars:** These are provided to small outlets, where they are prominently displayed. Outlets like the neighbourhoodPaan shop have just enough places for simple dispensers like jars. Attractive jars / merchandising units in such shops ensure places of pride for Cadbury.

- **<u>Vending machines:</u>** These high visibility machines are provided at busy locations. First introduced in the country by Cadbury, these impressive coin operated machines can be seen dispensing chocolates in high traffic areas from the World Trade Centre at Mumbai to New Delhi railway station. Vending machines have formed a part of selling products saving on sales person and opening shops.

- **<u>Presence in Amusement Parks:</u>** Cadbury's also maintains a presence in many amusement parks across the country, strengthening the association of its chocolates with 'fun' occasions.

5.5 PROMOTION STRATEGY

The basic purpose of promotion and advertising by Cadbury is to make Cadbury synonymous with chocolate and -

- Educate the market
- Build brand awareness
- Increase consumption
- Encourage seasonal purchases

A. <u>CADBURY DAIRY MILK:</u>

- ✓ Cadbury's multi-award winning campaign - 'The Real Taste of Life' - launched in the 90's attempts to capture the child like spontaneity in every adult. From the old man offering his wife a Dairy Milk chocolate to the dancing girl in a crowded stadium, all reflect the impulsiveness and the spontaneity of the child in the adult.

- ✓ This campaign went on to be awarded 'The Campaign of the Century', in India at the Abby (Ad Club, Mumbai) awards.

- ✓ In the late 90's, to further expand the category, the focus shifted towards widening chocolate consumption amongst the masses, through the 'Khanewalon KO

KhaneKaBahanaChahiye' campaign. This campaign built social acceptance for chocolate consumption amongst adults, by showcasing collective and shared moments.

- ✓ More recently, the 'KuchMeethaHoJaaye' campaign associated Cadbury Dairy Milk with celebratory occasions and the phrase "PappuThe interactive campaign for "Pappu Pass Ho Gaya"bagged a Bronze Lion at the prestigious Cannes Advertising Festival 2006 for 'Best use of internet and new media'.
- ✓ -The 'Pappu Pass Ho Gaya' campaign also went on to win Silver for The Best Integrated Marketing Campaign and Gold in the Consumer Products category at the EFFIES 2006 (global benchmark for effective advertising campaigns) awards.
- ✓ -The idea involved a tie-up with Reliance India Mobile service and allowed students to check their exam results using their mobile service and encouraged those who passed their examinations to celebrate with Cadbury Dairy Milk.
- ✓ “Pappu Pass Ho Gaya" became part of street language. It has been adopted by consumers and today is used extensively to express joy in a moment of achievement / success.

B. CADBURY PERK:

1) 360-degree campaign with mix of television, consumer contact activities, etc.
2) Tie up with leading coffee chain Café Coffee Day for direct sampling.
3) Product sampling for first two months across 25 towns.

C. CADBURY 5 STAR:

Cadbury India uses the outdoor medium as an integral part of its advertising campaigns. The 360-degree marketing campaign for the re-invented 5-Star, apart from the TVC and brand micro site, also features a theme-based outdoor and fun sampling and tasting sessions about the ‘right way to taste a 5-Star’.

D. <u>CADBURY CELEBRATION:</u>

Radio constitutes 10 per cent of the overall spends for the **Rakhi** campaign for Cadbury Celebrations. Besides radio, outdoor constitutes 15-20 per cent of the spends, while TV continues to dominate the media plan at 70 per cent. For a campaign relying so heavily on television, there is no new TV commercial. The company is airing last year's TVC this year as well, the rationale being that the ad – an emotional one about a brother in a hostel being surprised by his sister – still generates high recall.

However for the outdoor campaign, the brand targets brothers under the age of 18 years, is spread across billboards and bus shelters with creative such as, "Your sister thinks you are a six-pack superstar", "Your sister thinks you are Mumbai's coolest dude", or "Your sister thinks you

are the real hero"; followed by: "This **Rakhi**, express your love with pyaarkashagun" and "Special Rich Dry fruit collection for your sister".

The insight for the outdoor campaign was that sisters hero-worship their brothers. The campaign uses this insight as a hook to initiate gifting by the brothers.

‘**Cadbury’s Celebrations**’ aims to propagate this very thought through its latest Diwali Campaign **-** “**Iss Diwali AapKiseKhushKarengey? KuchMithaas ho jaaye**”. The idea behind the campaign is to seed the thought of sharing & spreading happiness to bring a spark into people’s lives this festive season.

Cadbury’s has extended its marketing strategy to the internet space and has launched an innovative & interactive website **<u>www.meethamoments.com</u>** wherein one can experience the meetha thought via sending of personalized e-greetings to their friends & family.

Cadbury has created a complete 360 degree campaign to involve & engage the TG by promoting the big thought of “Iss Diwali aapkisekhushkarengey?” This integrated communication strategy will be rolled out to intensify the engagement with the consumers.

The mediums of communication will include television, print, radio, online, and outdoor activities.”

E. CADBURY DAIRY MILK ECLAIRS:

Cadbury Dairy Milk Éclairs – the deliciously creamy caramel filled with a rich Cadbury Dairy Milk chocolate center recently launched a new TVC with the theme "Chocolate kaMeetha Bomb". The TVC aims to showcase the new and improved Cadbury Dairy Milk Éclairs which boasts a greater gush & and a richer chocolaty center. In order to communicate this, the burning wick and chocolate head explosions has been brought to play.

The 360 marketing campaign, apart from the TVC will also feature outdoors, sampling and free goodies.Cadbury Dairy Milk Éclairs Crunch is being supported heavily through a new TV campaign, coupled with radio in select cities.

5.6 CADBURY’S PRODUCT DEVELOPMENT

Cadbury launches ‘Perk with Glucose Energy’ in 2009:

A first for India, Cadbury Perk with Glucose Energy is a new innovation that is aimed to appeal to consumers’ taste buds. Targeted at 14-18 year olds, it is a fun treat which combines energy giving glucose with great taste.

This new offer will be backed by significant advertising created by Ogilvy & Mather Advertising centered around the theme of “Naya Perk with Glucose Energy.” An integrated marketing campaign will be launched to create awareness around the product. The 360-degree marketing communication will encompass TV, Outdoor, tie-ups and sampling activities. Perk with Glucose Energy will offer two pieces in each pack affordably priced at Rs.5/- for 21 gms. And as singles at Rs.2/- for 7.5 gms. It will be available at all retail outlets across cities in the country.

Cadbury launches new TVC for Bournvita++ in 2009:

Two separate TVCs have been created to capture the audiences' interest, the first aimed at the kids and the other at their mothers.

The communication objective of campaign for mothers is to tell them that Bournvita ++ offers the benefits of nature and science which helps your child to keep going with all the physically and mentally demanding activities of the day, so that your kid is confident in whatever he does.

There is a separate TVC for kids which hinges on the same idea- nonstop action from nature's goodness and the power of science. The TVC for kids has a complete video game look & feel to it and is the first of its kind in this category. This unique treatment has been chosen with the intent of increasing the brand appeal amongst the kids.

On the digital platform, a micro site, www.readytoplay.in, has been launched where kids can play a game.

Cadbury launches BournvitaLi'l Champs,
it's new `Cup of Confidence' for little champions:

Tennis Ace SaniaMirza conducts a master class for mother's on the art of making champions at the launch event***Mumbai, February 27, 2009:***Cadbury India Ltd. today launched Cadbury BournvitaLi'l Champs its latest offering for young children at an unique event with tennis ace SaniaMirza and an excited group of children and their mother's at their corporate office.

BournvitaLi'l Champs is a specially created nutrition supplement for 2 to 5 year olds with the goodness of natural ingredients and the power of 20 scientific nutrients. It contains DHA, which is vital for brain and vision development in the formative years of a child. In addition, it is also supplemented with Whey protein concentrate that not only increases the over-all protein content, but also enhances muscle development and immunity necessary for children.

The core proposition of BournvitaLi'l Champs is to provide mental alertness and physical fitness for children in the age group of 2-5 years. This offering has milder cocoa content and with the great Cadbury Bournvita taste will help children realize their innate potential."

The company has roped in tennis ace SaniaMirza for the brand communication that shows her transformation from a young toddler to a tennis champ. The new TV commercial will be aired in the first week of March and other mediums like outdoor, Internet and radio will be leveraged extensively for brand promotion.

Cadbury BournvitaLi'l Champs will be available in two pack sizes – 200 gms priced at Rs.90/- and 500 gms at Rs.175/- at all modern retail outlets across major cities.

1. '<u>Bournvita Confidence Academy' 2008</u>:

Mumbai, August 27, 2008: After the successful launch of "**Bournvita Confidence Academy**" last year, the innovative reality platform is back with an all new exciting 2008 series premiering on Pogo TV.

'Bournvita Confidence Academy' is a nationwide hunt to unearth talent in young prodigies aged 12-16. The nationwide search, attracted applications from over one-lack school students out of which only six young prodigies have been selected to compete with each other in 2008 Bournvita Confidence Academy.

Cadbury Bournvita is among the most loved and trusted brands in the country. With the extra physical and mental energy that Bournvita provides, youngsters have the confidence to take on the world and actualize their innate potential. Cadbury's association with the "Confidence Academy" aims to recognize and reward champions who through their achievements embody the Bournvita brand values.

2. Bournvita Confidence for All India Junior Badminton Champions:

Cadbury Bournvita brings together Young Champs from all over the country for an exciting All India Junior Badminton Tournament being held in Chennai from May 26th -31st. 2007.

The tournament is organized by the Express Shuttle Club and recognized by the Badminton Association of India. It will feature players from various states in India who will vie for the top slot in their respective categories.

- 1200 players from India represent their state in this tournament.
- The various categories: U-1o Singles, U-13 Singles, U-13 Doubles, U-16 Singles, U-16 Doubles, U-19 Singles, U-19 Doubles & U-19 Mixed Doubles
- Winners will win prizes amounting to 2,00,000/-

Cadbury Bournvita has been an enduring symbol of mental and physical health ever since it was launched in 1948. It is hardly surprising then, that Bournvita has enjoyed a long association with sports. In the 1980 Moscow Olympics, Cadbury Bournvita was the official health drink for the Indian team. In the new millennium, keeping pace with the evolving mindsets of the new age consumers, Cadbury Bournvita is about arming consumers with Confidence to take on physical and mental challenges that nobody else can, resulting in one of the most successful advertising campaigns which is based on 'Real Achievers who have grown up on Bourn vita

5.7 SWOT ANALYSIS

Strengths:

1. Strong brand names like Cadbury Dairy Milk, Five star and Eclairs.

2. Rich product mix.

3. Support from the parent Cadbury Schweppes.

4. Cadbury Schweppes plc was one of the Fortune Top 100 Companies to Work For in 2005. The company is a respected employer that values its workforce.

5. The organization has strong ethical values and an ethical mission statement.

Weaknesses:

1. Lack of launch of new brands in Chocolates segment
.

2. Cadbury has a reputation for new product development and creativity. However, they remain vulnerable to the possibility that their innovation may falter over time.

3. The organization is dependent on a main competitive advantage, the retail of coffee. This could make them slow to diversify into other sectors should the need arise.

4. The company has no apprehensions of cannibalization of its chocolate brands.

Opportunities:

1. The Indian market and more specifically the urban areas where the penetration of Chocolates is low can be developed as a future market through affordability and availability.

2. Using information and technology to bring efficiency in logistics and distribution.

3. Cadbury India is attempting to increase the declining market for chocolate with innovation, one of which is its sweet snack, Byte

4. Brand ambassador Amitabha Bachchan for advertising there new products.

Threats:

1. Stiff competition in Confectionery segment.

2. The company has large exposure to foreign currency exchange rate risk, mainly on account of imported cocoa beans and cocoa butter in US Dollar and Pound St.

3. Health organization have so many barriers for new development.

4. . Entry into salted snacks was ruled out so it is important to do new innovation and marketing research.

5.8 COMPETITORS OF CADBURY

1. Nestle

Founded in 1866, Nestle is a multinational beverage and consumer food items company based in Switzerland. Henry Nestle founded the company in Velvety, Switzerland. Nestle came to India in the late 1950s. Nestle was the second best-selling chocolate brand in India in 2014 with 17% share of the total sales volume. Kit Kat, a bar of crisp wafer fingers covered with chocolate layer, is Nestlé’s flagship variant in India. Some of the widely consumed Nestle brands are as follows:

- Extra Smooth
- Kit Kat Senses
- Kit Kat Dark Senses
- Alpino
- Kit Kat
- Bar-One
- Munch

2. Ferrero India

Ferrero is an Italian food and beverage company founded in 1946 by Michele Ferrero. The company started its business in India in 2004 and has gained a considerable ground in the Indian chocolate industry within a decade. It is famous for its unique taste defined by its main ingredients – creamy filling, a crunchy wafer and a hazelnut centre. Ferrero India was the third biggest chocolate brand in India as it held 5% market share in 2014. Ferrero Rocher is the flagship variant of Ferrero India. Here are some of the Ferrero variants:

- Ferrero Rocher
- Nutella
- Kinder
- Raffaello
- Mon Cher

3. Amul

Amul is India's indigenous dairy cooperative primarily dealing in dairy products. It is also one of the biggest players involved in chocolate manufacturing industry of India. Amul is owned by Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF) and was founded in 1946 by Dr. Varghese Kurien. The credit of making India the largest producer of milk and dairy products by bringing about the 'White Revolution' goes to Amul. Milk chocolate is Amul's most trusted brand amongst Indians. Accounting for 1.1% of India's overall chocolate sales volume in 2014, Amul stands fourth. Some of its variants are as follows:

- Milk Chocolate
- Dark Chocolate
- Fruit & Nut Chocolate
- Tropical Orange Chocolate
- Almond Bar

4. Mars India International

Mars was established in 1911 by Franc C. Mars in Washington, U.S.A. The first recognised brand of Mars was Milky Way that was launched in 1920s. Mars has been popular in India as well. Very recently, Mars has started its manufacturing in India. Snickers and Galaxy are the most popular chocolates in India that are made by Mars. The company was the fifth biggest seller of chocolates in India in 2014 as it got 1.1% share of the total sales. Some of its products are as follows:

- Snickers
- Galaxy
- Mars
- Milky Way
- Skittles
- M&M's
- Twix

Chapter 6

Research Layout And Design

6.1 RESEARCH METHODOLOGY

DATA COLLECTION METHOD

Data collection is an elaborate process in which the researches makes a planned research for all relevant data. Data is the foundation of all market research. Data are facts may be obtained from several sources. Data can be classified as:

- PRIMARY DATA
- SECONDARY DATA

PRIMARY DATA

It is gathered for the first time by the researchers. If the secondary data is found to be inadequate or unavailable, the researcher goes for primary data.

COLLECTION OF PRIMARY DATA

The researcher was assigned to do a comparative study on cadbury. In order to accomplish the job, the researcher adopted the two-way strategy to collect the primary data. Secondly to complete the job in a more genuine way, retailer survey was conducted sample of 20 rational retailers were taken and they were supplied with a structured non-disguised questionnaire. The idea was to seek out the market position of cadbury

The data collected was to collected from different wholesale & retail outlets

- Shop
- Confectioners
- Kirana and general stores

SECONDARY DATA

Secondary data is the data borrowed from secondary sources by the researcher. Secondary data can be internal or external i.e., internal records of theompany or information available from library and other statistical organization. In a market Research Project Field Work Has a very vital role to play. As a matter of fact, it's the back bone of any Market Research Project Field work basically consists of collection of primary data, In this project, researcher had to undergo a lot of Field Work.

For the purpose researcher has visit various cinema halls , public attractive places, colleges & school canteens etc. The whole area which was to be surveyed was divided into different segments randomly. Simultaneously survey of both retailers and consumers was carried out. The researcher worked in the field for a span of one & half months. Later on whole data which was collected from field was well scrutinized & tabulated for analysis. Its interpretation has been provided in most easy to understand manner with the help of suitable diagram & charts.

6.2 SAMPLING

SAMPLE UNIT

For studying the promotion strategy of Cadbury India. samples were selected from Koparkhairane, Navi Mumbai, Maharashtra.

SAMPLE SIZE - 100

CLUSTERS	Cluster size	Sample size
BMS	250	25
BCOM	250	25
9th std	250	25
10th std	250	25
TOTAL	1000	100

SAMPLE DESIGN

Population:

Area of sampling	population	Sample size
Ycc college	500	50
North point school	500	50
Total	1000	100

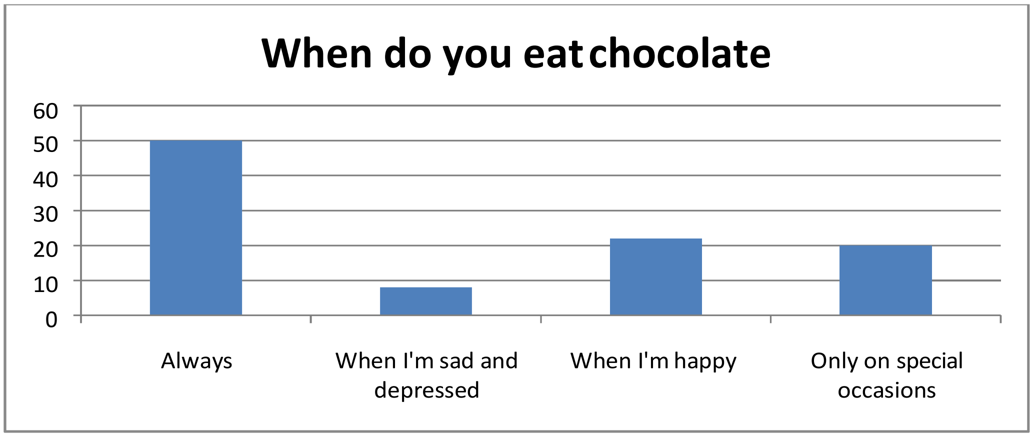
The total population is 1000. Sample Size is 10% of total population i.e. 100. I have used Cluster Sampling method, taking equal sample size from different clusters of population.

6.3 DATA ANALYSIS

Questioner and response with graphs:-

1. When do you eat chocolate?

Sr. no	Options	Percentage
1	Always	50
2	When I’m sad and depressed	8
3	When I’m happy	22
4	Only on special occasions	20

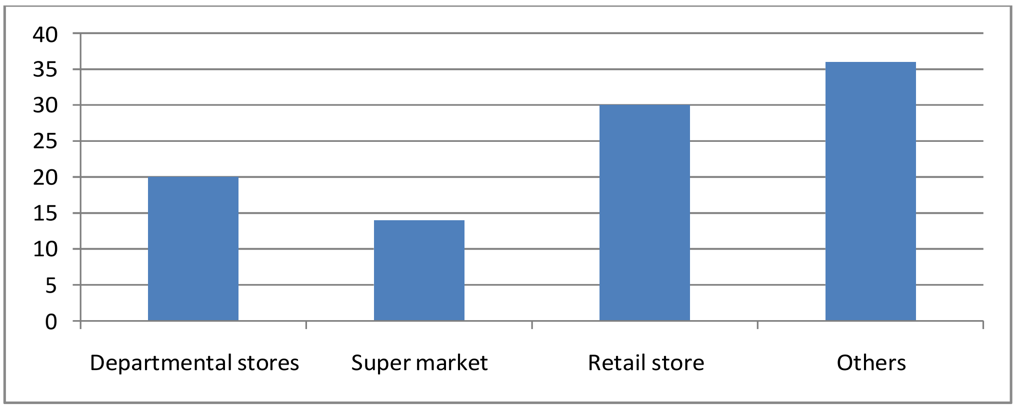


According to the above analysis it is concluded that –

1. 50% of the respondents eat chocolates always.
2. 22% of the respondents eat chocolates when they are happy.
3. 20% of the respondents eat chocolates only on special occasions.
4. 8% of the respondents eat chocolates when they are sad and depressed

2. Where do you normally buy chocolate from?

Sr.no	Sources	Percentage
1	Departmental stores	20
2	Super market	14
3	Retail store	30
4	Others	36



According to the above analysis it is concluded that

1. 36% of the respondents buy chocolate from other sources

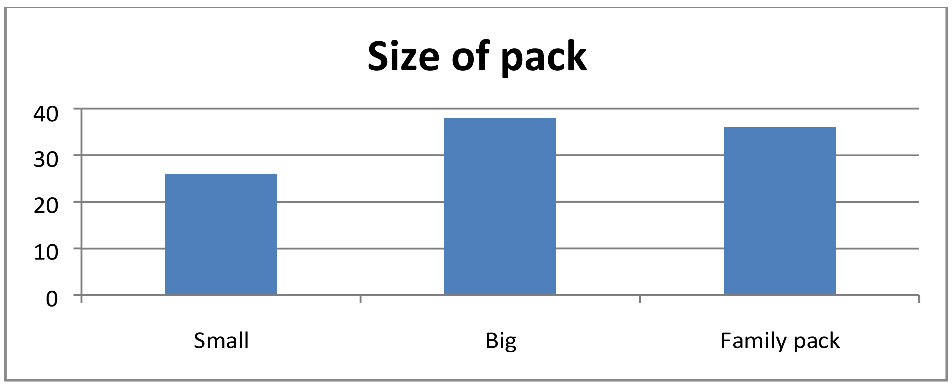
2. 30% of the respondents buy chocolate from retail store.

3.20% of the respondents buy chocolates from departmental stores

4. 14% of the respondents eat buy chocolates from super market

3. Which pack do you purchase?

Sr.no	Option	Percentage
1	Small	26
2	Big	38
3	Family pack	36

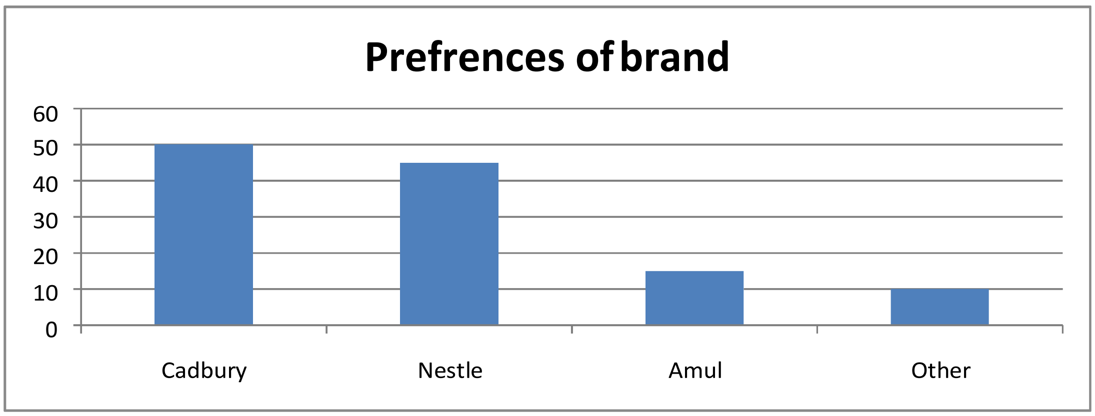


According to the above analysis it is concluded that

1. 26% of the respondents buy small size of pack.
2. 38% of the respondents buy big size of pack.
3. 36% of the respondents buy family pack.

4. Which brand do you prefer?

Sr.no	Options	Percentage
1	Cadbury	45
2	Nestle	30
3	Amul	15
4	Other	10

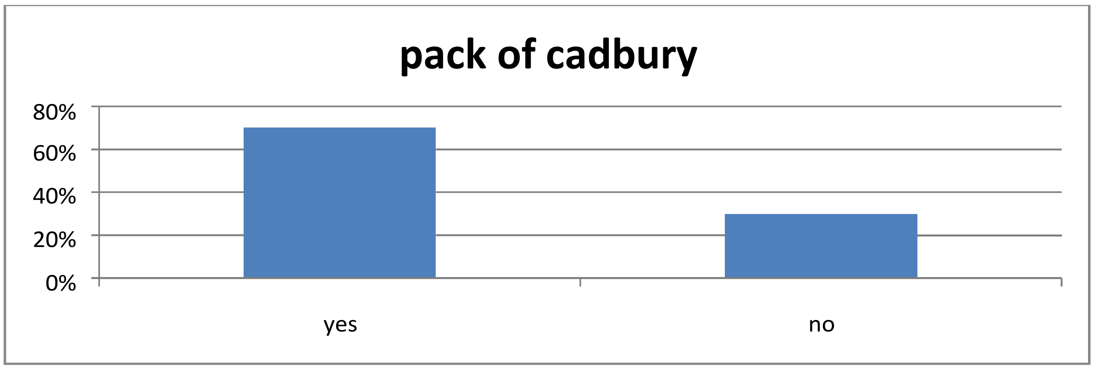


According to the above analysis it is concluded that

1. 45% of the respondents prefer Cadbury brand.
2. 30% of the respondents prefer nestle brand.
3. 15% of the respondents prefer amul brand.
4. 10% of the respondents prefer other brand.

5. Do you like the pack of Cadbury which are prepared for occasions especially ?

Options	Percentage
Yes	70%
No	30%

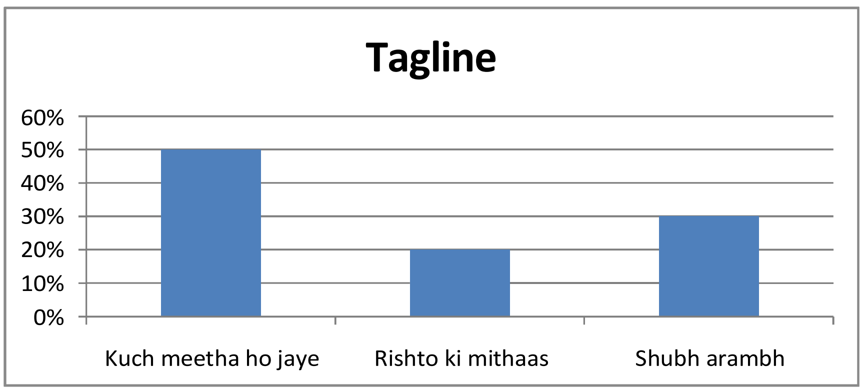


According to the above analysis it is concluded that

1. 70% of the respondents like the pack of Cadbury
2. 30% of the respondents not like the pack of Cadbury

6. Which tag line of Cadbury attracted you most?

Sr.no	Tagline	Percentage
1	Kuch meetha ho jaye	50%
2	Rishto ki mithaas	20%
3	Shubh arambh	30%

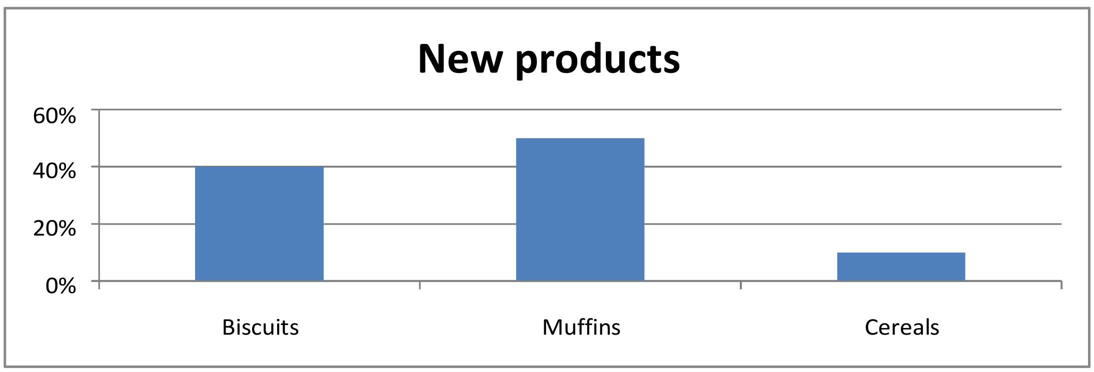


According to the above analysis it is concluded that

1. Kuch meetha ho jaye 50%.
2. Rishto ki mithaas 20%
3. Shubh arambh 30%.

7. What new product according to you Cadbury should launch?

Sr.no	New products	Percentage
1	Biscuits	40%
2	Muffins	50%
3	Cereals	10%

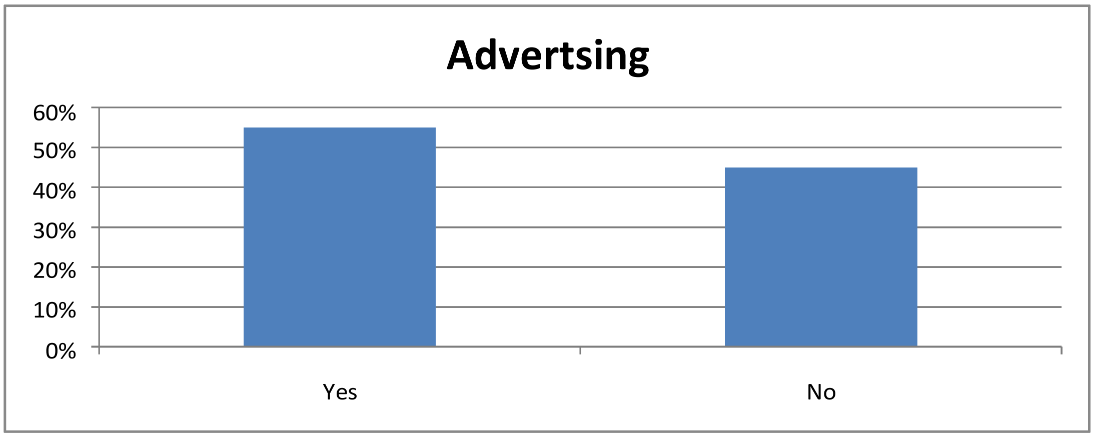


According to the above analysis it is concluded that

1. Biscuits 40%.
2. Muffins 50%.
3. Cereals 10%.

8. Do you think the information provided in the advertisement is adequate?

Options	Percentage
Yes	55%
No	45%



According to the above analysis it is concluded that,

Advertising works 55% for marketing product.

6.4 QUESTIONNAIRE

1. Do you eat chocolates?

    1. Yes 2. No

2. Which brand of chocolates do you use?

    1. Cadbury's
    2. Nestle
    3. Amul
    4. Others

3. Do you think price of Cadbury products are fair in market?

    1. Yes 2. No

4. From where you buy the product of Cadbury?

    1 Super stores
    2 Retail stores
    3 Restaurants
    4 Others

5. Are you aware of any campaign of the above brand?

    1. Yes 2. No

6. what factors effects you in a chocolate advertisement ?

    1. brand ambassador 2. comedy
    3. music 4. jingles

7. By which media you prefer to watch advertisements?

1. television 2. hoardings
3. newspapers 4. magazines

8. Are you satisfied with the quality & taste of the Cadbury products ?

1. Yes 2. No

9. Which Cadbury's product do you usually prefer or use?

1. Dairy milk 2. 5 star
3. Fruit &nut 4. Perk
5. Bournvita

10. Do you think Cadbury products are easily available in market?

1. Yes 2. No

11. How do you rate Cadbury's product?

1. Good
2. Satisfactory
3. Average

12. Describe Cadbury's product in one word?

____

13. Your feedback on Cadbury's products?
____

Chapter 7

Conclusion

In today’s time the companies see promotion as being helpful in sustaining them in this tough period. In facts, 30 percent of TV advertising is accounted for by the consumer promotion advertisements. Hence, the verdict is clear, the Indian customer wants more tangible benefits for his money rather than just hot air. So in order to gain competitive advantages over their rivals, companies are better advised to develop suitable promotions for their customers rather than just relying on advertising. The promotion must be focused properly with the other elements of marketing mix & with proper implementation it would become yet another weapon in the Brand Mangers armory for brand building.

Cadbury India limited started 'Bournvita Quiz Contest' to explore the interesting aspects of 'Confidence' in the young children, Cadbury Perk ZapakGameplex Premiere League, Cadbury 5 Star along with Zapak comhas announced the launch of ‘5 Star Indian Online League’ to provide opportunities to young children to compete against the best in the country. Cadbury’s association with the “Confidence Academy” aims to recognize and reward champions who through their achievements embody the Bournvita brand values. Cadbury Bournvita brings together Young Champs from all over the country for an exciting All India Junior Badminton Tournament being held in Chennai and help children to show their talent. From the Company’s point of view this is not a quick fix solution. Promotions alone cannot be used for Brand building for any reasonable length of time. The companies should lay down the objectives, which it wants to achieve from the promotion. Once the objectives are in place they can design the promotion strategy.

Chapter 8

BIBLIOGRAPHY

BIBLIOGRAPHY

Cadbury Home: - https://www.cadbury.com.au/Home.aspx

Cadbury's Campaign: - http://articles.ekconomictimes.indiatimes.com/keyword/cadbury

Cadbury Expanding the market: - http://mediapanther.co.in/marketing/cadbury-expanding-the-market/

Advertisement Strategy of Cadbury: - http://ad-mad-club.blogspot.in/2009/08/cadburys-advertising-startegy.html

University Of Mumbai

A PROJECT REPORT ON

"A STUDY AND ANALYSIS OF CAPITAL STRUCTURE

OF TATA STEEL COMPANY"

Bachelor of Management Studies

Semester VI

(2019-2020)

Submitted By

SHUBHAM SANJAY GAIKAR

Seat No: 1162755

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai-400037

University Of Mumbai

A PROJECT REPORT ON

“**A STUDY AND ANALYSIS OF CAPITAL STRUCTURE OF TATA STEEL COMPANY**”

Bachelor of Management Studies

Semester VI

(2019-2020)

Submitted

In Partial Fulfilment of the requirements

For the Award of Degree of

Bachelor of Management Studies

By

SHUBHAM SANJAY GAIKAR

Seat No: 1162755

BGPS’

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai-400037

CERTIFICATE

This is to certify that Mr. **SHUBHAM SANJAY GAIKAR** .

Seat No: 1162755 of Third Year B.M.S., Semester VI (2019-2020) has successfully completed the project on **A STUDY AND ANALYSIS OF CAPITAL STRUCTURE OF TATA STEEL COMPANY**.

under the guidance of **Asst. Prof. Roshelle Salins** .

Project Guide

Asst. Prof. Roshelle Salins .

External Examiner

________________ .

Asst. Prof. Draksha Khan .

Course Coordinator

Dr.Subhash Vadgule.

Principal

DECLARATION

I, **SHUBHAM SANJAY GAIKAR** the student of T.Y.B.M.S. Semester VI (2019-2020) hereby declare that I have completed the project on **A STUDY AND ANALYSIS OF CAPITAL STRUCTURE OF TATA STEEL COMPANY**.

The information submitted is true and original to the best of my knowledge.

SHUBHAM SANJAY GAIKAR

Seat No: 1162755

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J.K.Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai-400037

ACKNOWLEDGEMENT

In the accomplishment of this project successfully, many people have bestowed upon me their blessings and the heart pledged support, this time I am utilising to thank all the people who have been concerned with this project.

- I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.
- I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.
- I would like to thank my **Principal, Dr.Subhash Vadgule** for providing the necessary facilities required for completion of this project.
- I would also like to express my sincere gratitude towards my guide **Asst. Prof. Roshelle Salins,** whose guidance and care made the project successful.
- I would like to thank my **College Library,** for having provided various reference books and magazines related to my project.
- Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially **Asst. Prof. Draksha Khan** who supported me throughout my project.

Table of Contents

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

1.1.1 Indian Steel Sector

(a) Background

Steel is very important for development of any economy in the present day. It is a foundation of human civilization. The Steel industry is expanding worldwide. The level of per capita consumption of steel in any country is considered as a critical key factor for development of socio-economic and standard of living of the people. Indian steel industry is important for growth of the country's economic. It is play significant role in traditional sectors, such as transportation, constructions, automobile, industrial applications etc.

Capital Structure implies the composition of funds raised from various sources broadly classified as debt and equity. It may be defined as the proportion of debt and equity in the total capital that will remain invested in a business over a long period of time. The relative proportion of various sources of funds used in a business is termed as financial structure. Capital Structure is a part of the financial structure and refers to the proportion of the various long-term sources of financing. The Capital Structure of a company is made up of debt and equity securities that comprise a firm’s financing, of its assets.

Capital Structure is the mix of the long-term sources of funds used by a firm. It is made up of debt and equity securities and refers to permanent financing of a firm. It is composed of long debt, preference share capital and shareholders’ funds.

The Indian iron and steel industry is nearly a century old. The first integrated steel plant to be set up was the Tata Iron & Steel Co (Tata Steel) in 1907. Tata Steel Limited (formerly Tata Iron and Steel Company Limited (TISCO)) is an Indian multinational steel-making company headquartered in Mumbai, Maharashtra, India, and a subsidiary of the Group. It was the first core sector to be completely freed from the licensing regime (in 1990-91) and the pricing and distribution controls. It has been benefiting from the exceptionally buoyant Asian economies for a number of years. The sharp rise in demand for steel has been driven by the economic modernization processes in these countries.

(b) Current Scenario

The Steel industry in India is one of the fastest growing sectors. The demand drivers for the Indian steel industry are increase in the activities of the automobile industries, real estate industries, transportation systems, aircraft industries, ship building industries. India ranks 5^{th} in the world in the terms of production of steel. Tata group is one of the top steel producing companies globally with annual crude steel deliveries of 23.88 million tonnes (in FY17), and the largest steel company in India (measured by domestic production) with an annual capacity of 13 million tonnes after SAIL Tata Steel has been ranked 2nd in 2017 Responsible Business Rankings developed by IIM Udaipur. Tata Steel has manufacturing operations in 26 countries, including Australia, China, India, the Netherlands, Singapore, Thailand and the United Kingdom, and employs around 80,500 people. Its largest plant is located in Jamshedpur, Jharkhand. In 2007 Tata Steel acquired the UK-based steel maker Corus. It was ranked 486th in the 2014 Fortune Global 500 ranking of the world's biggest corporations. It was the seventh most valuable Indian brand of 2013 as per Brand Finance. The acquisition of the Corus, the Anglo-Dutch steel manufacturer by the Tata Steel has vasten its capacity. (Anitha Mary C and Harini M 2018)

Steel production capacity of the country expanded from about 75 million tonnes per annum (MnTPA) in about 101.02 million tonnes (MT) in 2013-14, when output was 81.7 MT. In 2014-15, production for sale of total finished steel (alloy + non alloy) was 91.46 mt, a growth of 4.3% over 2013-14.

India produced 7.07 MT of steel in January 2015 reporting the fourth highest production level globally which was 1.7 per cent higher that the country's steel production in the same month last year. The steel sector in India contributes nearly two per cent of the country's gross domestic product (GDP) and employs over 6000,000 people. The per capita consumption of total finished steel in the country has risen from 51 Kg in 2009-10 to about 60 Kg in 2013-14. Tata Steel has set a target of achieving an annual production capacity of 100 million tons by 2015; it is planning for capacity expansion to be balanced roughly 50:50 between greenfield developments and acquisitions. Tata Steel's Q2 FY17 Key Production and Sales Figures Jamshedpur, October 6, 2016: Tata Steel Limited registered Hot Metal production of 3.12 million tonnes in Q2 FY'17 (up by 17 per cent y-o-y) and 6.14 million tonnes in H1 FY'17 (up by 17 per cent y-o-y).

Tata Steel's consolidated India crude steel production capacity stands at 19.6 MnTPA with manufacturing facilities in Jamshedpur in Jharkhand, Kalinganagar and Dhenkanal in Odisha, Sahibabad in Uttar Pradesh and Khopoli in Maharashtra. Tata Steel Limited, with revenues of US$ 22.67 billion in FY 2019, is a leading global steel company with an annual steel production capacity of 33 MnTPA.

(c) Consumption

The steel consumption in India is second only to china. However, with the steel consumption in china expected to moderate at around 3%, India is likely to emerge as the fastest growing steel consumption nation. Further, India's current per capita finished steel consumption at 52 kg is well below the world average of 203 kg. With rising income levels expected to make steel increasingly affordable, there is vast scope for increasing per capita consumption of steel. Being a core sector, steel industry tracks the overall economic growth in the long term. Also, steel demand being derived from other sectors like automobiles, consumer durables and infrastructure, its fortune is dependent on the growth of these user industries.

The Indian steel sector enjoys advantages of domestic availability of raw materials and cheap labour, Iron ore is also available in abundant quantities. This provides major cost advantage to the domestic steel industry.

(d) Industry Structure

Indian Iron and Steel Industry can be divided into two main sectors Public sector and Private sector. Further on the basis of routes of production, the Indian steel industry can be divided into two types of producers.

- Integrated producers

Those that convert iron ore into steel. There are three major integrated steel players in India, namely Steel Authority of India Limited (SAIL), Tata Iron and Steel Company Limited (TISCO) and Rashtriya Ispat Nigam Limited (RINL).

- Secondary producers

These are the mini steel plants, (MSPs), which make steel by melting scrap or sponge iron a mixture of the two. Essar Steel, Ispat Industries, and Loyd's steel are the largest producers of steel through the secondary route.

1.1.2 Company profile

Tata Steel was established in 1907 as Asia’s first integrated private sector steel company, Tata Steel Group is among the top-ten global steel companies with an annual crude steel capacity of over 29 million tonnes per annum. It is now the world’s second-most geographically-diversified steel producer, with operations in 26 countries and a commercial presence in over 50 countries. The Tata Steel Group, with a turnover of Rs. 1,48,614 crores in FY 14, has over 80,000 employees across five continents and is a Fortune 500 company.

Tata Steel’s larger production facilities those in India, the UK, the Netherlands, Thailand, Singapore, China and Australia. Operation companies within the Group include Tata Steel Limited (India), Tata Steel Europe Limited (formerly corus), Tata Steel Singapore and Tata Steel Thailand.

Tata Steel Ltd is the world's 10th largest steel company and the world's 2nd most geographically diversified steel producer. The company is a diversified steel producer with major operations in India, Europe and South East Asia. They have manufacturing units in 26 countries and at presence in 50 European and Asian markets. The company together with their subsidiaries, engages in the manufacture and sale of steel products in India and internationally.

They offer hot and cold rolled coils and sheets, galvanized sheets, tubes, wire rods, construction rubbers and bearings. The company also involves in prospecting, discovering, and mining iron ore, coal, Ferro alloys, and other minerals; designing and manufacturing plants and equipment for steel, oil and natural gas, energy and power, mining, railways, ports, aviation, and space industries; and agricultural implements. Further, they offers alumina, dolomite, and monolithic refractories, as well as silica refractories for coke ovens and the glass industry; manufactures bricks; sponge iron lumps and fines; and rolls for applications in integrated steel plants, power plants, and government mint, as well as paper, textile, and food processing sectors .Tata Steel's operations are grouped under six Strategic Business Units include Bearings Division, Ferro Alloys and Minerals Division, Agrico Division, Tata Growth Shop (TGS), Tubes Division and Wire Division. They have introduced several branded steel products, including Tata Steelium (the world's first branded Cold Rolled Steel), Tata Shaktee (Galvanized Corrugated Sheets), Tata Tiscon (rubbers), Tata Pipes, Tata Bearings, Tata Structural, Tata Agrico (hand tools and implements) and Tata Wiron (galvanized wire products) Tata Steel Ltd was incorporated in the year 1907 with the name Tata Iron & Steel Company Ltd.

In the year 1911, the company commenced the operations of the first Blast Furnace or the 'A' Blast Furnace. In December 2, 1911, the fist collieries were obtained and the first cast of pig iron was produced. In the year 1912, the first ingot of steel rolled out of the Sakchi Plant and in October 1912, the Bar Mills started their commercial production. Also, the B Blast Furnace became operational during the year. In the year 1918, India's first steel (coke) plant was established in Jamshedpur. In the year 1925, the New Rail Mill, Merchant Mill and Sheet Mill went into operation. In the year 1931, they opened a apprentice shop. In the year 1941, they started manufacture of special steel for war purpose. They produced a wide variety of special steels required for defense purposes including armoured cars called 'Tatanagars'. In the year 1943, Howrah Bridge was constructed from steel supplied by the company. In the year 1955, the company signed an agreement with Kaiser Engineers for two million tonne expansion programme. In the year 1980, they started the first phase of the four-phased modernization programme.

1.2 OBJECTIVES OF THE STUDY

- To understand the Capital Structure of Tata steel company.
- To examine the Capital Structure ratios, profitability ratios.
- To analyze the profitability ratio relation to investments and the long term solvency ratio with cash flow.
- To find out the factors determining the financial performance of the company.
- To measure, test and evaluate the liquidity position of Tata Steel.
- To determine the profitability position of Tata Steel.
- To find out the degree of association between liquidity and profitability, being two key determinants of financial performance, of the company under study.

- To establish the linear relationship between liquidity and profitability.

- To assess the degree of association between the various leverage ratios with the wellknown profitability indicator viz. ROE of Tata Steel during the period under study.

- To provide valid recommendations these deserve the attention of the management of the studying company and government.

1.3 SCOPE OF THE STUDY

The present study aims that analysing the Capital Structure of Tata Steel Company. The study could help the company as well as the investors to establish and understand its efficiency. This study guides the other lower efficient Steel Industries which might need some effort for more and effective and efficient utilization of its capital resources.

The study used only the secondary data to attain the objectives of the study. The data take from the annual report of the company, which is available in the company website and capital line database. This study has confined to Tata Steel Limited (Stand-alone) only. Subsidiary companies of Tata Steel have been excluded from the present study. To estimate the capital structure pattern and long-term solvency were Simply Percentage Analysis and Ratios are used in the present study.

1.4 LIMITATIONS OF THE STUDY

Reliability of results of the study has purely based on the reliability of the secondary data. The study has not covered subsidiary and foreign companies of the Tata Steel Limited. The study does not cover any non-financial data. The further study may conduct through by analyzing the short-term solvency and liquidity position of Tata steel limited by standalone or considering the overall performance.

- The present study based on the published secondary data, the reliability of the study depends of the accuracy of data collected.

- There are many approaches to the measure of financial efficiency and financial strength. There is no uniformity among experts.

- The financial performance covering a large period say 20 years or 30 years can give a much clear picture of management practices of financial performance. My study covering a period of 1 years can touch only a part of the problem.

CHAPTER 2

LITERATURE OVERVIEW

2.1 LITERATURE OVERVIEW

SAMILOGLU & DAMIRGUNES (2008) said that even though the profitability is constantly positive, inaccurate working capital management procedures may lead to bankruptcy of the firm. They suggest that current, acid test, and cash ratios as traditional measures of liquidity are incompetent and static balance sheet measures that cannot provide detailed and accurate information about working capital management effectiveness. In their research formulas used for calculating them consider both liquid and operating as sets in common and traditional ratios are not meaningful in terms of cash flow.

NANDI (2011) made an attempt to examine the influence of working capital management on corporate profitability. For assessing impact of working capital management on profitability of National Thermal Power Corporation Ltd. during the period of 10 years i.e., from 1999-2000 to 2008-09 Pearson‟s coefficient of correlation and multiple regression analysis between some ratios relating to working capital management and the impact measure relating to profitability ratio (ROI) had been computed and applied. An attempt had been undertaken for measuring the sensitivity of return of investment (ROI) to changes in the level of working capital leverage (WCL) of the studying company.

KARADUMAN, AKBAS & CALISKAN (2011) have tried to shed light on the empirical relationship between efficiency of working capital management and corporate profitability of selected companies in the Istanbul Stock Exchange for the period of 2005-2009. The companies should focus on working capital management in order to increase their profitability by seriously and professionally considering the issues on their cash conversion cycle which was derived from the number of day‟s accounts payable, the number of day‟s accounts receivable and the number of days of inventories. The findings suggested that it may be possible to increase profitability by improving efficiency of working capital.

MALLICK AND SUR (1998) made an attempt to analyze the impact of working capital management on profitability in Indian Tea industry with the help of some statistical tools and techniques. The study revealed that, out of the nine ratios relating to working capital management five ratios registered positive association and the remaining four ratios showed negative correlation with the profitability indicator. Rao & Rao (1999) undertook a similar type of study where ten ratios relating to working capital management were selected. Out of these indicators, positive association was noticed only in three.

CHEAKRABORTY (2008) evaluated the relationship between working capital and profitability of 25 selected companies in the Indian pharmaceutical industry during the period 1996-97 to 2007-08.Inadequacy of working capital may lead to the firm to insolvency, whereas excessive working capital implies idle funds which earns no profits. Therefore, efficient management of working capital is an integral part of the overall corporate strategy to improve corporate profitability. The partial regression coefficients shown in the multiple regression equation of ROCE on CR, ITR and DTR fitted in this study revealed that the liquidity management, inventory management and credit management made positive contribution towards improvement of the corporate profitability.

SINGH AND PANDEY (2008) said that working capital management is the management of current assets and current liabilities. Maintaining high inventory levels reduces the cost of possible interruption in the production process or of loss of business due to the scarcity of products, reduces supply costs and protects against price fluctuations. Granting trade credit favors the firm‟s sales in various ways. Trade credit can act as an effective price cut and incentives to customers to acquire merchandise at times of low demands. Thus, greater the investment in current assets, lower is the risk, and profitability obtained. Similarly trade credit is a Spontaneous source of financing that reduces that amount required to finance the sums tied up in the inventory and account receivables.

Profitability and liquidity comprises the salient and all too often conflicting goals of working capital management. The conflicts arise because the maximum of firm‟s returns could seriously threaten liquidity and on the other hand, the pursuit of liquidity has a tendency to dilute returns.

ALAM AND HOSSAIN (2000) found that the capital structure management of Khulne Shipyard Ltd. (KSL) was in a poor shape because the interest coverage ratio was negative, as there is the possibility of non-payment of interest charges to creditors. Hull (2002) found that the industry debt to equity norms are significantly more negative than returns for the firms‟ moving closer to these norms. Nissim and Penman (2003) stated that the financial statement analysis distinguishes leverage in financing activities from leverage in operations. Azhagaiah and Gangadevi (2008) studied the leverage and financing decision for the selected 30 electronic companies for the five years period ranging from1998 to 2003. In his study he found that the company has a high operating leverage should kept low financial leverage and vice-versa. So, it is desirable that a company has low operating leverage and a high financial leverage.

B. Nimalathasan and Valeriu Brabete (2010)1 pointed out capital structure and its impact on profitability: a study of listed manufacturing companies in Sri Lanka. The analysis of listed manufacturing companies shows that Dept equity ratio is positively and strongly associated to all profitability ratios (Gross Profit, Operating Profit and Net Profit Ratios).

Hurdle (1973)2 revealed that financial leverage effects negatively with profitability in accordance with two stage least squares(2SLS) and positively according to ordinary least squares(OLS).

Mc Connell and Servaes (1995)3 and Agarwal and Zhao (2007)4 presented additional evidence on how the growth of the firm may affect on the relationship between capital structure and performance. High growth firms effect negatively between financial leverage and firm value, while low growth firms effect positively.

Choudhury (1993)5 mentioned that the decreased use of debt tends to decrease profitability of a company. Because due to lack of adequate finances it has to give up some of the profitable opportunities and vice-versa.

Banu (1990)6 stated that the capital structure of a firm has a direct impact on its profitability. She suggested that the concerned financial executives should put emphasis on various aspects of capital structure. Otherwise the capital structure of the enterprise will be unsound producing adverse impact on its profitability.

As contained in Bauer (2004)7 , from the agency cost theory view point, firms with a more profit should have higher leverage for income they shield from taxes. It holds the view that more profit firms should make use of more debts purposely to serve as a disciplinary measure for the managers.

Empirical evidences from the previous studies are in consistence with the Agency Cost Theory for their reporting of negative relationship between capital structure and profitability.

Friend and Lang (1988)8; Barton et al., (1989)9 ; Chittenden et. al., (1996)10; Jordan et al., (1998)11; Shyam-Sunder and Myers (1999)12; Mishra and Mc Conaughy (1999)13; Michaelas et al., (1999)14 are reported the negative relationship between capital structure and profitability but Petersen and Rajan, (1994)15 reported a positive relationship.

Amalendu Bhunia and Islam Uddin Khan (2011) in their study analyzed the liquidity management efficiency and solvency position of Indian steel companies. Liquidity management is most important in financial management decision. The study analyzed the association between the liquidity management and profitability of 230 Indian private sector steel companies obtained from CMIE database. Liquidity management indicators and profitability indicator over the period from 2002 to 2010 is modeled as a linear regression system in multiple correlation and regression analysis. A descriptive statistics discloses that liquidity and solvency positions are highly satisfied. Multiple regression tests confirmed a lower degree of association between the liquidity management and profitability.

S. Kandasamy and M. P. Mahesh (2011) in their article analyzed the financial health of SAIL through Z score analysis. The Z score analysis is used to predict the corporate difficulties.

The Z score model incorporates five weighted financial ratios such as the ratio of working capital to total assets, the ratio of retained earnings to total assets, EBIT to total assets, market value of equity to total debt and net sales to net assets. The profitability affected due to increase in all major elements of the Z-score. The cost component of the company increased but low overall borrowing strengthen the company to mobilize the recourses while keeping the leverage at managing level so it concludes that, the financial health shown by Z score analysis during that period reveals better management of the solvency position of the company.

Asha Sharma (2012) in her study analyzed the capital structure of Tata steel limited. Steel Industry in India is on an upswing because of the strong global and domestic demand. India's rapid economic growth and soaring demand in sectors like infrastructure, real estate and automobiles, at home and abroad, has put Indian steel industry on the global map. This paper has analyzed capital structure, financial leverage, earnings per share and dividend per share of steel industry for the period of 2006 to 2010. Statistical results revealed that there is a correlation between Degree of Financial Leverage and Earnings per Share & Degree of Financial Leverage and Dividend per Share & Earnings per Share and Dividend per Share.

2.2 HYPOTHESIS

The following hypotheses are specified for the research study.

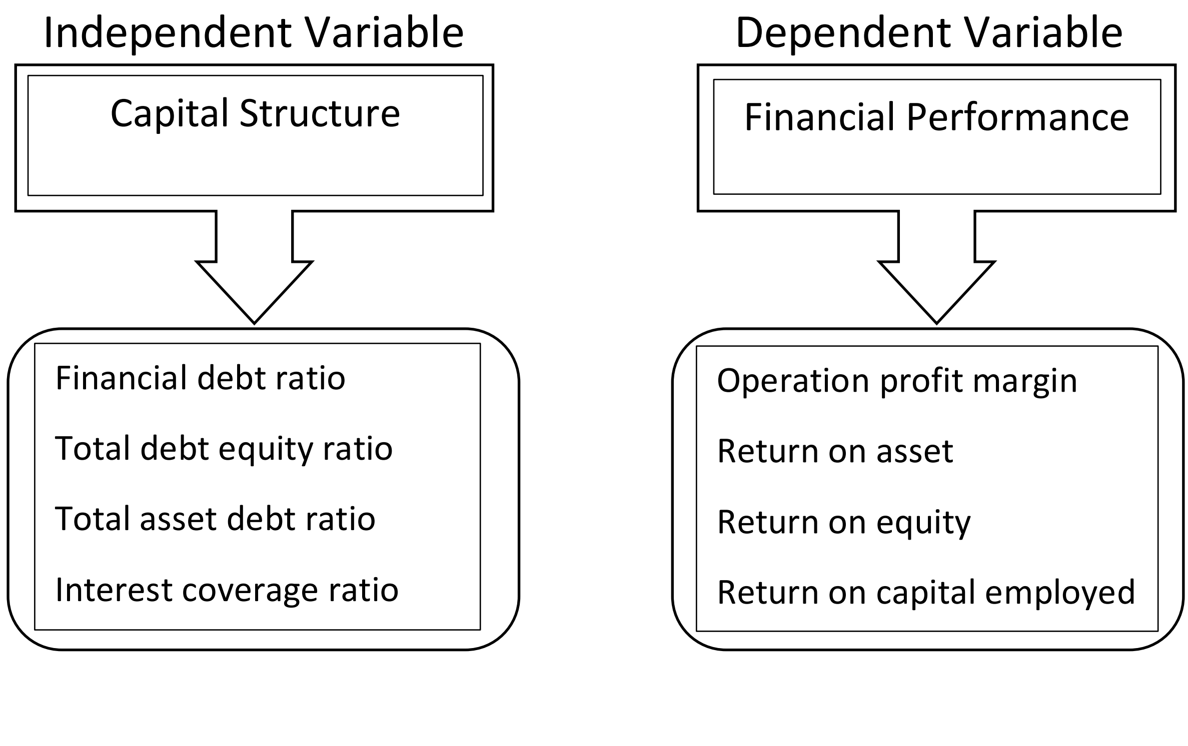
- There is a negative relationship between capital structure and financial performance.

- Capital structure has an impact on financial performance.

2.3 CONCEPTUALIZATION MODEL

According to the review of related literature and hypothesis, the following conceptual modal was formulated to outline the impact of capital structure on financial performance.

Capital Strucure and Its Impact on Financial Performance Of Indian Steel Industry



CHAPTER 3

RESEARCH METHODOLOGY

3.1 RESEARCH METHODOLOGY

It is an empirical study, so researcher has followed scientific approach to design the research methodology for investigation. For this study researcher is using secondary data as a source of information for thus research e.g. the Annual Reports, websites and other publications.

The study used only the secondary data to attain the objectives of the study. The data take from the annual report of the company, which is available in the company website and capital line database. This study has confined to Tata Steel Limited (Stand-alone) only. Subsidiary companies of Tata Steel have been excluded from the present study. To estimate the capital structure pattern and long-term solvency were Simply Percentage Analysis and Ratios are used in the present study.

The study is based on secondary data collected from the audited Profit & Loss A/c and Balance Sheet associated with schedules, annexure available in the published annual reports of Tata Steel for the period of 10 years (i.e. from 2000-01 to 2009-10).

For the purpose of the study, Journals, Conference proceedings and other relevant documents have also been consulted to supplement the data.

In the present study the liquidity and profitability position have been taken into consideration by calculating different key liquidity and profitability ratios in order to judge their financial performance for the period under study. The ratios which have been applied for highlighting the efficiency of working capital management are current Ratio (CR), Quick Ratio (QR), Current Assets to Total Assets Ratio (CATAR), Current Assets to Sales Ratio (CASR), Working Capital to Turnover Ratio (WCTR), Inventory Turnover Ratio (ITR), Debtors Turnover Ratio (DTR), and Cash Turnover Ratio (CTR) and the measure of profitability which has been selected is Return on Capital Employed (ROCE).For measuring the operating risk, financial risk and total risk Degree of Operating Leverage (DOL), Degree of Financial Leverage(DFL) and Degree of Total Leverage(DTL) have been computed. For assessing the degree of association between the various liquidity ratios with the return on capital employed (ROCE) and various leverage ratios with Return on Equity (ROE) Pearson‟s simple correlation coefficient has been applied and Students„t‟ test has been used for the purpose of testing the results obtained empirically.

(a) Data Collection

The study is mainly based on secondary data. Relevant secondary data have been collected from Books, Periodicals, Libraries of various Research Institutions, Financial reports, BSE Official Directory, NSE, Guidelines and rules, and Internet etc. as and when required. Currently, Tata Steel's consolidated India crude steel production capacity stands at 19.6 MnTPA with manufacturing facilities in Jamshedpur in Jharkhand, Kalinganagar and Dhenkanal in Odisha, Sahibabad in Uttar Pradesh and Khopoli in Maharashtra. Recently, Tata Steel has commenced the phase 2 expansion of its Kalinganagar steel plant to 8 MnTPA.

(b) Period of study

The time period of the research is designed from 2007 up to 2012. The study has been undertaken for the period of 10 years from 2006-07 to 2015-16 and the data has been obtained from CMIE database. The Mining industry in India is a major economic activity, which contributes significantly to the economy of India.

(c) Sampling Design

The researcher has selected only 13 major steel Industries as a sample on the basis of availability of data and listed in BSE and NSE. The companies that have been chosen for the study are: Steel Authority of India Limited (SAIL), BHUSHAN Steel Ltd, VISA Steel Ltd, TATA Steel Ltd, JSW Steel Ltd, JINDAL Steel and Power Ltd, FACOR Steels Limited, Jindal Stainless Limited (JSL), MSP Steel and Power Limited, NOVA Iron and Steel Ltd, Steel Exchange India Ltd (SEIL), Uttam Galva Steels Limited (UGSL) and Mahindra Ugine Steel Company Limited (MUSCO).

d) Mode of Analysis

In order to derive the accurate results, the researcher are applied various statistical tools like Mean, Min, Max, Standard Deviation (S.D) to analysis the consistency and Correlation Matrix, Multiple liner Regression, ANOVA are employed for test of hypothesis with the help of statistical package SPSS 22.

e) Research Model

Correlation analysis was used to examine the relationship between dependent and independent variables. Regression analysis was used to find out the effect of capital structure on financial performance of selected Indian steel Industries. Capital structure (Financial debt ratio, Total debt equity ratio, Total asset debt ratio, Interest coverage ratio) are the independent variables and profitability as a indicator of financial performance (Operating profit margin, Return on asset, Return on equity and Return on capital employed) are the dependent variables.

CHAPTER 4

ANALYSIS & INTERPRETATION

4.1 ANALYSIS & INTERPRETATION

Table – 1: Common Size Capital Structure Statement of Tata Steel Limited

Particulars	Equity Share Capital	Share Application Money	Preference Share Capital	Reserves	Borrowed Fund	Total Long Term Funds
2000-01	3.85	-	1.46	45.82	48.87	100.00
2001-02	4.51	-	-	37.75	57.74	100.00
2002-03	4.96	0.02	-	38.01	57.01	100.00
2003-04	4.68	-	-	52.56	42.76	100.00
2004-05	5.65	-	-	66.39	27.96	100.00
2005-06	4.51	-	-	74.98	20.50	100.00
2006-07	2.45	0.62	-	56.31	40.63	100.00
2007-08	1.61	-	12.07	46.55	39.76	100.00
2008-09	1.29	-	9.66	41.48	47.57	100.00
2009-10	1.42	-	-	58.14	40.44	100.00
2010-11	1.31	0.24	-	62.67	35.77	100.00
2011-12	1.27	-	-	67.68	31.05	100.00
2012-13	1.20	-	-	66.86	31.94	100.00
2013-14	1.11	-	-	68.95	29.94	100.00
2014-15	1.05	-	-	70.73	28.22	100.00

Source: Computed from Secondary data, Annual Report of TSL.

It is observed that from the above table that Equity share capital to total capital structure position of the company fluctuating in nature. The maximum proportion of Equity share capital with capital structure is 5.65 percent in 2004-05 and minimum of 1.05 percent in 2014-15. First three years of the study period, the Equity share proportion shows increasing trend from 3.85 per cent to 4.96 per cent. Except 2004-05 and 2009-10 rest years shows decrease in trend. The company has meager amount of share application money in the capital structure 2002-03, 2006-07 and 2010-11 as a per cent of 0.02, 0.62, and 0.24 respectively. The company held convertible perforce share capital of 1.46 per cent in 2000-01, 12.07 per cent in 2007-08 and 9.66 percent in 2008-09. The growth of reserve and surplus of the company shows two stages an increasing trend in 2001-02 to 2005-06 and 2008-09 to 2014-15. It ranges from 37.75 percent in 2001- 02 to 74.98 percent in 2005-06. The highest percent of reserve and surplus recorded in the year 2005-06. During the study period, the borrowed fund portion to capital structure shows fluctuating trend and it ranges from 28.22 percent in 2014-15 to 57.74 percent in 2001-02.

Table – 2 : Coverage Ratio of Tata Steel (Stand-alone) Limited

Particulars	Coverage Ratio			
	Interest	Dividend (Preference Dividend)	Dividend (Equity Dividend)	Total Cash flow Coverage
2000-01	2.60	-	2.54	3.91
2001-02	1.68	98.99	1.39	3.08
2002-03	5.14	-	3.04	6.96
2003-04	22.82	-	4.20	27.94
2004-05	29.36	-	4.23	32.67
2005-06	45.24	-	4.27	51.79
2006-07	37.01	-	3.82	41.72
2007-08	9.04	211.22	3.42	9.75
2008-09	7.35	47.53	3.76	7.48
2009-10	5.78	110.00	6.06	6.31
2010-11	8.52	-	5.25	9.40
2011-12	6.12	-	4.97	6.72
2012-13	5.18	-	5.59	6.05
2013-14	6.34	-	6.18	7.39
2014-15	5.31	-	6.92	6.32

Source: Computed from Secondary Data, Annual Report of Tata Steel Limited

The interest coverage ratio shows fluctuating trend over the study period. The highest interest cover in profit is 45.24 times in 2005-06 and lowest 1.68 times in 2001-02. The preference dividend coverage ratio of the company has recorded in the year 2001-02, 2007-08, 2008-09 and 2009-10 as 98.99, 211.22, 47.53 and 110 times to profit. The equity dividend coverage ratio shows highest times in 2014-15 as 6.92 times and lowest 1.39 times in 2001-02. The total cash flow coverage ratio ranges from 3.08 times in 2001-02 to 51.79 times in 2005-06.

Long-term Solvency Ratios of Tata Steel Limited

Particulars	Debt-Equity Ratios				Proprietary Ratio
	External equities to internal equities	Debt to total long-term funds	Shareholders fund to total long term funds	Total long term funds to shareholders fund	(Shareholders fund/Total tangible assets)
2000-01	1.56	0.49	0.51	1.96	0.42
2001-02	2.71	0.58	0.42	2.37	0.29
2002-03	3.15	0.57	0.43	2.33	0.24
2003-04	2.35	0.43	0.57	1.75	0.30
2004-05	1.36	0.28	0.72	1.39	0.43
2005-06	0.97	0.21	0.79	1.26	0.52
2006-07	1.27	0.41	0.59	1.68	0.44
2007-08	1.02	0.40	0.60	1.66	0.50
2008-09	1.31	0.48	0.52	1.91	0.43
2009-10	1.00	0.40	0.60	1.68	0.50
2010-11	0.91	0.36	0.64	1.56	0.52
2011-12	0.83	0.31	0.69	1.45	0.55
2012-13	0.85	0.32	0.68	1.47	0.54
2013-14	0.82	0.30	0.70	1.43	0.55
2014-15	0.74	0.28	0.72	1.39	0.58

Source: Computed from Secondary data, Annual Report of TSL.

The debt: equity ratio can measure by various aspects. The measurement in the aspect of external equities to internal equities, the ratio shows the company pays it external liabilities from its available internal equities. The internal equities consist of share capitals, outsider liabilities of the company consist borrowings of short-term as well as longterm. While considering this aspect ratio, the company implied low safety margins in the years 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2006-07 and 2008-09 because the company pays the outsider liabilities more than the internal equities as times of 1.56, 2.71, 3.15, 2.35, 1.27 and 1.31 times respectively. During the study period the company external equities to internal equities ratio shows fluctuating in nature due to more external equities in nature. From 2009-10 onwards the company has controlled the ratios through increase the internal equity strengthen so the company has high safety of margin. It is surprising to noted that the equities of internal as well as external is more or less same proportion in the years 2005-06, 2007-08 and 2009-10 as 0.97, 1.02 and 1.00 times respectively.

The consideration of total debt to total long-term fund ratio is showing a decreasing trend. The maximum recorded in the year 2001-02 as 0.58 times and minimum of 0.28 times of debt to total long-term capital in the year 2004- 05 and 2014-15.

Shareholders fund to total long-term fund shows an increasing trend the maximum proportion recorded 0.72 in the year 2004-05 and 2014-15. The proportion of debt to long-term funds and equity to long-term funds shows a negative correlation. It is interesting to note down that the debt: equity proportion 0.28:0.72 (3:9) shows to total long term funds in the years 2004-05 and 2014-15, it is happened after ten years of the period

The ratio for debt to total long-term fund and shareholders' funds to total long term funds may taken as ideal if the ratio are 0.5 which means the investors point of view may take debt-equity ratio is quite satisfactory if the shareholders funds are equal to borrowed funds. The low ratio indicates says above 0.5(>0.5) borrowed funds and less than 0.5(<0.5) owned funds, may also not be considered as unsatisfactory if the business needs heavy investment on fixed assets and has return on investment. In the point of view the investors satisfactory in the years 2000-01, 2001-02, 2002-03 and 2008-09 the rest years shareholders are satisfactory and vice versa.

The total long-term funds to shareholders funds show a fluctuating trend and 2008-09 onwards, the proportion shows a decrease in trend. The maximum proportion recorded 2.37 percent in the year 2001-02.

The proportion is ideal when it is one so all the years the ratios shows an ideal one. The proprietary ratio is no constant growth or decline in the ratio, it shows fluctuating trend in nature. The maximum ratio shows in the year 2014-15 as 0.58. The high proprietary ratio indicated that the company has well. There company should strengthen the proprietary ratio.

(a) Descriptive statistics

Table No.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Operating Profit Margin (OPM)	13	-5.47	36.18	15.1092	12.38048
Return on Capital Employed (ROCE)	13	-2.14	27.96	10.6423	8.73365
Return on Equity (ROE)	13	-31.45	23.22	4.5954	16.40723
Return on Asset (ROA)	13	0.35	100.08	50.6846	29.72284
Total Debt Equity Ratio (TDER)	13	0.02	4.33	2.0523	1.39847
Total Asset Debt Ratio (TADR)	13	1.30	25.97	4.7100	6.64696
Interest Coverage Ratio (ICR)	13	0.17	24.20	5.0354	6.29564
Financial Debt Ratio (FDR)	13	0.27	0.79	0.5792	0.17666
Valid N (list wise)	13				

The mean, min and max values with standard deviation of different variables of interest in the study during the period 2007 to 2012 are presented in the Table No.1. In addition, it shows the min and max values of each variable which essentially gives an indication of how wide ranging each respective variable can be. All variables were calculated using financial ratios.

(b) Correlation Analysis

Table No.2: Correlations Matrix

		TDER	TADR	ICR	FDR
OPM	Pearson Correlation	-0.157	-0.513	0.510	-0.249
	Sig. (2-tailed)	0.609	0.073	0.075	0.413
	N	13	13	13	13
ROCE	Pearson Correlation	-0.516	-0.291	0.702**	-0.512
	Sig. (2-tailed)	0.071	0.334	0.007	0.074
	N	13	13	13	13
ROE	Pearson Correlation	-0.186	-0.614*	0.490	-0.128
	Sig. (2-tailed)	0.542	0.025	0.089	0.677
	N	13	13	13	13
ROA	Pearson Correlation	0.053	-0.454	0.403	-0.004
	Sig. (2-tailed)	0.864	0.119	0.172	0.991
	N	13	13	13	13

From the above table No. 2, we can found out a negative relationship exists between OPM with TDER, TADR and FDR. There is a positive relationship between OPM and ICR. And it not significant. There exist negative relationship between ROCE with TDER, TADR and FDR. And it not significant. ROCE has a positive and strong relationship with ICR and Correlation is significant at the 0.01 level. The coefficient of determination is 0.007. That is only 0.7 % of variance in the ROEC is accounted by the ICR. There is a negative relationship between ROE with TDER, TADR and FDR.

The Correlation is significant between ROE and TADR at the 0.05 level. The coefficient of determination is 0.025. That is only 0.2.5 % of variance in the ROE is accounted by the TADR. There exist positive relationship between ROE and ICR. And it is not significant. we also observed that a negative relationship exists between ROA with TADR and FDR. ROA has a positive relationship with TDER and ICR. And it is not significant.

(c) Regression Analysis

We develop 4 model for the study. The specified model for the study is:

Profitability = β0 + β1TEDR+ β2TADR+ β3ICR+ β4FDR+ e

where:

β0 = Intercept β1, β2, β3, β4 = coefficient of the explanatory variable

TEDR = Total debt equity ratio

TADR = Total asset debt ratio

ICR = Interest coverage ratio

FDR = Financial debt ratio

e = Error term

Model 1.

Operating Profit Margin (OPM) = β0 + β1TEDR+ β2TADR+ β3ICR+ β4FDR+ e

Table No.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.831[a]	0.690	0.535	8.44429

a. Predictors: (Constant), FDR, ICR, TADR, TDER

The above table No.3, indicates the R square is 0.69. It means 69 % of variance of OPM is accurate by the capital structure and remaining 31 % of variance with OPM is attributed to other factors. This showed that capital structure has at least 69% significant influence on the OPM of the firms.

Table No.4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1268.868	4	317.217	4.449	0.035[b]
	Residual	570.448	8	71.306		
	Total	1839.316	12			

a. Dependent Variable: OPM

b. Predictors: (Constant), FDR, ICR, TADR, TDER

The table No.4 explains the most possible combination of capital structure that could contribute to the relationship with the OPM. The F value of 4.449 and P value of 0.035 (P<0.05) in the ANOVA table says that the model is statistically significant. Thus There is a significant impact of capital structure on OPM.

Table No.5: Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	58.554	25.228		2.321	0.049
	TDER	2.704	5.798	0.305	0.466	0.653
	TADR	-1.690	0.508	-0.907	-3.323	0.010
	ICR	0.071	0.599	0.036	0.119	0.908
	FDR	-71.462	54.787	-1.020	-1.304	0.228

a. Dependent Variable: OPM

Table No. 5 presents the data findings on the OPM regression model. According to the table the findings indicated that the intercept was 58.554, that is, when all the factors are equated to zero the OPM will be 58.554, while the coefficients for TDER will be 2.704, TADR proportion -1.69, ICR proportion 0.071 and FDR proportion -71.462.

OPM= 58.554 + 2.704TDER - 1.69TADR + 0.071ICR - 71.462FDR + e

According to the model, an increase in the level of TDER brings about a 2.704 increase in OPM, it implying that an increase in the TDER is associated with increase in profitability. An increase in the TADR on the other hand leads to an decrease of -1.69 in OPM. The model further shows that an increase in ICR brings about a increase of 0.071 in OPM. This depicts that increase in ICR influence OPM thus profitability positively. An increase in FDR brings 71.462 decrease in OPM. This can be explained by the fact that FDR are relatively expensive and thus employing high proportions of them could lead to low profitability.

Model 2.

Return on Capital Employed (ROCE) = β0 + β1TEDR+ β2TADR+ β3I CR+ β4FDR+ e

Table No.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	0.943[a]	0.888	0.833	3.57269

a. Predictors: (Constant), FDR, ICR, TADR, TDER

The above table No.6, manifested the R square is 0.943.

It shows the 94.3% of variance of ROCE is accurate by the capital structure and remaining 5.7% of variance with ROCE is ascribed to other factors. This indicated that capital structure has at least 94.3% significant influence on the ROCE of the companies.

Table No.7: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	813.208	4	203.302	15.928	0.001[b]
	Residual	102.113	8	12.764		
	Total	915.321	12			

a. Dependent Variable: ROCE

b. Predictors: (Constant), FDR, ICR, TADR, TDER

The table No.7 expressed the most possible combination of capital structure that could contribute to the relationship with the ROCE. The F value of 15.928 and P value of 0.001 (P<0.05) in the ANOVA table says that the model is statistically significant. Thus There is a significant impact of capital structure on ROCE.

Table No.8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	12.696	10.674		1.189	0.268
	TDER	-6.858	2.453	-1.098	-2.796	0.023
	TADR	-0.848	0.215	-0.645	-3.940	0.004
	ICR	0.705	0.253	0.508	2.782	0.024
	FDR	21.517	23.180	0.435	0.928	0.380

Table No. 8 indicated the data findings on the ROCE regression model. According to the table the findings witnessed that the intercept was 12.696, that is, when all the factors are equated to zero the ROCE will be 12.696, while the coefficients for TDER will be -6.858, TADR proportion -0.848, ICR proportion 0.705 and FDR proportion 21.517.

$$ROCE = 12.696 - 6.858TDER - 0.848TADR + 0.705ICR + 21.517FDR + e$$

According to the model, an increase in the level of TDER brings about a 6.858 decrease in ROCE, it implying that an increase in the TDER is associated with decrease in profitability. An increase in the TADR on the other hand leads to an decrease of 0.848 in ROCE. The model further shows that an increase in ICR brings about a increase of 0.705 in ROCE. This depicts that increase in ICR influence ROCE thus profitability positively. An increase in FDR brings 21.517 increase in ROCE. Thus employing high proportions of FDR could lead to high profitability.

Model 3.

Return on Equity (ROE) = β0 + β1TEDR+ β2TADR+ β3ICR+ β4FDR+ e

Table No.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
3	.937[a]	.878	.817	7.01727

a. Predictors: (Constant), FDR, ICR, TADR, TDER

The above table No.9, showed the R square is 0.937. It indicates the 93.7% of variance of ROE is accurate by the capital structure and remaining 6.3% of variance with ROE is attributed to other factors. This indicated that capital structure has at least 93.7% significant influence on the ROE of the organization.

Table No.10: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	2836.429	4	709.107	14.400	0.001[b]
	Residual	393.937	8	49.242		
	Total	3230.366	12			

a. Dependent Variable: ROE

b. Predictors: (Constant), FDR, ICR, TADR, TDER

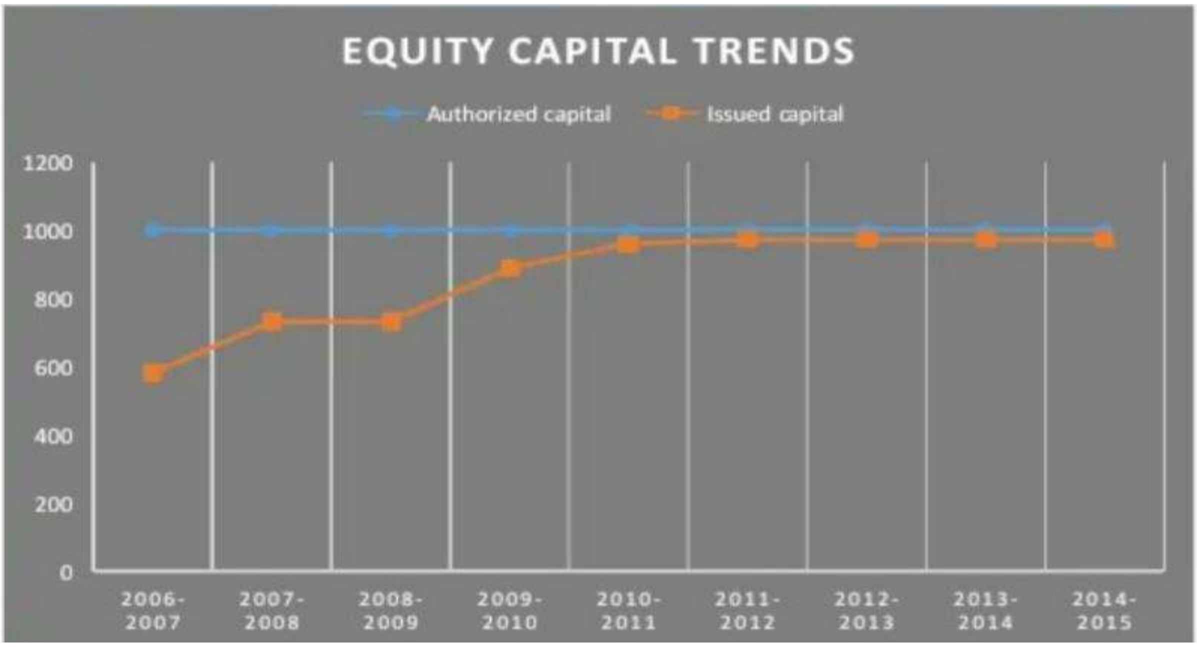
The table No.10 showed the most possible combination of capital structure that could contribute to the relationship with the ROE. The F value of 14.4 and P value of 0.001 ($P<0.05$) in the ANOVA table says that the model is statistically significant. Thus There is a significant impact of capital structure on ROE.

According to the model, an increase in the level of TDER brings about a 2.079 decrease in ROA, it implying that an increase in the TDER is associated with decrease in profitability. An increase in the TADR on the other hand leads to an decrease of 2.211 in ROA. The model further indicates that an increase in ICR brings about a increase of 1.648 in ROA. This depicts that increase in ICR influence ROA thus profitability positively. An increase in FDR brings 0.404 increase in ROA.

4.2 Trend

(a) Equity Capital Trends:-

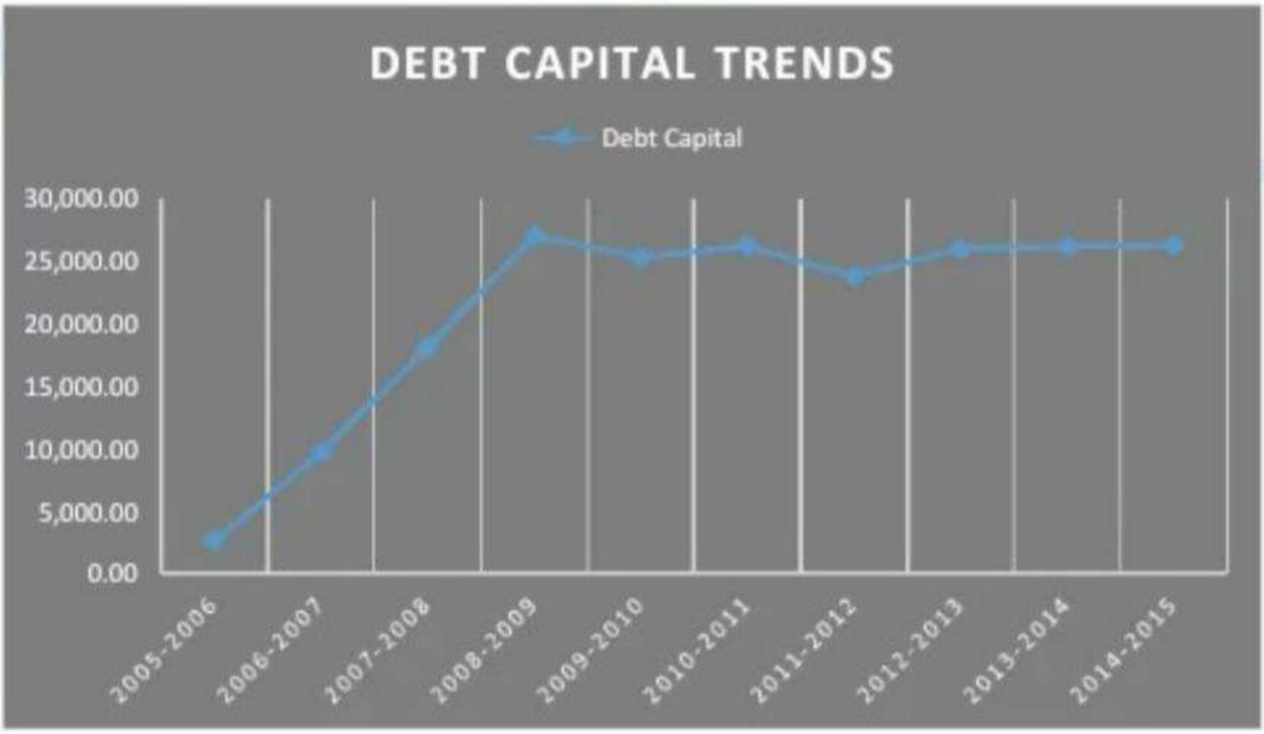
Financial Year	Authorized capital (₹ Crs.)	Issued capital (₹ Crs.)
2014-2015	1000	972.13
2013-2014	1000	972.13
2012-2013	1000	972.13
2011-2012	1000	972.13
2010-2011	1000	960.13
2009-2010	1000	888.13
2008-2009	1000	731.37
2007-2008	1000	731.37
2006-2007	1000	581.07
2005-2006	1000	553.67



Equity share capital is a long term financial instrument, now form the upper graph we can observe that the major rise in the equity share capital is during 2007-2011. Now this was the time when company has cracked major acquisition deals (Acquisition of Corus in 2007) and in 2008 there was a recession period so the cost of debt become high and revenue decreased due to decrease in demand. So these could be the reason for this following trend of the equity capital.

(b) Debt Capital Trends:-

Financial Year	Debt Capital (₹ Crs.)
2014-2015	26,210.25
2013-2014	26,126.78
2012-2013	25,911.51
2011-2012	23,693.82
2010-2011	26,148.18
2009-2010	25,239.20
2008-2009	26,946.18
2007-2008	18,021.69
2006-2007	9,645.33
2005-2006	2,516.15



Tata steel has raised debt aggressively from 2005-2009 and the reason could be:

- Capital needed for the acquisition of Corus.
- Capital for expansion of the manufacturing plants in India.
- In 2008 there was recession period so as to generate liquidity.

4.3 ANALYSIS OF EQUITY CAPITAL

In this detailed yearly analysis of equity we have focused on those year where there was a change in issued capital, we have tried to analyse what were the cause for the change in the equity structure of the company.

From Year - To Year	Class Of Share	Authorized Capital (Crores)	Issued Capital (Crores)	Paid Up Shares (Nos)	Paid Up Face Value	Paid Up Capital (Crores)
2015 - 2016	Equity Share	1,000	972.13	97,12,15,439	10	214.75
2014 - 2015	Equity Share	1,000	972.13	97,12,15,439	10	214.75
2013 - 2014	Equity Share	1,000	972.13	97,12,15,405	10	214.75
2012 - 2013	Equity Share	1,000	972.13	97,12,15,229	10	214.75
2011 - 2012	Equity Share	1,000	972.13	97,12,14,450	10	214.75
2010 - 2011	Equity Share	1,000	960.13	95,92,14,450	10	214.75
2009 - 2010	Equity Share	1,000	888.13	88,72,14,196	10	214.75
2008 - 2009	Equity Share	1,000	731.37	73,05,92,471	10	214.75
2007 - 2008	Equity Share	1,000	731.37	73,05,84,320	10	214.75
2006 - 2007	Equity Share	1,000	581.07	58,04,72,856	10	214.75

The main objective of the firms is to maximize its profits and in the same time minimize its costs, when companies search about resources to finance its investments they take this objective in consideration. The main sources that firms could use to provide the necessary finance are the internal finance which is equity, and the external finance which is debt. Most of companies use a mix between equity and debt which form the capital structure. Capital structure was defined firstly by Modigliani and Miller as the mix between debt and equity that the company uses in its

operation. The paper that published by Modigliani and Miller refers to the impact of capital structure on firm value under many restrictive assumptions that have been modified by them five years later in (1963).
After Modigliani and Miller, Jensen and Meckling discussed the agency cost theory which refers to the potential conflict between managers and shareholders in one side, and between shareholders and debtors in another side.
Since Jensen and Meckling’s argument the relationship between capital structure and firm performance, many researchers have begun to study the relationship between capital structure and firm performance.

At Tata Steel, we endeavor to optimise returns for providers of financial capital. We seek to maximise surplus funds from both business operations as well as relevant monetisation of assets and investments.

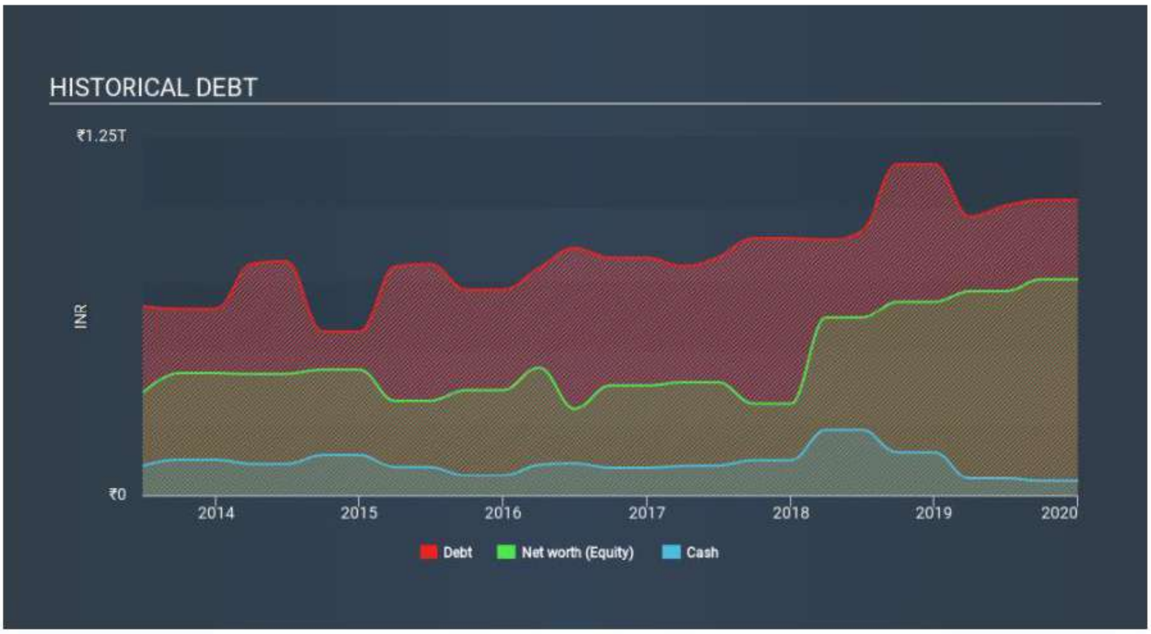
We are seeking to invest our surplus in attractive growth opportunities in our core market. We also continue to opportunistically raise finance based on prevailing market conditions at the best possible cost and on suitable flexible terms given the cyclical nature of the steel industry. Our long-term investments are focussed on strategic growth opportunities, in order to maximise returns for providers of financial capital.

4.4 ANALYSIS OF DEBT CAPITAL

Debt and other liabilities become risky for a business when it cannot easily fulfill those obligations, either with free cash flow or by raising capital at an attractive price. Ultimately, if the company can't fulfill its legal obligations to repay debt, shareholders could walk away with nothing. However, a more frequent (but still costly) occurrence is where a company must issue shares at bargain-basement prices, permanently diluting shareholders, just to shore up its balance sheet. Of course, the upside of debt is that it often represents cheap capital, especially when it replaces dilution in a company with the ability to reinvest at high rates of return. When we examine debt levels, we first consider both cash and debt levels, together.

Legendary fund manager Li Lu (who Charlie Munger backed) once said, 'The biggest investment risk is not the volatility of prices, but whether you will suffer a permanent loss of capital. When we think about how risky a company is, we always like to look at its use of debt, since debt overload can lead to ruin.

As you can see below, Tata Steel had ₹988.9b of debt at September 2019, down from ₹1.15t a year prior. On the flip side, it has ₹50.5b in cash leading to net debt of about ₹938.4b.



A Look At Tata Steel's Liabilities

The latest balance sheet data shows that Tata Steel had liabilities of ₹641.6b due within a year, and liabilities of ₹1.04t falling due after that. Offsetting this, it had ₹50.5b in cash and ₹112.0b in receivables that were due within 12 months. So its liabilities total ₹1.52t more than the combination of its cash and short-term receivables.

The deficiency here weighs heavily on the ₹334.9b company itself, as if a child were struggling under the weight of an enormous back-pack full of books, his sports gear, and a trumpet. So we'd watch its balance sheet closely, without a doubt. At the end of the day, Tata Steel would probably need a major re-capitalization if its creditors were to demand repayment.

We use two main ratios to inform us about debt levels relative to earnings. The first is net debt divided by earnings before interest, tax, depreciation, and amortization (EBITDA), while the second is how many times its earnings before interest and tax (EBIT) covers its interest expense (or its interest cover, for short). Thus we consider debt relative to earnings both with and without depreciation and amortization expenses.

While Tata Steel's debt to EBITDA ratio (4.4) suggests that it uses some debt, its interest cover is very weak, at 1.8, suggesting high leverage. It seems clear that the cost of borrowing money is negatively impacting returns for shareholders, of late. Worse, Tata Steel's EBIT was down 43% over the last year. If earnings continue to follow that trajectory, paying off that debt load will be harder than convincing us to run a marathon in the rain. The balance sheet is clearly the area to focus on when you are analysing debt. But it is future earnings, more than anything, that will determine Tata Steel's ability to maintain a healthy balance sheet going forward. So if you're focused on the future you can check out this free report showing analyst profit forecasts.

Finally, a company can only pay off debt with cold hard cash, not accounting profits. So it's worth checking how much of that EBIT is backed by free cash flow. Looking at the most recent three years, Tata Steel recorded free cash flow of 42% of its EBIT, which is weaker than we'd expect. That weak cash conversion makes it more difficult to handle indebtedness.

4.5 DEBT CAPACITY

Debt capacity tells us about the amount of funds owed by the company, and can repay within a specific of time. In simple terms, it projects the ability of the company to borrow. The level of debt capacity could be different for different industrial sector as it depends on various factors like nature of cash flow, nature of assets, net profit generation, reserve and surplus. Now it could be calculated by EBIT divided by Interest paid.

Financial Year	EBIT	Interest Paid	Interest Coverage Ratio
2014-2015	10,008.80	1,975.95	5.06531
2013-2014	12,816.90	1,820.58	7.040009
2012-2013	11,126.24	1,876.77	5.928398
2011-2012	11,536.77	1,925.42	5.99182
2010-2011	11,482.29	1,735.70	6.615366
2009-2010	8,905.59	1,848.19	4.818547
2008-2009	9,176.44	1,489.50	6.160752
2007-2008	8,244.54	929.03	8.874353
2006-2007	6,913.75	251.25	27.51741
2005-2006	5,884.22	168.44	34.93363

Here we can observe that the interest coverage ratio was pretty well around in FY 2005-2006 and FY 2006-2007, but it fell drastically to 8.874 in FY 2007-2008 it is because of the increase in interest expenses due to increase in debt capital and may be its reason was the funds required for the acquisition of Corus. And from 2008 to 2015 there is not drastic fluctuations in the interest coverage ratio, the ups and down could be because of the debt repayment by the company or generation of operation profits are more.

CHAPTER 5

EXPANSION PLANS

5.1 WHAT ARE THE EXPANSION PLANS

Tata Steel has set a target of achieving an annual production capacity of 100 million tons by 2015; it is planning for capacity expansion to be balanced roughly 50:50 between greenfield developments and acquisitions. Overseas acquisitions have already added an additional 21.4 million tonnes of capacity, including Corus (18.2 million tonnes), NatSteel (2 million tonnes) and Millennium Steel (1.2 million tonnes). Tata plans to add another 29 million tonnes of capacity through acquisitions.

Major greenfield steel plant expansion projects planned by Tata Steel include:

1. A 6 million tonne per annum capacity plant in Kalinganagar, Odisha, India.

2. An expansion of the capacity of its plant in Jharkhand, India from 6.8 to 10 million tonnes per annum.

3. A 5 million tonne per annum capacity plant in Chhattisgarh, India (Tata Steel signed a memorandum of understanding with the Chhattisgarh government in 2005; the plant is facing strong protest from tribal people).

4. A 3 million tonne per annum capacity plant in Iran.

5. A 2.4 million tonne per annum capacity plant in Bangladesh.

6. A 10.5 million tonne per annum capacity plant in Vietnam (feasibility studies are underway).

7. A 6 million tonne per annum capacity plant in Haveri, Karnataka.

5.2 FROM WHERE DO THEY OPERATE

Tata Steel is headquartered in Mumbai, Maharashtra, India and has its marketing headquarters at the Tata Centre in Kolkata, West Bengal. It has a presence in around 50 countries with manufacturing operations in 26 countries including: India, Malaysia, Vietnam, Thailand, UAE, Ivory Coast, Mozambique, South Africa, Australia, United Kingdom, The Netherlands, France and Canada.

Tata Steel primarily serves customers in the automotive, construction, consumer goods, engineering, packaging, lifting and excavating, energy and power, aerospace, shipbuilding, rail and defence and security sectors.

CHAPTER 6

LONG-TERM SOLVENCY

6.1 RELATION TO CAPITAL STRUCTURE OF THE COMPANY

It is found that there is an opposite relationship between Reserves and Debt capital of the company. Therefore, it is suggested that there is no use of maintaining a high level of reserves and surplus amounts. It may be idle fund to the company. So insist of holding excess reserve and surplus f the company invests it to any other liquid form of assets it will help to generated more income and it can be utilize at emergency period. It will leads to efficient utilization of idle fund and the company may reduce to borrow the capital from the outsiders.

So the company has limited liability to pay interest on borrowed capital and it can be help to improve the profit of the company and it will leads to high earnings per share so the company share price will also increase.

6.2 RELATION TO LONG-TERM SOLVENCY OF THE COMPANY

The consideration of External and Internal equities ratio alone the company has not much safety in some years of the study period. Reaming year’s company recovers from the low safety margin to high safety margin even though some years it showed equal level of external as well as internal equities. The recover option of the company is not fair, because it increase the reserves and surplus proportion of its capital structure because it may short-term sources of fund in some extent So the company can increase the equity share capital values instated of increase the reserve portion.

The overall debt and equity mix is well but the mix is not correlated with the company earnings per share. Therefore, it suggested that the company could use debt-equity mix as 1:1 it will satisfactory to both investors as well as shareholders of the company.

The proprietary ratio is importance to creditors. If the ratio is high will strengthen the shareholders but high ratio will indicate a relatively little danger to the creditors in the event of forced organization or winding up of the company.

A low proprietary ratio indicates that greater risk to the creditors since in the event of losses a part of their money. Therefore, it is suggested that the company should maintain a moderate level of proprietary ratio to safeguard the company and maintain the name and fame of it.

The coverage ratios show a good performance in the years 2003-04 to 2006-07. The remaining years the company has shows a normal coverage on earnings. If the company concentrates on earnings; it will show the better recover ratios as shown in the previous financial year performance.

CHAPTER 7

RECOMMENDATION & SUGGESTION

7.1 FINDING

The collected data were analysis and interpreted by using various accounting techniques and statistical tools. The findings of evaluated data has been summarised below:

1. The interest coverage ratio is more than 1.5 stating be to "too safe" and is neglecting opportunities to magnify earnings through leverage. The ratio was high (6.41) during the financial year 2013-2014.

2. Debt to equity ratio was high (0.61) during the financial year 2016-2017. It is inferred that the long term solvency position is satisfactory.

3. The financial charges coverage ratio is a financial ratio that measures a firm's ability to pay all of its fixed charges or expenses with its income before interest and income taxes. It is high (7.6) during the financial year 2015-16. Higher financial charges ratios indicate a healthier and less risky business to invest in or get loan.

4. Capital gearing ratio is high (3.12) during the financial year 2015-16. So, that shows that the common stockholder’s equity is highly geared in the company.

5. Asset turnover ratio was high (0.61) during the financial year 2016-2017. So, the higher the asset turnover ratio, the better the company is performing, here the company inferred increase in the value of their assets.

6. The operating profit is expressed as a percentage of sales and shows the efficiency of a company controlling the costs and expenses associated with business operations .Its high (30.72) during the financial year 2013-14. Higher ratio, higher efficiency.

7. Gross margin, alone, indicates how much profit a company makes after paying off its Cost of Goods sold. Gross profit margin is high (24.83) during the financial year 2012-13. It is a measure of the efficiency of a company using its raw materials and labour during the production process. The higher the profit margin, the more efficient a company.

8. Cash profit Margin is a measure of how efficiently a company converts its sales to cash. It is high (19.99) during the financial year 2015-16. The higher the percentage, the more cash available from sales.

9. The net profit margin, indicates how much net income a company makes with total sales achieved. It is high (15.41) during the financial year 2014-15. A higher net profit margin means that a company is more efficient at converting sales into actual profit.

10. Return on capital employed establishes the relationship between profit and capital employed in the business. It is high (13.37) during the financial year 2013-14. A higher ROCE indicates more efficient use of capital.

11. The ratio of after-tax income to net worth. It is also called as Return of equity. It is high (10.48) during the financial year 2013-2014. This is a measure of how well the company is investing the money invested in it. A high return on equity indicates that the company is spending wisely and is likely profitable.

12. Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. It is high (72.65) during the financial year 2015-16. The higher ratio is more favourable to investors because it shows that the company is more effectively managing its assets to produce greater amounts of net income. A positive ROA ratio usually indicates an upward profit trend as well.

13. Return on long term funds is calculated as the annual percentage return based on the yields of all the underlying securities in the company. It is high (13.38) during the financial year 2013-14. Higher return, higher yield.

7.2 RECOMMENDATION & SUGGESTION

On the basis of studying the capital structure, cost of capital, operating profit ratios, cash flow analyses of Tata Steel Company we would like to give below generic suggestions to the users of this report mainly from industries and investors. The entire capital structure is super sufficient in the first four years of study but, diminishes in the last year. Thus, the company is strong in its long-term structure, in the same way has to concentrate in its short-term capital planning.

Over capitalisation occurs where company has issued more debt and equity than its asset are worth. An overcapitalisation company might be paying more than its need to interest and dividend reducing debt, buying back shares and restructuring the company are possible solution to this problem. When a company does not have sufficient capitalisation to conduct normal business operation and pay creditors. This can occur when company unable to generate enough cash flow or is unable to access form of financing such as, debt or equity. The firm should focus on getting of profits in the coming years by taking care internal as well as external factors.

1. To cover the fixed operating costs the firm should have to improve its net sales so as to maintaining the operating risk within the manageable limit in the years to come.

2. The company may use additional external capital (i.e., fixed charge bearing capital) in its capital structure in near future as the rewards to the external funds provider are tax deductible expenditure as a result earnings after tax can be enhanced which will ultimately lead to make the equity shareholders happy and reliable on the firm‟s operating as well as financing performance.

3. The company should be maintaining a sound short-term debts paying capacity in future because the use of more amount of external funds may lead to short-term insolvency.

4. For the very existence and growth, every company has to earn adequate profit. As regards profitability, the company witnessed a fluctuating trend throughout the study period, which is not desirable from the management of the company. To keep the shareholders‟ happy and reliable the rate of return to the equity shareholders should be consistent in the years to come.

7.3 CONCLUSION

Tata Steel has proven itself as a top international players in steel-making in the decade. As it can be seen from the analysis that the equity capital of the company is rising and therefore Tata Steel has been successful in its growth. The trends show that equity capital has a great impact in maintaining the sustainability for the company. In the international market, Tata Steel has grown confidently. The clients of Tata Steel have been increased over the span of last decade. The debt capital trends have been increasing exponentially from 2005 to 2008. Capital structure plays an important part in managing the long term sources of finances. Majorly when economy is not doing great then debt is considered as the costly source of finance than equity. So perfect capital structure provides a proper source of financing considering the external factors and helps in value creation.

The basic proposition is that if a company has both the leverages at a high level, it will be a very risky position because the combined effect of the two is a multiple of these two leverages. Therefore, if a company has a high operating leverage, the financial leverage should be kept at a low level. Accordingly, if a company has high operating leverage and low financial leverage, it can partly dilute the effect of high operating leverage.

A low operating leverage means high controllable costs (variable costs) and low uncontrollable costs (fixed costs) and therefore a less risky situation. In the present study, the company has the high operating and financial leverages during the first three years of the study. That means the company is in a very risky position during the first three years of the study as compared to the entire study period.

BIBLIOGRAPHY

Anitha Mary C and Harini M (2017). AN EMPIRICAL STUDY ON CAPITAL STRUCTURE ANALYSIS OF TATA STEEL COMPANY.

Ata Takeh, Dr. Jubiliy Navaprabha (2016). CAPITAL STRUCTURE AND ITS IMPACT ON FINANCIAL PERFORMAMCE OF INDIAN STEEL INDUSTRY.

SUVARUN GOSWAMI; ANIRUDDHA SARKAR (2011). ANALYSIS OF FINANCIAL PERFORMANCE OF TATA STEEL – A CASE STUDY.

R. Sathish Kumar (2016). A Study on Capital Structure and Long - Term Solvency Position of Tata Steel Limited.

“A STUDY ON CONSUMER PERCEPTIONS WITH REFERENCE TO ONLINE FOOD ORDERING APPS”

A RESEARCH DISSERTATION

SUBMITTED TO

MUMBAI COLLEGE OF ARTS COMMERCE &SCEINCE

AFFILIATED TO UNIVERSITY OF MUMBAI

J.K JHADHAV KNOWLEDGE CENTRE , Nadkarni park, Behind Mbpt Hospital wadala E Mumbai 400037

SUBMITTED BY: -

MISS.Soni Yogendra Yadav

SEAT NO: 1162799

UNDER THE GUIDANCE OF: -

Mrs – Draksha khan

YEAR(2019-2020)

DECLARATION

“A STUDY ON CONSUMER PERCEPTIONS WITH REFERENCE TO ONLINE FOOD ORDERING APPS”

As per University requirements, I wish to state that the work embodied in this dissertation titled “**A Study on Consumer Perception with reference to Online Food Ordering apps**” forms my own contribution to the research work.

As per the university requirements, I wish to state that the work embodied in the dissertation titled **A Study on Consumer Perception with reference to Online Food Ordering apps**”from my own contribution to the research work carried out under the guidance of Mrs.Soni Yogendra Yadav , BGP’S Mumbai College of Arts & Commerce, and Science Wadala, Mumbai. This work has not been submitted for my other degree of this or any other university. Whenever reference has been made to previous works of other it has been clearly indicated as such and included in the bibliography.

Place: Mumbai

MISS.Soni Yogendra Yadav

Date:

Seat number : **1162799**

BGPS’

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI: - 400037

CERTIFICATE

I certify that this dissertation, titled ‘A study on role and relevance of BEST buses in local community in Mumbai region’ being submitted by Miss.Moni Yogendra Yadav for the degree of Bachelor of Management Studies to BGP’S College of Arts ,Commerce and Science, Affiliated to MUMBAI UNIVESITY, Mumbai is a bonafied work done by her during the period of her study under my supervision and guidance.

I further, certify that the above work was duly approved by me and her work is the result of candidate independent efforts.

Mrs. Daraksha Khan

Co-ordinator of TYBMS

Date: 19/09/2020

Place: Mumbai:

ACKNOWLEDGMENT

Working on this dissertation had been an incredible experience for me. For this, I would like to thanks a lot of people without whose co-operation and supportthis research would not have been possible.

Firstly, I would like to thank my supervisor and mentor, Ms.Soumya Nichani for her continuous guidance and support. She has been of great help to me in assisting me throughout my dissertation and would like to thank my professors Dr.Shubhangi Kulkarni for their valued support, motivation encouragement and help throughout the dissertation.

I am grateful to my father Mr.YOGENDRA YADAV and my mother Mrs.PRAMILA YADAV for her never ending support and faith in me. Without her presence and blessing, carrying out this research would have been rather difficult. It would also like to sincerely thank all the respondents for their precious time and useful insights on the research topic and who have patiently expressed their views to help me carry on with my dissertation.

In the end, I am thankful to my friends Ms.MONI YADAV , MR.MANSOORI ARKAM. and other who always stood by me and constantly encouraged me in my work.

Place: Mumbai

Date:19/09/2020

Miss. SONI YADAV YODENDRA

CONTENTS

LIST OF CHARTS

CHAPTER I

INTRODUCTION

1.1 INTRODUCTION

1.2 PROBLEM STATEMENT

1.3 OBJECTIVES OF THE STUDY

1.4 RESEARCH METHODOLOGY

1.5 SIGNIFICANCE OF THE STUDY

1.6 RATIONALE OF THE STUDY

1.7 CHAPTER SCHEME

1.8 DATA ANALYSIS

CHAPTER I

INTRODUCTION

1.1 INTRODUCTION

With the coming of the 21st century, we have entered an “e” generation era. The Internet has generated a tremendous level of excitement through its involvement with all kinds of businesses starting from e-Commerce, eBusiness, e CRM, eSupply Chain, eMarketplace, ePayment, e Entertainment, e Ticketing, eLearning, to e Citizenor e Governement The Internet has opened a window of opportunity to almost anyone because of its ability to make viable the conduct ofbusiness in cyberspace, or by connecting people worldwide without geographical limitations. Consumers can order goods and services virtually anywhere, 24 hours a day; 7 days a week without worrying about store hours, time zones, or traffic jams.

The Internet has also provided new opportunities for marketers by offering them innovative ways to promote, communicate, and distribute products and information to their target consumers. E-commerce has grown phenomenally in the past decade for a variety of reasons including changes in consumer lifestyles, technological advancements, increases in consumer income and education, and rapid financial development throughout the world. The use of the Internet as a shopping or purchasing vehicle has been growing at an impressive rate throughout the last decade. The tremendous growth of online sales and the unique functions of the Internet have drawn a great deal of attention from many companies rushing in to set up businesses over the Internet without knowing what factors actually motivate consumers to buy products or services online.

Online food ordering is the process of ordering food through the restaurant's own website or mobile app, or through a multi-restaurant's website or app. A customer can choose to have the food delivered or for pick-up. The process consists of a customer choosing the restaurant of their choice, scanning the menu items, choosing an item, and finally choosing for pick-up or delivery. Payment is then administered by paying with a credit card or debit card through the app or website or in cash at the restaurant when going to pick up. The website and app inform the customer of the food quality, duration of food preparation, and when the food is ready for pick-up or the amount of time it will take for delivery. The online food ordering market includes foods prepared by restaurants, prepared by independent people, and groceries being ordered online and then picked up or delivered.

In summary, the benefits of using the Internet in marketing are enormous as they offer a huge opportunity for marketers to create innovative activities that have not previously been viable.

1.2 PROBLEM STATEMENT

This study investigates what are the advantages & disadvantages of online food ordering. It also analyzes what channels are used more frequently in online food ordering. It analyses which channels provide convenient and easy access in placing orders and payment.

Therefore, the problem statement is developed as follows:

"A STUDY ON CONSUMER PERCEPTIONS WITH REFERENCE TO ONLINE FOOD ORDERING APPS"

1.3 OBJECTIVE OF THE STUDY

1. To study the working of online food ordering systems
2. To study the advantages and disadvantage of online food ordering.
3. To find out the customers perceptions and awareness of online food ordering
4. To analyze what channels are used more frequently in online food ordering.

1.4 RESEARCH METHODOLOGY

The term research methodology means a systematic procedure of conducting the study, gathering and analyzing the data. It includes discovering new facts, verifying old facts and interpretation of data. Hence the researcher has collected data or information relevant for the study by using different sources. The various sources of data collection used for the purpose of the study were as follows:

a) Secondary Data

The researcher will collect secondary data from the following sources namely Books, journals, Research papers & Articles and Internet sites. The researcher will also collect information from the research work that has already done by other researchers.

b)Primary Data

The primary data for the study will be collected through the questionnaire method. A structured questionnaire will be developed. This will help the researcher to gather reliable primary data from respondents on their demographics, opinion and attitudes towards the topic under study.

c) Data Analysis

A proper analysis of data will be done with the help of suitable statistical techniques, after gathering and processing of data. Pictorial and graphical presentation will be provided from the data gathered.

d) Sample Size

The present research deals with the study of consumer perception with reference to online food ordering in Mumbai city. The samples for the study were selected on convenience sampling basis by the researcher. The following table shows the sampling frame and the sample size taken for the research purpose.

Age	**Male**	**Female**	**Total**
16-20	15	15	30
21-25	15	15	30
26 & above	15	15	30
TOTAL	45	45	90

1.5 SIGNIFICANCE OF THE STUDY

In this day and age where presence in the virtual world is an imperative, small restaurants and entrepreneurs too need to take benefit of it. Online food ordering websites present just the options. Entering into online food ordering websitehave been developed consumer convenience than anything else, but they do open a plethora of opportunities for small establishments to grow them business. Further online food ordering has been an international phenomenon for a while now. This study aims to get some insights into customer preferences and the factors considered by them with respect to online food ordering.

1.6RATIONALE OF THE STUDY

The study is aimed at analyzing consumer attitudes towards online food ordering and the various factors that influence the decision to buy online. It attempts todo an depth analysis and gain understanding into the consumer buying patterns as well as identifying the problems faced in the online ordering of foods**.**

1.7 HYPOTHESIS:

The hypothesis framed for the project A Study on Consumer perception with reference to Online food ordering is:

"Online food ordering is preferred by consumers as compared to traditional food ordering methods"

1.8 CHAPTER SCHEME:

1. Introduction.
2. Conceptual Framework
3. Review of Literature.
4. Customer's perceptions and awareness of online food ordering.
5. Analysis of the channels which are used more frequently in online food ordering.
6. Conclusions and Findings.
7. Suggestions and Recommendation.
8. Bibliography

CHAPTER II

CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION

2.2 CONCEPTS RELATED TO CONSUMER PERCEPTION

2.3 CONCEPTS RELATED TO ONLINE FOOD ORDERING

2.4 CONCLUSION

2.1 INTRODUCTION

In this chapter, the researcher has made an attempt to discuss all the various concepts related to the study. The problem statement of the research project is “A STUDY ON CONSUMER PERCEPTION WITH REFERENCE TO ONLINE FOOD ORDERING APPS” The different concepts which are covered under this chapter are meaning of consumer perception, and the various other concepts that are covered under this chapter and all concepts are been discussed in this chapter. Some other concepts are also mentioned they are meaning of consumer perception, concept of online food ordering and its impact.

2.2MEANING AND DEFINATION OF CONSUMER PERCEPTION

A person who purchases goods and services for personal useis Known as consumer. The ability to see, hear, or become aware of something through the senses is perception.The formal definition of customer perception is, “A marketing concept that encompasses a customer’s impression, awareness and/or consciousness about a company or its offerings.”

To put it simply, customer perception is what your customers and potential customers think of your organization. This perception directly impacts the attraction of new customers and the capacity to maintain good relationships with current customers. In today’s digital age, virtually everything is a Google search away. This makes your goods and services easier to find, but the tradeoff is that your competition is easier to find as well. That means it’s easier for unhappy or unsatisfied customers to leave. Consumers want good quality, but they also want to know they are getting good value. That value isn’t just judged by the product or service they are purchasing, but by the availability and usability of the customer service that supports it. It’s just not enough anymore to have brand recognition, consumers want to feel good about a brand and company. They want to do business with civic-minded corporations with positive world views.Knowing first what influences customer perception allows you to secure your organization’s perceived identity.

Some factors that influence individual’s perceptions include:

- **Advertising** – The campaigns your company runs offer implied perceptions about your products. What you say about your brand/company and the messages you deliver help others form opinions.

- **Influencers** – The people that surround an individual have a massive impact on their decisions. Whether they be in person or via social media, human nature is such that individuals listen to the opinions and thoughts of those around them.
- **Personal experience** – This is the biggest of all factors that weigh in to customer perception. If someone has experienced firsthand the quality of a product or service or the responsiveness and usefulness of a customer service channel, it will positively or negatively impact their perception.

2.2.1 MEANING AND DEFINITION OF CONSUMER BEHAVIOUR

Walters[1] defines consumer behaviour as: " ... the process whereby individuals decide whether, what, when, where, how, and from whom to purchase goods and services."

Mowen[2] provides a different definition by explaining consumer behaviour as: "... the study of the buying units and the exchange processes involved in acquiring, consuming, and disposing of goods, services, experiences, and ideas". This definition focuses on buying units in an attempt to include not only the individual but also groups that purchase products or services.

Schiffman & Kanuk[3] define consumer behaviour as: "The behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products, services, and ideas." They elaborate on the definition by explaining that consumer behaviour is, therefore, the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. It includes the study of what, why, when, where and how often they purchase and how they use the purchased product. In addition, it encompasses all the behaviours that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs.

Consumer buyer behavior is considered to be an inseparable part of marketing[4] .Consumer buying is the study of the ways of buying and disposing of goods, services, ideas or experiences by the individuals , groups and organizations in order to satisfy their needs and wants.

Buyer behavior has been defined as “a process, which through inputs and their use though process and actions leads to satisfaction of needs and wants”[5]. Consumer buying behavior has numerous factors as a part of it which are believed to have some level of effect on the purchasing decisions of the customers.

[11] Walters(1974:7)
[2] Mowen(1993:6)
[3] Schiffman & Kanuk(1997:648)
[4] Kotler & Keller(2011)
[5]Enis,1974,p.228

Alternatively, consumer buying behavior "refers to the buying behavior of final consumers, both individuals and households, who buy goods and services for consumption"[6].

Consumer behavior is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

A person who purchases goods and services for personal use.

Any individual who purchases products or services for his personal use and not for manufacturing or resale is called a consumer. Consumer refers to any person who purchases some goods for a consideration that has been either paid or promised to pay or partly paid and partly promised.

A consumer is one that buys good for consumption and not for resale or commercial purpose. The consumer is an individual who pays some amount of money for the thing required to consume goods and services. As such, consumers play a vital role in the economic system of a nation. Without consumer demand, producers would lack one of the key motivations to produce: to sell to consumers. The consumer also forms part of the chain of distribution.

2.2.2FACTORS AFFECTING CONSUMER BEHAVIOUR

1. Consumer Behaviour – Cultural factors

Culture plays a very vital role in the determining consumer behaviour it is sub divided in

- **Culture**

Culture is a very complex belief of human behaviour it includes the human society, the roles that the society plays, the behaviour of the society, its values customs and traditions. Culture needs to be examined as it is a very important factor that influences consumer behaviour.

[6]kumar,2010,p.218

- **Sub-Culture**

Sub-culture is the group of people who share the same values, customs and traditions. You can define them as the nation, the religion, racial groups and also groups of people sharing the same geographic location

- **Social Class**

Society possesses social class; in fact every society possesses one. It is important to know what social class is being targeted as normally the buying behaviour of a social class is quite similar. Remember not just the income but even other factors describe social class of a group of consumers.

2. Consumer Behaviour – Social Factors

Social factors are also subdivided into the following

- **Reference groups**

Under social factors reference groups have a great potential of influencing consumer behaviour. Of course its impact varies across products and brands. This group often includes an opinion leader.

- **Family**

The behaviour of a consumer is not only influenced by their motivations and personalities but also their families and family members who can two or more people living together either because of blood relationship or marriage.

- **Role and status**

People who belong to different organizations, groups or club members, families play roles and have a status to maintain. These roles and status that they have to maintain also influences consumer behaviour as they decide to spend accordingly.

3. Consumer Behaviour – Personal factors

A number of personal factors also influence the consumer behaviour. In fact this is one major factor that influences consumer behaviour. The sub factors under personal factor are listed below.

- **Age and life cycle stage**

Age of a consumer and his life cycle are two most important sub factors under personal factors. With the age and the life cycle the consumers purchase options and the motive of purchase changes, with his decisions of buying products change. Hence this stage does affect consumer behaviour.

- **Occupation**

Occupation of a consumer is affects the goods and services a consumer buys. The occupations group has above average interest in buying different products and services offered by organizations. In fact organizations produce separate products for different occupational groups.

- **Financial or economic situations**

Everything can be bought and sold with the help of money. If the economic situation of a consumer is not good or stable it will affect his purchase power, in fact if the consumers or the economy of a nation is suffering a loss it defiantly affects the consumers purchase or spending decisions.

- **Life style**

People originating from different cultures, sub cultures, occupations and even social class have different styles of living. Life style can confirm the interest, opinions and activities of people. Different life styles affect the purchase pattern of consumers.

- **Self concept and personality**

Every individual is different and have different and distinct personalities. Their distinct personalities and distinct physiology effects their buying decisions. Hence purchase of products and services defers from person to person.

4. Consumer Behaviour – Psychological factors

4 psychological factors affect consumer behaviour very strongly. Let’s look at them in detail.

- **Motivation**

Motivation is activating the internal needs and requirements of the consumer. It can also be described as goals and needs of the consumers. Motivation arouses and directs the consumers towards certain goals. These needs can be psychological needs, needs of security, social needs, esteem needs and also self actualizing needs.

- **Perception**

Perception is sensing the world and the situations around and then taking a decision accordingly. Every individual look as the world and the situations differently. The judging ability and capacity of every individual is different and hence the look at the world differently. This is what separates the decision taking abilities.

- **Learning and experience**

Learning is the research of products and services before the consumer takes the decision of buying a product. Learning and self educating these days is done online and also in groups. Experience is taking a lesson from the past experiences of a product and service. Learning and experience both again play an important role in influencing the consumer's behaviour as it influences their purchase decision.

- **Attitude and beliefs**

Attitude is a consumer's favorable and unfavorable emotional condition or emotional feeling, also its tendency of reaction to certain actions and behaviour's. Beliefs of people that are the belief that people assume the products to be as make the specifications of the products. Hence attitude and beliefs are also important and need to be taken into consideration while studying human behaviour.

2.3CONCEPTS RELATED TO ONLINE FOOD ORDERING

Online food ordering is the process of ordering food from a website or other application. The product can be either ready-to-eat food (e.g., direct from a certified home-kitchen, restaurant, or a ghost kitchen) or food that has not been specially prepared for direction consumption (e.g., vegetables direct from a farm/garden, frozen meats. etc).

The Online Ordering System can be defined as a simple and convenient way for customers to purchase food online, without having to go to the restaurant.
This system is enabled by the internet – it is the internet that connects the restaurant or the food company on one hand, and the customer on other hand.

Therefore, as per this system, the customer visits the restaurant's app or website, browses through the various food items, combos and cuisines available there and goes ahead and selects and purchases the items he or she needs.

These items will then be delivered to the customer at his or her doorstep at the time they choose by a delivery person.

Payments for such online orders can be made through debit cards, credit cards, cash or card on delivery, or even through digital wallets.

This system for online food delivery is completely safe, secure and is a very popular method that is revolutionizing the way in which the food industry operates.

Online ordering systems generally consists of 2 main components. First is a website or mobile app for hungry customers to view the restaurant's dishes and place an online order. Second is an admin management interface for the restaurants to receive and manage the customer's orders.

2.4 CONCLUSION

When a consumer order online, he or she is affected by various factors. The main influencing factors have been identified as price, trust and convenience. With online ordering on board you will enriched your customer experience by making the process of 'placing orders' a lot easier. It will show that you value your customer's time. Online ordering will guarantee a 'level up' to your web presence. And a good web presence will make you stand out in the search engine rankings and bring more customers to you.

Online ordering will boost your productivity by eliminating the inefficient process of taking orders. It will help you to plan and implement an adaptive marketing campaign.

Utilizing the latest online ordering technology for your restaurant will also help you to tap into a massive customer base which is tech-savvy and believes in 'online way'.

CHAPTER III

REVIEW OF LITERATURE

3.1 INTRODUCTION

3.2 REVIEWS RELATED TO CONSUMER BEHAVIOUR

3.3 CONCLUSION

CHAPTER III

REVIEW OF LITERATURE

3.1 INTRODUCTION

The objective of this chapter is to review the literature used for the purpose of presenting the research work. This chapter deals with various books, journals, magazines which were reviewed to gain background of research topic. It includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a research topic.

Kotler has explained that the consumer mind is different from one another in this as author said in definition that according to the human psychology, demographic differences age &sex and to understand people needs and to assess the influences of every consumer approach is different, in theory explained that consumer is treated as decider of the company whatever the product comes to the market, the consumer is the ultimate purchaser for every product, sometimes the consumers are choosing, selecting and going for family decision making to choose differently.

A literature review is an account of what has been published on a topic by accreditedscholars and researchers. The purpose of reviewing service literature over a topic isto gain knowledge and ideas of what have been established on a topic, and what theirstrengths and weakness are. As a piece of writing, the literature of review is definedby a guiding concept. Example the research problem and is not merely a descriptivelist of the material available or a set of summaries.

3.2 REVIEWS RELATED TO CONSUMER BEHAVIOUR

According to Serhat Murat Alagoz & Haluk Hekimoglu[7], e-commerce is rapidly growing worldwide, the food industry is also showing a steady growth. In this research paper they have used the Technology Acceptance Model (TAM) as a ground to study the acceptance of online food ordering system.

Their data analysis revealed that the attitude towards online food ordering vary according to the ease and usefulness of online food ordering process and also vary according to their innovativeness against information technology, their trust in retailers and various external influences.

According to H.S. Sethu & Bhavya Saini[8], their aim was to investigate the students perception, behaviour and satisfaction of online food ordering and delivery services. Their study reveals that online food purchasing services help the students in managing their time better. It is also found that ease of availability of their desired food at any time and at the same time easy access to internet are the prime reasons for using the services.

According to Sheryl E. Kimi's[9] (2011), his study found that perceived control and perceived convenience associated with the online food ordering services were important for both users and non-users. Non-users need more personal interaction and also had higher technology anxiety to use the services.

According to Leong Wai Hong (2016)[10], the technological advancement in many industries have changed the business model to grow. Efficient systems can help improve the productivity and profitability of a restaurant. The use of online food delivery system is believed that it can lead the restaurants business grow from time to time and will help the restaurants to facilitate major business online.

According to Varsha Chavan, et al, (2015)[11], the use of smart device-based interface for customers to view, order and navigate has helped the restaurants in managing orders from customers immediately. The capabilities of wireless communication and smart phone technology in fulfilling and improving business management and service delivery. Their

---

[7] Serhat Murat Alagoz & Haluk Hekimoglu (2012)
[8] H.S. Sethu & Bhavya Saini (2016)
[9] Sheryl E. Kimi's (2011)
[10] Leong Wai Hong (2016)
[11] Varsha Chavan, et al, (2015)

analysis states that this system is convenient, effective and easy to use, which is expected to improve the overall restaurant business in coming times.

According to Hong Lan, et al, (2016)[12], online food delivery market is immature yet; there are some obvious problems that can be seen from consumers‟ negative comments. In order to solve these problems, we can neither rely merely on the self-discipline of online food delivery restaurants nor the supervision and management of online food delivery platforms. Only by taking laws as the criterion, with the joined efforts of the online food delivery platforms and restaurants, the government departments concerned, consumers and all parties in the society, can these problems be solved and a good online take away environment can be created.

Benedict et al (2001)[13] - Study explains that perceptions toward online shopping and intention to shop online are not only affected by its nature of ease in usefulness and enjoyment, but also by exogenous elements like consumer traits, situational factors, product characteristics, previous online shopping experiences, and trust in online shopping

Customer Perception and Satisfaction on Ordering Food via Internet, a Case on Foodzoned.Com, in Manipal (2016)[14] - The study found that the emergence of online food ordering services is high. The student users of these services are well seasoned with the information available on these websites and they feel more comfortable using help services availableonline.

Brymer (1991)[15] states that the hospitality industry is comprised of those businesses which practice the act of being hospitable; those businesses which are characterized by generosity and friendliness to guest. This business that comprise the major segments of the industry: foodservice, lodging, travel and re-creation

Grunert[16] stated that "people seek food, not nutrients. The common beliefs underlying all these classifications are that food has social and psychic meanings that meals serve as communicative symbolism, and "that eating is an experience that may be invested with many

---

[12]Hong Lan, et al, (2016)
[13]Benedict et al (2001)
[14]Foodzoned.Com, in Manipal (2016)
[15]Brymer (1991)
[16]Grunert in his article (Babcoke,1948,p.390)

intellectual and emotional values quite apart from metabolic utilization of the food" (Babcoke,1948,p.390).

According to Lungberg and Walker (1993)[17] said that the reasons for "eating out" are several and some of them complex. The National Restaurant Association (NRA) has sponsored a number of studies of restaurant consumers and their reactions to various kinds of restaurants. According to one of these studies, the three most important considerations in the decision to eat out were:

- No one has to clean up

- It permits a change of pace

-It is considered a treat

According to National Restaurant Association statistics[18], the most common day of the year to dine out is a birthday. Approximately 50% of consumers celebrate their birthday at a restaurant. Mother's Day and Father's Day rank as the second and third busiest holidays celebrated in restaurants. The most popular day of the week for consumers to dine out is Friday,followedbySaturdayandThursday(Mill,1998).

According to The City Pages, Minneapolis/ St. Paul reviewed about one Vietnamese restaurant in town by Moskowitz (1999)[19] said “Customers are stocking up in pursuit of fresh, simple Vietnamese food made with an emphasis on clean flavour and bright herbs, delivered quickly, and priced reasonably".

According to Gloria food[20] the advantage of online ordering and the reasons for the growth of food delivery app industry are Convenience, Simpler menu to manage, significant savings, no hassels etc

According to a January 28 report[21] in The Times of India, Rocket Internet backed Foodpanda has not found a buyer even with a rock bottom price tag of $10-15 million.The company laid off 300 people in December 2015, about 15% of its workforce. In September 2015, TinyOwl had fired 100 employees in its Mumbai and Pune offices. And in October, Zomato sacked 300 workers. UK based Just Eat entered and exited the market faster than you would order and receive pizza

---

[17]Lungberg and Walker (1993)
[18]National Restaurant Association statistics
[19]According to The City Pages
[20]According to Gloria food
[21]According to a January 28 report

Bhavna Singh (2015)[22] said that Foodpanda has been present in the Indian market since May 2012. Foodpanda first major move was acquisition of TastyKhana, which was launched in the city of Pune in 2007. Together with TastyKhana and JUST EAT, it is now present in over 200 cities and partners with over 12,000 restaurants. She also talked about JUST EAT was launched in Denmark in 2001 and was traded publicly on the London Stock Exchange. Their Indian business was launched as Hungry Bangalore in 2006. It was renamed in 2011 when JUST EAT acquired a majority share in the business. Today, the company partners with over 2,000 restaurants.

3.3 CONCLUSION

Consumer perception towards online food ordering apps is a very vast and vital topic to study. Different researchers have covered different aspects of consumer perception's and online food ordering's. The contribution of these researchers has helped the parent researcher add value to the existing knowledge and it also opens new areas for further research. Therefore, the parent study is as earnest of the hour which will focus on "A study on consumer perception with reference to online food ordering apps."

[22]Bhavna Singh (2015)

CHAPTER IV

ANALYSIS OF FOOD HABITS OF CONSUMERS

4.1 INTRODUCTION

4.2.1 DEMOGRAPHIC COMPOSITION OF RESPONDENTS – AGE & GENDER

4.2.2 DEMOGRAPHIC COMPOSITION OF RESPONDENTS – OCCUPATION

4.2.3 DEMOGRAPHIC COMPOSITION OF RESPONDENTS – INCOME LEVEL

4.2.4 FREQUENCY OF CONSUMPTION OF FAST FOOD

4.2.5 FREQUENCY OF ORDERING FOOD FOR DELIVERY

4.2.6 PREFERRED FOOD APP

4.2.7 MOST PREFERRED MEAL FOR OPTING FOR FOOD DELIVERY SERVICE

4.2.8 TIME POINT AT WHICH PAYMENT FOR THE ORDER IS PREFERRED

4.3 CONCLUSION

CHAPTER IV

ANALYSIS OF FOOD HABITS OF CONSUMERS

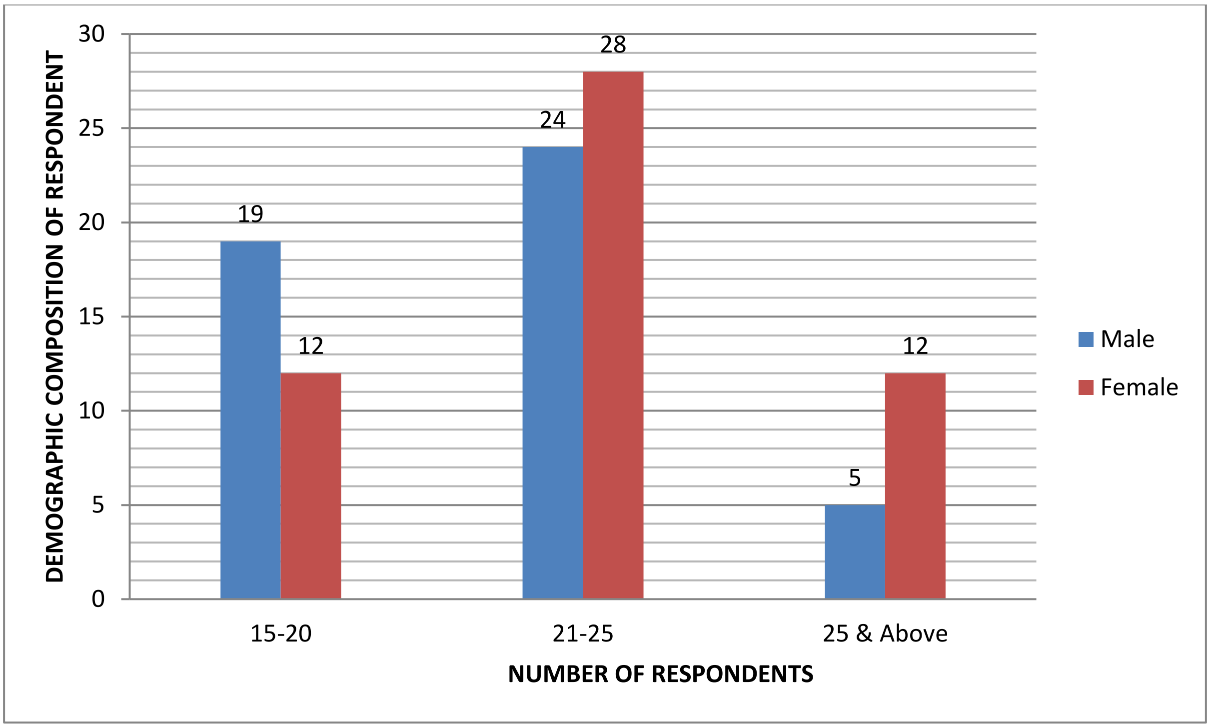
4.1 INTRODUCTION

Onlinefoodordering is the process of ordering food from a website or other application. The product can be either ready-to-eat food (e.g., direct from a certified home-kitchen, restaurant, or a ghost kitchen) or food that has not been specially prepared for direction consumption (e.g., vegetables direct from a farm/garden, frozen meats. etc).

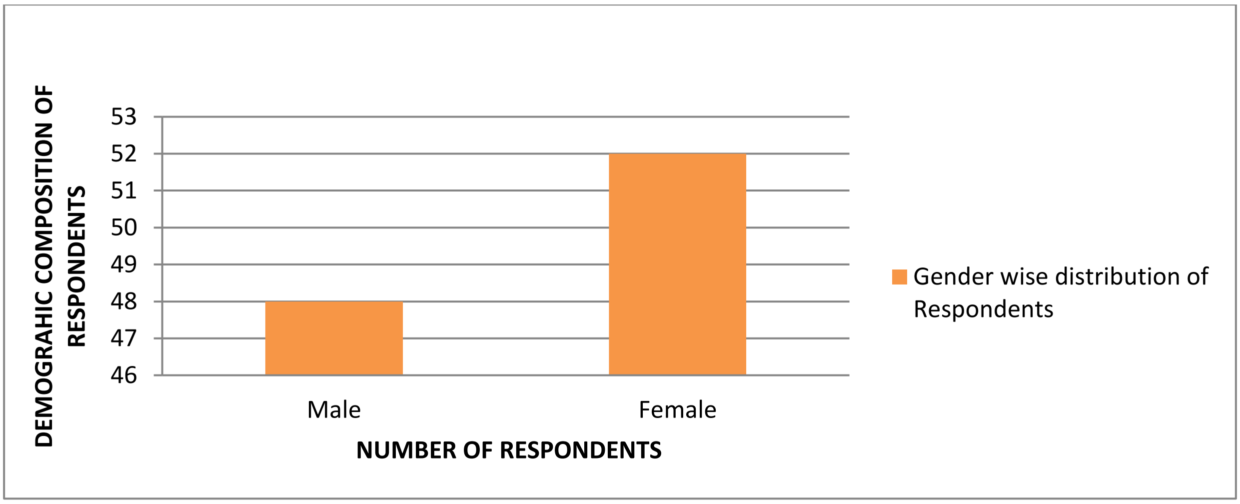
Online food ordering is the process of ordering food through the restaurant's own website or mobile app, or through a multi-restaurant's website or app. A customer can choose to have the food delivered or for pick-up. The process consists of a customer choosing the restaurant of their choice, scanning the menu items, choosing an item, and finally choosing for pick-up or delivery. Payment is then administered by paying with a credit card or debit card through the app or website or in cash at the restaurant when going to pick up. The website and app inform the customer of the food quality, duration of food preparation, and when the food is ready for pick-up or the amount of time it will take for delivery. The online food ordering market includes foods prepared by restaurants, prepared by independent people, and groceries being ordered online and then picked up or delivered.

Chart 4.2.0

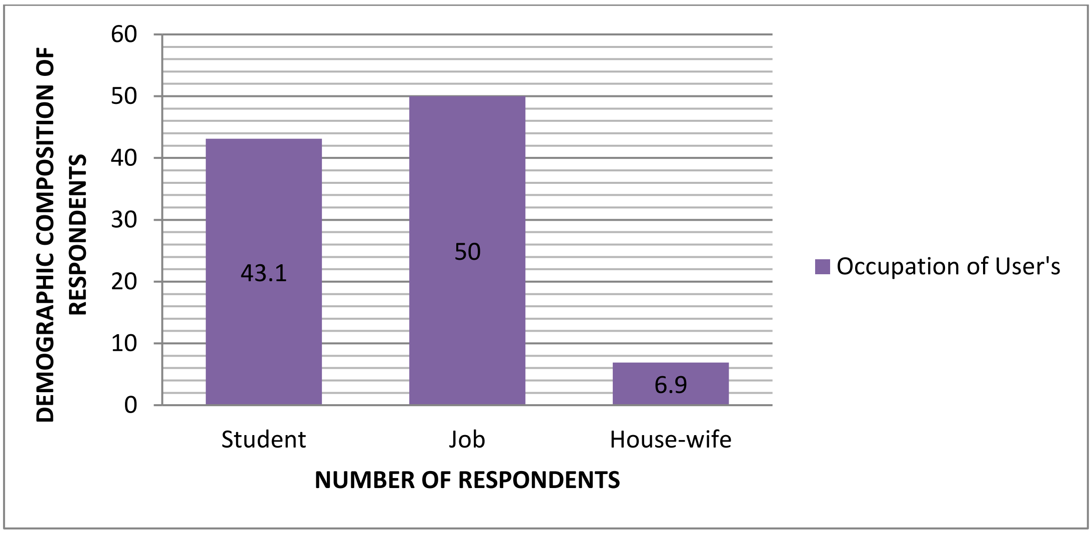
DEMOGRAPHIC COMPOSITION OF RESPONDENTS – AGE & GENDER



DEMOGRAPHIC COMPOSITION OF RESPONDENTS – GENDER



DEMOGRAPHIC COMPOSITION OF RESPONDENTS – OCCUPATION



DEMOGRAPHIC COMPOSITION OF RESPONDENTS – INCOME LEVEL

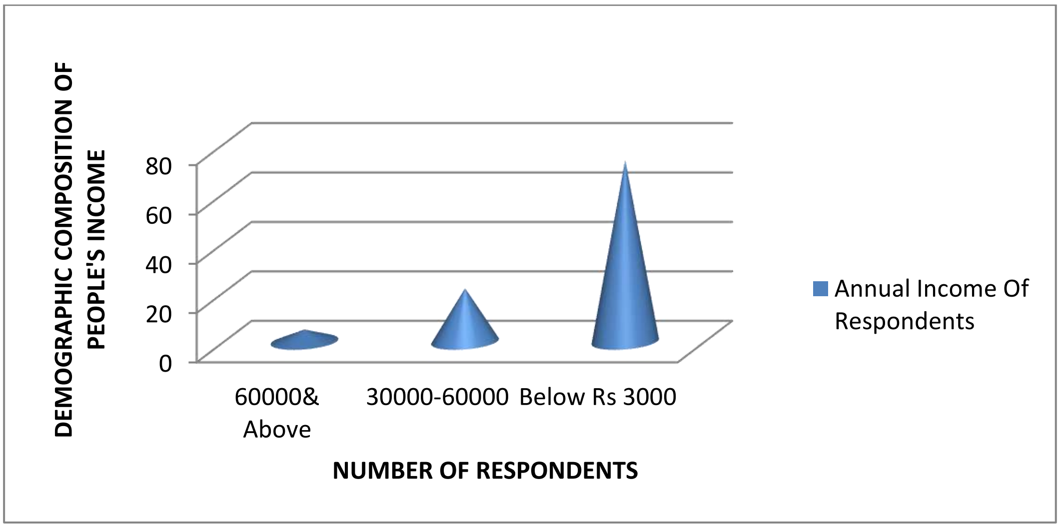
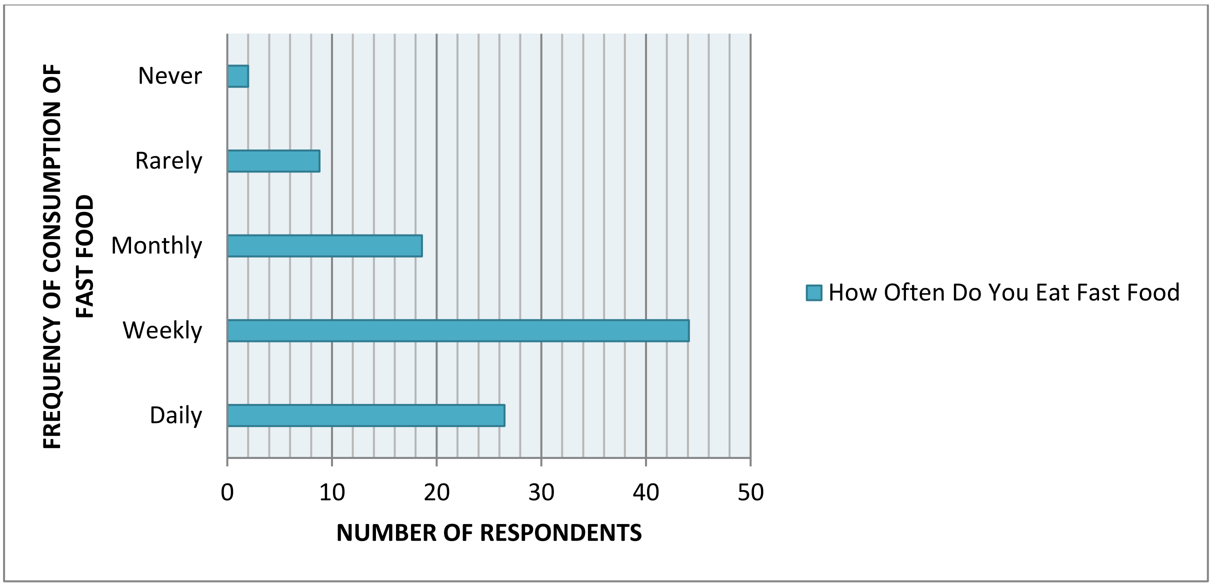


Chart 4.2.1

FREQUENCY OF CONSUMPTION OF FAST FOOD

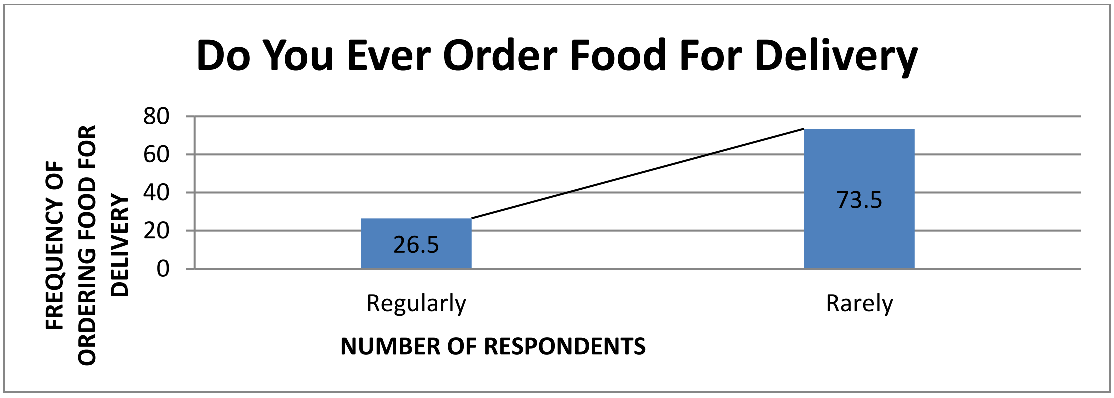


Source: Compiled from Primary Data Collection 2019-20.

Chart 4.2.1 depicts that 26.5 per cent consumefast food on daily basis, 44.1 per cent people consume weekly, 18.6 per cent people consume it monthly, 8.8 per cent are Rarely and the rest of 2 per cent per son never consume Fast Food.

Chart 4.2.2

FREQUENCY OF ORDERING FOOD FOR DELIVERY

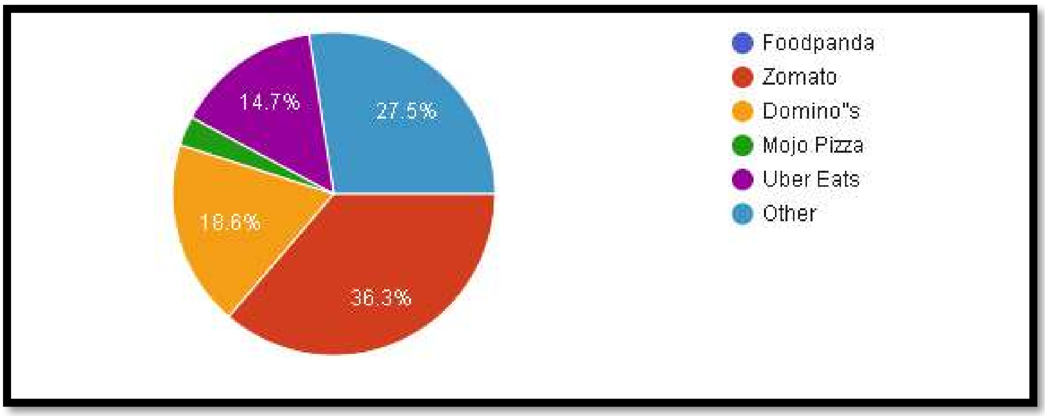


Source: Compiled from Primary Data Collection 2019-20.

Chart 4.2.2 depicts that 26 per cent people order Food for delivery and rest 74 per cent don’t order food for delivery.

Chart 4.2.3

PREFERRED FOOD APP

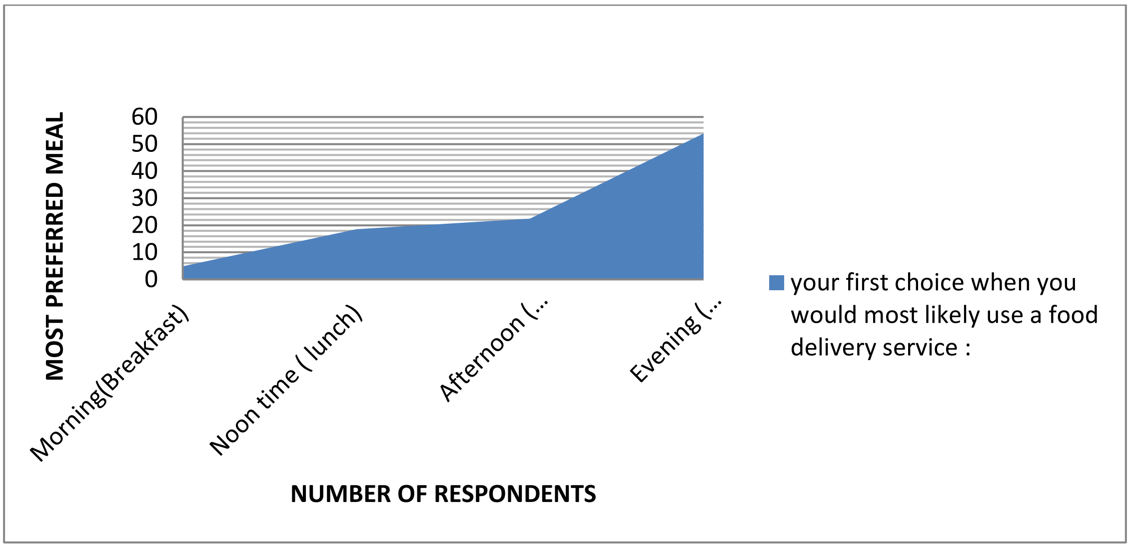


Source: Compiled from Primary Data Collection, 2019-20.

The above chart shows that 37.3 per cent of people are using Zomato,18.6 per cent are using Domino’s ,14.7 per cent people are using Uber Eats,2.9 per cent people are choosing Mojo pizza, 1 per cent people are using Food panda , and rest 27.5 per cent are opting for others.

Chart 4.2.4

MOST PREFERRED MEAL FOR OPTING FOR FOOD DELIVERY SERVICE

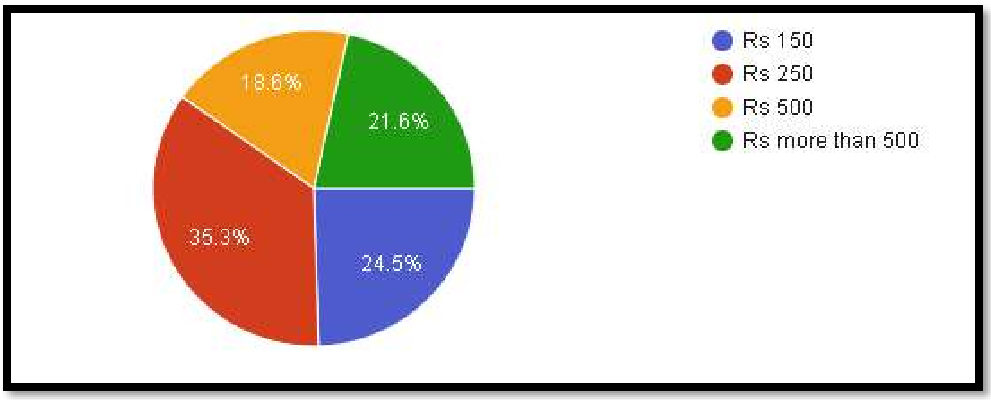


Source: Compiled from Primary Data Collection, 2019-20.

From the Above Diagram we can see mostly people prefer Evening timing for food delivery option as the per centage states 53.9 per cent, and the second preferred timing is Afternoon as the per centage stated is 22.5 per cent, some people choose timing of Noon according to their priority as the table states 18.6 per cent, and hardly people choose Morning time, as we can see in the above diagram the per centage is 4.9 per cent only.

Chart 4.2.5

AMOUNT SPENT ON ORDERING FOOD ON DELIVERY

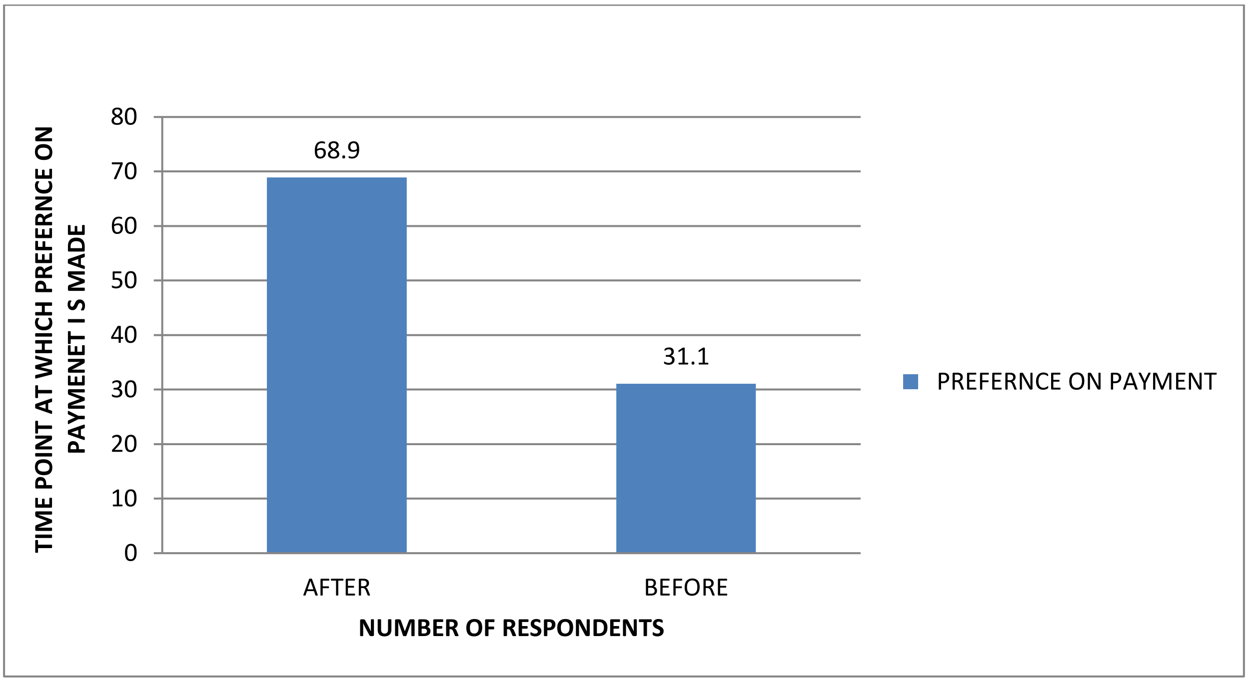


Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 35.3 per cent peoplespend Rs 250 for their meal,24.5 per cent people spend Rs150 for their meal, 21.6 per cent people spend more than Rs 500 for ordering and rest 18.6 per cent spend Rs 500 for their meal.

Chart 4.2.6

TIME POINT AT WHICH PAYMENT FOR THE ORDER IS PREFERRED

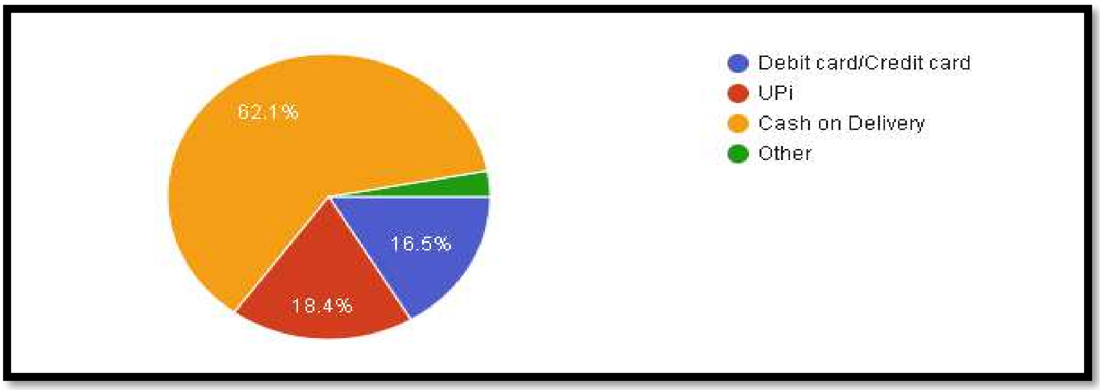


Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that :68.9 per cent people like to pay their bills after they received their order and rest 31.1 per cent people like to pay before the order arrives.

Chart 4.2.7

PREFERRED MODE OF PAYMENT FOR ORDER



Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 62.1 per cent people choose cash on delivery as a payment mode,18.4 per cent people opt for UPI, 16.5 per cent people opt for Debit card/Credit card, and rest 2.9 per cent people choose other.

4.3 CONCLUSION:

From the above study it can be seen that the Doorstep food delivery has its impact with a wave among the youth mass and a tremendous increase has been seen in restaurant business with various strategies. The youth are found to be more prone towards using such food applications as they are being more exploring oriented and ex per ience oriented. E-commerce has opened route for numerous upcoming source of marketing the products or services with better transparency, quick, ease and convenient, establishing relationship with citizens and business. The factors influencing the most for use of such applications found to be ease and convenience of the usage of the applications and also because it saves time to an extent.

So food delivery applications have a long way to go, although some issues like late delivery and non availability of items/dishes are being stated which are to be improved to the extent possible.

CHAPTER V

USER PERCEPTION REGARDING ONLINE FOOD ORDERING SERVICES

5.1 INTRODUCTION :

5.2.1 USER'S OPINON REGARDING TIME-SAVING FACTOR OF ONLINE FOOD ORDERING

5.2.2 USER'S OPINON REGARDING AFFORDABILITY OF ONLINE FOOD ORDERING

5.2.3 USER'S OPINION WHETHER LEVEL OF INFORMATION & COMMUNICATIONOFFERED BY FOOD DELIVERY APPS IS GOOD OR NOT.

5.2.4 USER'S OPINON REGARDING TIE-UP OF THE FOOD DELIVERY APPS WITH GOOD RESTAURANTS

5.2.5 USER'S OPINON REGARDING VARIETY OF MENU AVAILABLE VIA FOOD DELIVERY APPS

5.2.6 USER'S OPINON ON DELIVERY OF COMPLIMENTARY ITEMS ALONG WITH ORDER

5.2.7 AVAILABILITY OF FACILITY FOR GIVING FEEDBACK

5.2.8 OVERALL RATING WHETHER FOOD DELIVERY APPS ARE BENEFICIAL TO CONSUMER

5.3 CONCLUSION

CHAPTER V

USER PERCEPTION REGARDING ONLINE FOOD ORDERING SERVICES

5.1 INTRODUCTION :

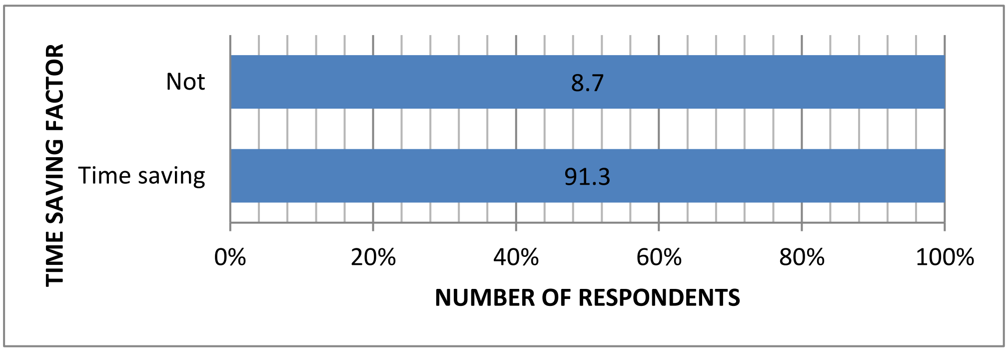
Online food delivery is a service in which a store or restaurant delivers food to a customer through the restaurant's website. Many restaurants are witnessing an increase in business, as ordering food online becomes more and more popular across the country. An online food menu is created in each mobile application. Mobile applications like Zomato, Swiggy, Uber Eats provide the customers countless varieties of dishes from different nearby restaurants and customers can easily place the order.

Food Ordering on the internet is conceptually different from other sources of ordering food, as the internet promotes a one to one communication between the seller and the end user with round the clock customer service.

In this chapter the researcher has tried to analyse how users feel about online food ordering services and find out their opinions on various matters like affordability, convenience and so on.

Chart 5.2.1

USER'S OPINON REGARDING TIME-SAVING FACTOR OF ONLINE FOOD ORDERING

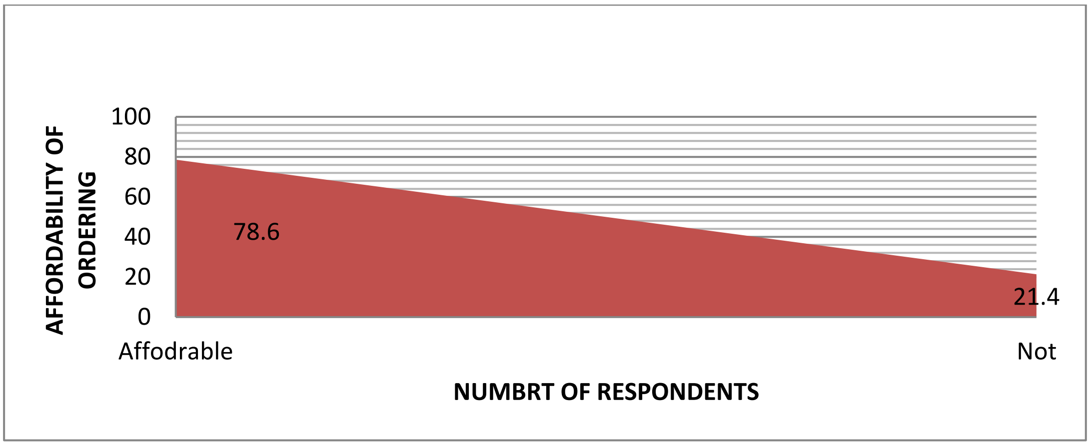


Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 91.3 per cent people think online food ordering is time saving and rest 8.7 per cent people don't agree with them.

Chart 5.2.2

USER’S OPINON REGARDING AFFORDABILITY OF ONLINE FOOD ORDERING

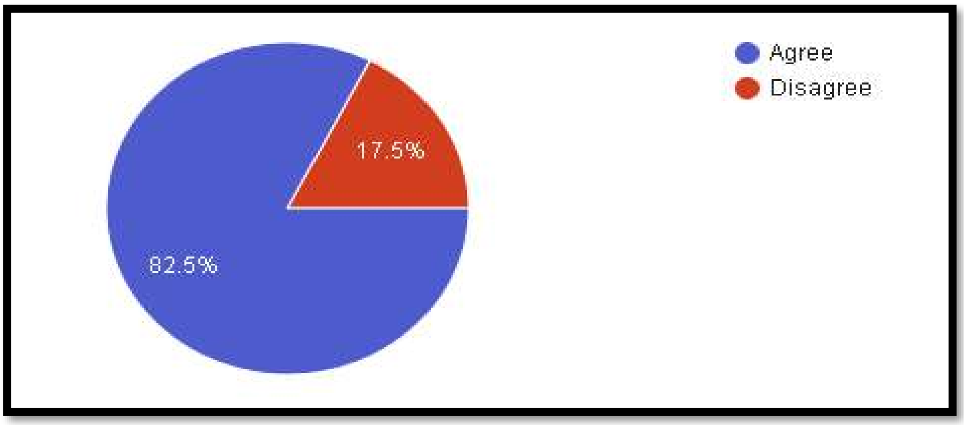


Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 78.6 per cent people think its affordable and rest 21.4 per cent think it’s Not Affordable to order Food online.

Chart 5.2.3

USER'S OPINION WHETHER LEVEL OF INFORMATION & COMMUNICATION OFFERED BY FOOD DELIVERY APPS IS GOOD OR NOT.

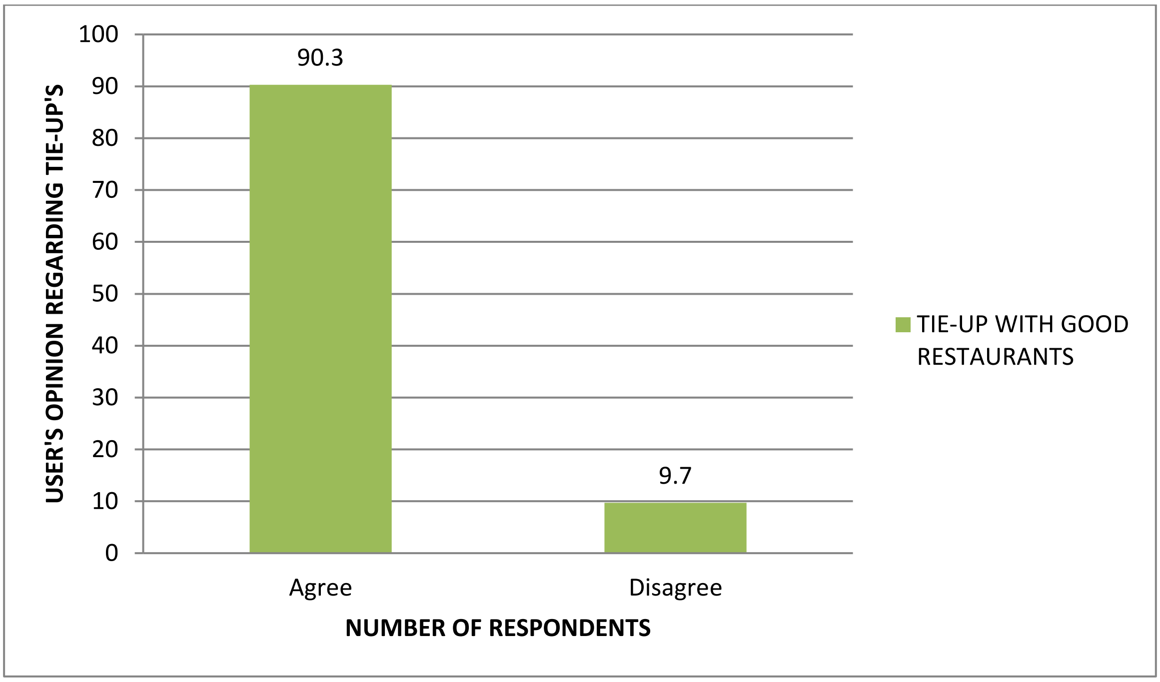


Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 82.5 per cent people agree to the statement that the level of information provided by food delivery apps is good and rest 17.5 per cent people disagree with the same.

Chart 5.2.4

USER'S OPINON REGARDING TIE-UP OF THE FOOD DELIVERY APPS WITH GOOD RESTAURANTS



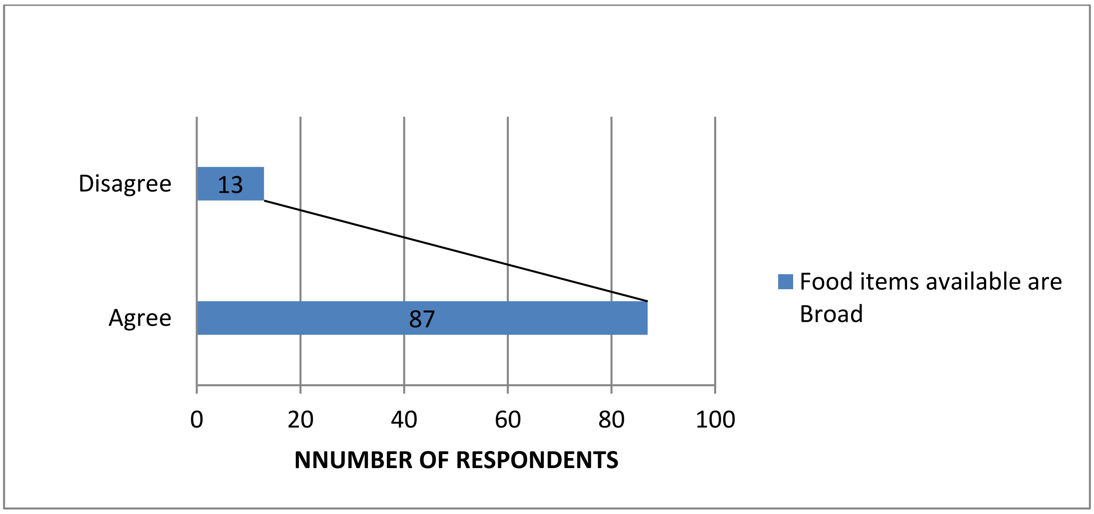
Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 90.3 per cent people agree that the food delivery apps have tie up with good restaurants and rest 9.7 per cent people disagree to the statement.

.

Chart 5.2.5

USER'S OPINON REGARDING VARIETY OF MENU AVAILABLE VIA FOOD DELIVERY APPS

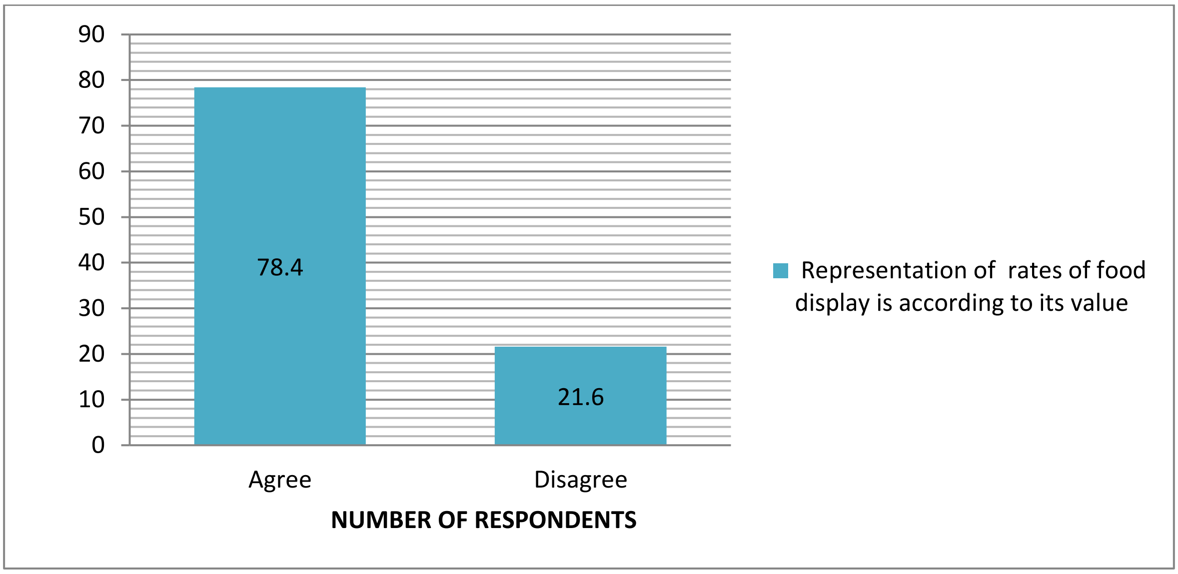


Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 87 per cent people think they are getting variety of menu via online apps and rest 13 per cent don't agree to the statement.

Chart 5.2.6

USER'S OPINON ON WHETHER THE RATES DISPLAYED ON THE APP JUSTIFY THEIR VALUE

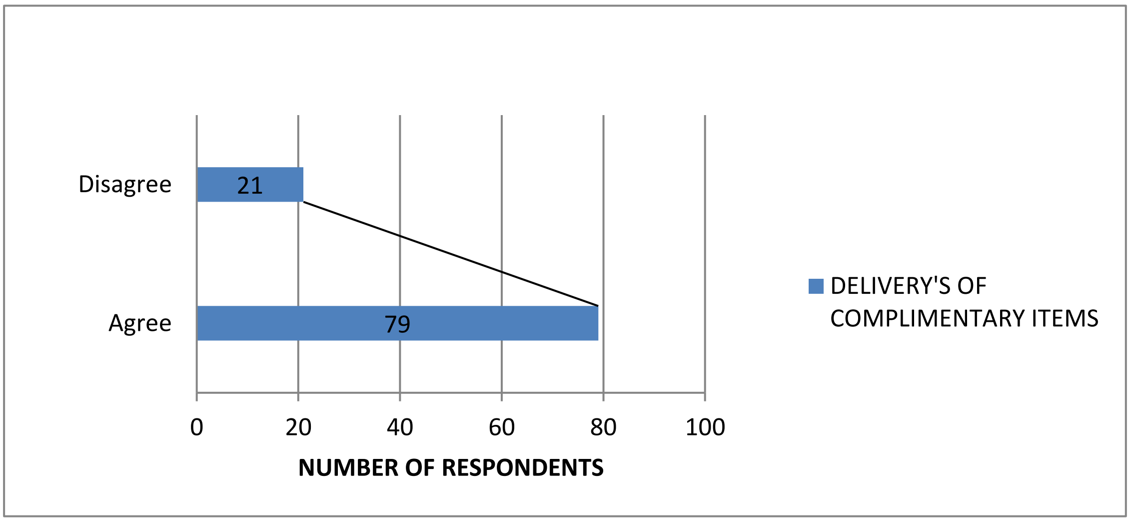


Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 78.4 per cent people think that the price display is according to its value but rest 21.6 per cent people think the prices are over stated.

Chart 5.2.7

USER'S OPINON ON DELIVERY OF COMPLIMENTARY ITEMS ALONGWITH ORDER

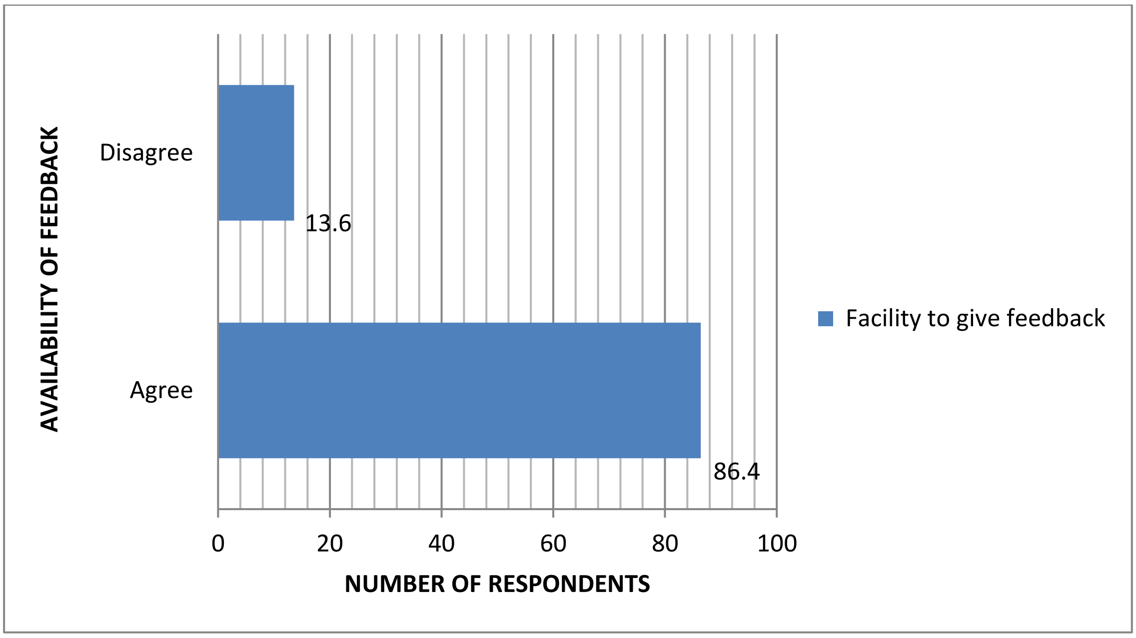


Source: Compiled from Primary Data Collection, 2019-20.

We can see from above that that79 per cent of the users responded that they got complimentary items along with order and the rest 21 per cent of the users disagree to the statement.

Chart 5.2.8

AVAILABILITY OF FACILITY FOR GIVING FEEDBACK

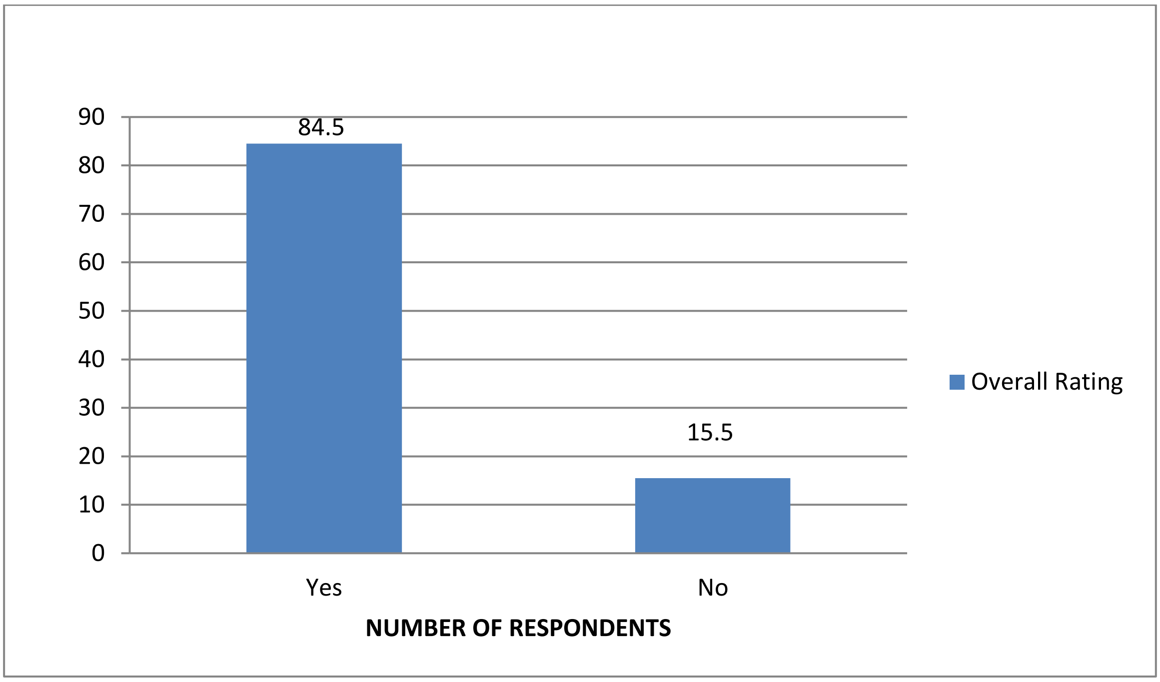


Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 86.4 per cent of the user gave their opinion that there is facility for giving feedback and the rest 13.6 per cent people state that there is no facility for giving feedback.

Chart 5.2.9

OVERALL RATING WHETHER FOOD DELIVERY APPS ARE BENEFICIAL TO CONSUMER



Source: Compiled from Primary Data Collection, 2019-20.

The above chart reveals that : 84.5 per cent of the users agree that online food ordering through apps is beneficial and rest 15.5 per cent disagree to the statement.

The hypothesis framed for the project is:

"Online food ordering is preferred by consumers as compared to traditional food ordering methods

Hence, based on analysis of the data, we can conclude that user perception regarding online food ordering is positive. Hence Hypothesis is accepted,

5.3CONCLUSION :

The consumer's per ception on online food ordering varies from individual to individual and the per ception is limited to a certain extent with the availability of the pro per connectivity and the exposure to the online food services. The per ception of the consumer varies according to various similarities and difference based on their per sonal opinions. The study reveals that mostly the youngsters are attached to the online food ordering and hence the elder people don't use these online services much as compared to the younger ones. The study highlights the fact that youngsters are mostly poised to use online food ordering services. The study also reveals that the price of the products, discounts and special offers have the most influencing factor on online food ordering. The second most influencing factor is the convenience, the next most influencing factor is on-time delivery. The study highlights that respondents often prefer to order on weekly basis, the type of meals which were mainly preferred to order was the snacks followed by dinner .

Transformation in the trends of food ordering is occurring because of the changing lifestyle of the consumers in India and expansion in online activity.

Overall on an analysis of the responses, the researcher concludes that majority of the respondents are satisfied with the facility of food ordering through food delivery apps.

CHAPTER VI

FINDINGS AND CONCLUSION

6.1 FINDINGS

6.2 CONCLUSION

CHAPTER VI

FINDINGS & CONCLUSION

FINDINGS:

1. The research gathered from the primary data analysis is that 26.5 per cent of the respondents consume fast food on daily basis, 44.1 per cent of the respondents consume weekly, 18.6 per cent of the respondents consume it monthly, 8.8 per cent are Rarely and the rest of 2 per cent never consume Fast Food.
2. 26 per cent of the respondents order Food for delivery and rest 74 per cent don't order food for delivery.
3. 37.3 per cent of the respondents are using Zomato,18.6 per cent are using Domino's ,14.7 per cent of the respondents are using Uber Eats,2.9 per cent of the respondents are choosing Mojo pizza, 1 per cent of the respondents are using Food panda , and rest 27.5 per cent are opting for others.
4. 53.9 per cent of the respondents prefer Evening timing for food delievery,22.5 per cent of the respondents choose afternoon timing for delivery,18.6 per cent of the respondents choose Noon timing according to their priority, and hardly 4.9 per cent of the respondents opt for morning .
5. 35.3 per cent of the respondents spend Rs. 250 for their meal, 24.5 per cent of the respondents spend Rs150 for their meal, 21.6 per cent of the respondents spend more than Rs 500 for ordering and rest 18.6 per cent spend Rs 500 for their meal.
6. 68.9 per cent of the respondents like to pay their bills after they received their order and rest 31.1 per cent of the respondents like to pay before the order arrives.
7. 62.1 per cent of the respondents choose cash on delivery as a payment mode,18.4 per cent of the respondents opt for UPI, 16.5 per cent of the respondents opt for Debit card/Credit card, and rest 2.9 per cent of the respondents choose other.
8. 91.3 per cent of the respondents think online food ordering is time saving and rest 8.7 per cent of the respondents don't agree with them.
9. 78.6 per cent of the respondents think its affordable and rest 21.4 per cent think it's Not Affordable to order Food online.
10. 82.5 per cent of the respondents agree to the statement that the level of information provided by food delivery apps is good and rest 17.5 per cent of the respondents disagree with the same.

11. 90.3 per cent of the respondents agree that the food delivery apps have tie up with good restaurants and rest 9.7 per cent of the respondents disagree to the statement.
12. 87 per cent of the respondents think they are getting variety of menu via online apps and rest 13 per cent don't agree to the statement.
13. 78.4 per cent of the respondents think that the price display is according to its value but rest 21.6 per cent of the respondents think the prices are over stated.
14. 79 per cent of the users responded that they got complimentary items along with order and the rest 21 per cent of the users disagree to the statement.
15. 86.4 per cent of the user gave their opinion that there is facility for giving feedback and the rest 13.6 per cent of the respondents state that there is no facility for giving feedback.
16. 84.5 per cent of the users agree that online food ordering through apps is beneficial and rest 15.5 per cent disagree to the statement.

CONCLUSION:

1. During the primary data analysis, it is observed that majority of the respondent consume on weekly basis, minority of the respondent consume on Daily basis, lesser number of respondent consume on Monthly basis, very few respondent are Rarely Users and hardly any respondents never consume fast food.

2. From this study Researcher has shown the User's frequency of Ordering food for delivery as follows:

Frequency of ordering food for delivery shows majority of the respondents orders food for delivery and lesser number of respondents order food for delivery.

3. Based on this study Researcher has shown the User's Preferred food app's as below :

Majority of the respondents use Zomato, minority of the respondent use Domino's, Few respondents use Uber Eat's, lesser number of Respondents use Mojo Pizza, Very few respondents use Food panda, and larger number of Respondents are opting for others.

4. From this study Researcher has analyzed the User's most preferred meal as follows:

Majority of the respondents preferred evening timing for food delivery, minority of the respondents preferred afternoon timing for delivery, few respondents preferred noon timing, and hardly any respondents choose morning timing for food delivery.

5. The Researcher has analyzed the User's spending amount on food ordering as follows:

Majority of the respondents spend Rs 250 for their meal, minority of them spend Rs 150 for their meal, few respondents spend more than Rs 500, and very less number of respondents spend Rs 500 for their meal.

6. With the help of this study Researcher has analyzed the User's time point at which payment order is preferred as follows :

Majority of the respondents like to pay their bill after they received their order and lesser number of respondents like to pay before the order arrives.

7. From this study Researcher has analyzed the User's preferential mode of payment as follows:

Majority of the respondents choose COD as their preferred payment mode, minority of the respondents choose UPI, very few respondents choose Debit/Credit card and lesser number of respondents choose others.

8. User's opinion regarding the saving factor of food ordering shows majority of the respondents think online food ordering is time saving and lesser number of respondents don't agree with them.

9. User's opinion regarding the affordability of online food ordering shows majority of the respondents think its affordable & very few number of respondents think its not affordable to order food online.

10. The researcher has analyzed the level of awareness and communication offered by food delivery apps as follows:

In this analysis majority of the respondents agree to the statement that the information and communication offered by food delivery apps is good and few respondents disagreed with them.

11. Through the medium of primary data the researcher has analyzed the Tie-ups of the food delivery apps as follows:

Majority of the respondents agree that the food delivery apps have Tie-ups with good restaurant and lesser number of respondents disagree to the statement.

12. From this study Researcher has shown the variety of menu via online food delivery apps as follows:

In this analyses majority of the respondents think they are getting variety of menu via online food delivery and very few respondents don't agree to the statement.

13. With the help of this study, the researcher has analyzed the rates displayed on the apps justify their value or not as follows:

Majority of the respondents think that the price display is according to its value & lesser number of respondents think the price are over stated.

14. From this study Researcher has come to know the User’s opinion on delivery of the complimentary items along with orders as follows:

User’s opinion regarding complimentary items along with order shows majority of the respondents got complimentary items along with order & lesser number of respondents disagree with them.

15. From this study Researcher has analyzed the availability of facility for giving feedback as follows:

Majority of the respondents gave this opinion that their is facility for giving feedback & lesser number of respondents state that there is no facility for giving feedback.

16. From this study Researcher has shown Overall rating whether food delivery apps are beneficial to consumer or not as follows:

In this analyses majority of the respondents agree that online food ordering through apps is beneficial & very few respondents disagree to the statement.

CHAPTER VII

SUGGESTIONS

1. Food app developers need to improve their payment security features so that consumers don't hesitate while making payment online.
2. They should provide more offers as customers are mainly using their apps to avail offers.
3. There has to be transparency and proper pricing of the items on the food delivery apps. It must not be that an item of menu costs more on the delivery app than in the actual restaurant.
4. Food Delivery app providers should increase their reach to local restaurant vendors because consumers prefer it more.
5. They should properly categorise the items on the menu which are being offered.
6. Precautions during delivery needs to be taken by these service providers to prevent malpractices such as delivering food from fake or fraudulent places.
7. Of the respondents are mostly influenced by convenience and offers provided for switching to cashless modes of payments.
8. Many of the respondents don't feel safe sharing their financial and personal information over the internet, so food delivery application providers need to build in safety features to protect the privacy of the customer's data.
9. Many of the respondents face various problems while using digital payment. The digital payment platforms have to be made more user-friendly.
10. There is a lot of scope in the future for cashless society.There is still a lot to be done to digitalise India fully. Food Delivery apps are a step in this direction.

.

BIBLIOGRAPHY

- http://www.cit.com/perspectivethey dos/executive-insights/index.htm
- http://www.restaurantbusinessonline.com/improving-operations/50-great-ideas
- https://www.iacquire.com/blog/study-online-shopping-behavior-in-the-digitalera
- http://www.clickz.com/clickz/news/2239608/more-consumers-order-foodonline-using-a-smartphone-or-tablet
- http://www.isr.umd.edu/~austin/ense621.d/projects04.d/project-foodordering.
- Htmlhttp://www.buy4now.com/category/Case-Studies/5.0
- http://www.trendmicro.com/cloud-content/us/pdfs/business/casestudies/ cs_eckler_deepsecurity_dlp_ese.pdf
- http://www.mxmindia.com/2012/01/case-study-justeat-ins-campaign-toattract-foodies/
- http://www.slideshare.net/chorneukar/savedfiles?s_title=5-easy-steps-toprofit-maximized-online-ordering&user_login=dholscher
- http://www.slideshare.net/biznessapps/food-ordering-apps
- http://www.slideshare.net/yumybay/yummybay-ppt
- http://www.slideshare.net/susanseo/benefits-of-ordering-food-online

APPENDIX 1

QUESTIONNAIRE

"A Study On Consumer Perceptions With Reference to Online Food Ordering Apps"

1. Name:

2. Age :
   - 16-20
   - 21-25
   - 25 & Above

3. Gender :
   - Female
   - Male

4. Occupation :
   - Student
   - Job
   - Housewife

5. Income per Month :
   - Below Rs30000
   - 30000-60000
   - 60000 & Above

6. How often do you eat Fast Food:
   - Daily
   - Weekly
   - Monthly
   - Rarely
   - Never

7. Do you ever order food for delivery:
   - Regularly
   - Rarely

8. Which is the most preferred to have food app that you use:
   - Foodpanda

- Zomato
- Domino"s
- Mojo Pizza
- Uber Eats
- Other

9. Please tell us your first choice when you would most likely use a food delivery service :
    - Morning (breakfast)
    - Noon time (lunch)
    - Afternoon (breakfast/ meeting)
    - Evening (dinner/ work meal)

10. what is the approximate money you spend on ordering food per time:
    - Rs 150
    - Rs 250
    - Rs 500
    - Rs more than 500

11. What time you prefer for payment of order:
    - After
    - Before

12. what is the mode of payment you use:
    - Debit card/Credit card
    - UPI
    - Cash on Delivery
    - Other

13. Do you think online order food is:
    - Time Saving
    - Not

14. Do you think price of food you order is:
    - Affordable
    - Not

15. In your opinion, food delivery app provides users with two-way communication channel:
    - Agree
    - Disagree

16. In your opinion, app give you the opportunity to reply to comments and reactions :
   - Agree
   - Disagree

17. Is your service provider app. having tie-up with good restaurants of your city:
   - Agree
   - Disagree

18. Selection of food items available on the internet is very broad :
   - Agree
   - Disagree

19. Is Food Available According to Your Taste:
   - Agree
   - Disagree

20. Representation of rates of food display is according to its Value:
   - Agree
   - Disagree

21. Availability of sauces, utensils, napkins, etc. was good:
   - Agree
   - Disagree

22. Is there is facility to give feedback on food taste:
   - Agree
   - Disagree

23. In your opinion, is it beneficial for consumer to order food through apps:
   - Yes
   - No

APPENDIX 2

RESEARCH PROPOSAL

RESEARCH PROPOSAL

TY.BMS PROJECT

ON

"A STUDY ON CONSUMER PERCEPTIONS WITH REFERENCE TO ONLINE FOOD ORDERING APPS"

SUBMITTED TO: -

SMT.M.M.P. SHAH WOMEN'S COLLEGE OF ARTS & COMMERCE
AFFILIATED TO SNDT WOMEN'S UNIVERSITY
NAAC RE- ACCREDIATED WITH 'B++' GRADE
(338, RAFI KIDWAI ROAD, MATUNGA, MUMBAI-400019)

SUBMITTED BY: -
MISS. SONI YOGENDRA UADAV

UNDER THE GUIDANCE OF: -
MRs.DARAKSHA KHAN

YEAR
(2019-20)

INTRODUCTION

With the coming of the 21st century, we have entered an "e" generation era. The Internet has generated a tremendous level of excitement through its involvement with all kinds of businesses starting from e-Commerce, eBusiness, e CRM, eSupply Chain, eMarketplace, ePayment, e Entertainment, e Ticketing, eLearning, to e Citizenor e Governement The Internet has opened a window of opportunity to almost anyone because of its ability to make viable the conduct of business in cyberspace, or by connecting people worldwide without geographical limitations. Consumers can order goods and services virtually anywhere, 24 hours a day; 7 days a week without worrying about store hours, time zones, or traffic jams.

The Internet has also provided new opportunities for marketers by offering them innovative ways to promote, communicate, and distribute products and information to their target consumers. E-commerce has grown phenomenally in the past decade for a variety of reasons including changes in consumer lifestyles, technological advancements, increases in consumer income and education, and rapid financial development throughout the world. The use of the Internet as a shopping or purchasing vehicle has been growing at an impressive rate throughout the last decade. The tremendous growth of online sales and the unique functions of the Internet have drawn a great deal of attention from many companies rushing in to set up businesses over the Internet without knowing what factors actually motivate consumers to buy products or services online.

Online food ordering is the process of ordering food through the restaurant's own website or mobile app, or through a multi-restaurant's website or app. A customer can choose to have the food delivered or for pick-up. The process consists of a customer choosing the restaurant of their choice, scanning the menu items, choosing an item, and finally choosing for pick-up or delivery. Payment is then administered by paying with a credit card or debit card through the app or website or in cash at the restaurant when going to pick up. The website and app inform the customer of the food quality, duration of food preparation, and when the food is ready for pick-up or the amount of time it will take for delivery. The online food ordering market includes foods prepared by restaurants, prepared by independent people, and groceries being ordered online and then picked up or delivered.

In summary, the benefits of using the Internet in marketing are enormous as they offer a huge opportunity for marketers to create innovative activities that have not previously been viable.

PROBLEM STATEMENT

This study investigates what are the advantages & disadvantages of online food ordering. It also analyzes what channels are used more frequently in online food ordering. It analyses which channels provide convenient and easy access in placing orders and payment.

Therefore, the problem statement is developed as follows:

"A STUDY ON CONSUMER PERCEPTIONS WITH REFERENCE TO ONLINE FOOD ORDERING"

OBJECTIVES OF THE STUDY

1. To study the working of online food ordering systems

2. To study the advantages and disadvantage of online food ordering.
3. To find out the customers perceptions and awareness of online food ordering
4. To analyze what channels are used more frequently in online food ordering.

RESEARCH METHODOLOGY

SECONDARY DATA

The researcher will collect secondary data from the following sources namely Books, journals, Research papers & Articles and Internet sites. The researcher will also collect information from the research work that has already done by other researchers.

PRIMARY DATA

The primary data for the study will be collected through the questionnaire method. A structured questionnaire will be developed. This will help the researcher to gather reliable primary data from respondents on their demographics, opinion and attitudes towards the topic under study.

DATA ANALYSIS

A proper analysis of data will be done with the help of suitable statistical techniques, after gathering and processing of data. Pictorial and graphical presentation will be provided from the data gathered.

SAMPLE SIZE

AGE	MALE	FEMALE	TOTAL
16-20	15	15	30
21-25	15	15	30
26 & above	15	15	30
TOTAL	45	45	90

SIGNIFICANCE OF THE STUDY

In this day and age where presence in the virtual world is an imperative, small restaurants and entrepreneurs too need to take benefit of it. Online food ordering websites present just the options. Entering into online food ordering website have been developed consumer convenience than anything else, but they do open a plethora of opportunities for small establishments to grow them business. Further online food ordering has been an international phenomenon for a while now. This study aims to get some insights into customer preferences and the factors considered by them with respect to online food ordering.

RATIONALE OF THE STUDY:

The study is aimed at analyzing consumer attitudes towards online food ordering and the various factors that influence the decision to buy online. It attempts to do an depth analysis and gain understanding into the consumer buying patterns as well as identifying the problems faced in the online ordering of foods**.**

HYPOTHESIS:

The hypothesis framed for the project A Study on Consumer perception with reference to Online food ordering is:

"Online food ordering is preferred by consumers as compared to traditional food ordering methods"

CHAPTER SCHEME:

1. Introduction.
2. Conceptual Framework
3. Review of Literature.
4. Customer's perceptions and awareness of online food ordering.
5. Analysis of the channels which are used more frequently in online food ordering.
6. Conclusions and Findings.
7. Suggestions and Recommendation.
8. Bibliography

RESEARCH GUIDE RESEARCH STUDENT

HOD (Ms.) DRAKSHA KHAN **SONI YOGENDRA YADAV**

A PROJECT REPORT ON

"A STUDY ON IMPACT OF SOCIAL MEDIA ON CONSUMER

BEHAVIOUR." SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019 – 2020)

SUBMITTED BY

DEEPAK PRAKASH HINGORANI SEAT

NUMBER : 1162781

UNDER THE GUIDANCE OF

ASST. PROF.MS MADHURA VILEKAR

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE, NAAC

ACCREDITED

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

A PROJECT REPORT ON

"A STUDY ON IMPACT OF SOCIAL MEDIA ON CONSUMER

BEHAVIOUR." SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

DEEPAK PRAKASH HINGORANI SEAT

NUMBER : 1162781

UNDER THE GUIDANCE OF

ASST. PROF.MS. MADHURA VILEKAR

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE, NAAC

ACCREDIATED

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

DECLARATION

I, the undersigned **MR. DEEPAK PRAKASH HINGORANI** the student of T.Y.B.M.S. hereby declare that the work embodied in this project work.

"A PROJECT REPORT ON A STUDY ON IMPACT OF SOCIAL MEDIA ON CONSUMER

BEHAVIOUR." forms my own contribution to the research work carried out under the guidance of

ASST. PROF. MS. MADHURA VILEKAR

Is a result of my own research work and has not been previously submitted to any other university for any other degree/ diploma to this or any other university.

Wherever references has been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Place: Mumbai DEEPAK PRAKASH HINGORANI

Date of Submission :19TH SEPTEMBER,2020 Seat number :33

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI: - 400037

CERTIFICATE

This is to certify that MR. DEEPAK PRAKASH HINGORANI **,** has worked and duly completed his project work for the Degree of Bachelor of Management studies under the faculty of COMMERCE in the subject of MANAGEMENT and his project is entitled, **"**A PROJECT REPORT ON A STUDY ON IMPACT OF SOCIAL MEDIA ON CONSUMER BEHAVIOUR."**,** under the guidance

of **ASST.** PROF. MS.MADHURA VILEKAR**.** I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any degree and diploma of any university.

It is his own work and facts represented by his personal findings and investigations.

Place: Mumbai

Date: 19TH SEPTEMBER'20

ASST.PROF.MRS. DRAKSHA KHAN ASST. PROF. MS. MADHURA VILEKAR

BMS Course Coordinator Internal Project Guide

Principal

Signature & Date

ACKNOWLEDGMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project. I take this opportunity to thank the University of Mumbai for giving me chance to do this project.

I would like to thank my Principal**,** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Course Co-ordinator ASST. PROF. DRAKSHA KHAN**, for their moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Asst. Prof. MS.MADHURA VILEKAR** whose guidance and care made the project successful. I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my **Parents and Peers** who supported me throughout my project.

MR. DEEPAK PRAKASH HINGORANI

SUMMARY

IMPACTS OF SOCIAL MEDIA ON CONSUMER BEHAVIOR.

On a daily basis in present-day, 100,000 tweets are sent, 684,478 pieces of content are shared on Facebook, 2 million search queries are made on Google, 48 hours of video are uploaded to YouTube, 3,600 photos are shared on Instagram, and 571 websites are created.

The advent of social media has created a new landscape which lays out a new grid of personal connections. Businesses see enormous opportunities and are eager to tap into the trend, whereas consumers are put back to the centre in the business world because of social media. There are many studies explaining reasons to tap into social media and to help companies to gain a better position in the transition; yet a few intends to study from the perspective of consumers, let alone those in Finland. Oftentimes, consumers feel differently from what marketers think, for instance what “brand engagement” via social media looks like to consumers may not be quite what marketers think.

The objective of the research is to explain why, when, and how social media has impacted on consumer decision process. The theoretical framework rests on literature of consumer decision making process, social media, as well as previous studies relating to social media marketing. Quantitative research method is adapted for the purpose of this research. The empirical data was gathered by sending out questionnaire to individuals in Turku, May 2013.

This research gives explanation on how individuals are attending, processing, and selecting the information on social media before a purchase. The findings indicated that individuals pursue an active role in information search on social media comparing to mass media, yet information exposure is selective and subjective during the course of information search. Moreover, the empirical part of the research strives to provide insights to any companies that are trying to shift to or are currently participating in the new marketing trend.

Findings and conclusions presented in the research are only valid within the population selection and cannot not to be generalized elsewhere due to the differences in environmental factors.

Table of Contents

CHAPTER 1.

INTRODUCTION

The social media are increasingly influencing and changing the way the consumers behave, and how they make the decision to buy. In this paper the term "social media" will be used to refer to online communication channels, while the term "traditional mass media" will refer to conventional communication media like TV, radio, newspapers, etc. The consumer decision making process consists of 5 stages: Need/problem recognition, information search, alternative evaluation, purchase decision and post- purchase behaviour. According to studies, all of these stages are impacted by social media usage, not only in developed countries, but also in the developing ones.

In 2004, a Harvard student Mark Zuckerberg created Facebook to connect with fellow students. But, at present, it is the most promising of all social media. At present there are 51 million Facebook users in India. Twitter, a micro blogging site where you can express yourself in 140 characters or less, is also a very prominent social media platform. YouTube was created in 2005 by Steve Chen and Chad Hurley that provides a provision of sharing videos. For all the professionals out there, LinkedIn is the best social media platform. Google has recently launched Google+ that is more or less like Facebook.

1.1 Impact of Social Media in India

After ‘tech savvy’ it is the ‘social media savvy’ that has become synonymous with today’s generation. About 2/3rd of Indians online spend time on different social networking sites like Facebook, Twitter, YouTube, Pinterest, etc. Even the trend of sending personal emails seems to have become obsolete as compared to social media. But why is this media becoming so popular in India? Interaction, live chat, status updates, image- as well as video-sharing are few of the major aspects that play a role in the popularity of social media. On the other hand, customer’s responses, interaction and brand awareness is why the companies are using social media in India and across the globe. Thereby, multiple roles played by social media beyond its core role of mere communicating information are leading to its popularity.

By December 2012, the number of social media users in urban India had reached 62 million. A sudden availability of smartphones and mobile Internet has led to a spurt in the use of social media. All the business ventures in India rely on social

media to understand their consumer base, for brand awareness and interaction. Indian netizens use social media to build virtual communities, groups and to interact and chat. So, there is no doubt that Information and Technology, in particular rapidly increasing social media plays an important role in shaping the mind of customers towards certain products and brands. At the same time, it is used for entertainment and leisure by most of the Indians online. Each day, about 100 million Indians are engaged in social media, more than the population of Germany.

CHAPTER 2: RESEARCH METHODLOGY

Introduction

The objectives of this research are twofold – first to find out the components and variables involved in decision making process; second to identify the changes that social media has brought to the decision making process, in which, essentially by elaborating the difference between marketing via social media and via traditional ones. This research strives to provide a clearer, and perhaps a better, understanding to both consumers and companies of why, when, and how social media has impacted on decision making process. It may also offer possible insights for companies to identify the pitfalls and opportunities in the new marketing era.

In essence, the dominant approach of this research involves the development of a theory that is subjected to a rigorous test, where the theoretical framework provides the basis of explanation, permit the anticipation of phenomena, predict their occurrence and therefore allow them to be controlled. (Hussey and Hussey 1997, 52.) Secondary data – theoretical framework serves as the foundation for this research, and primary data aims to answer the objectives stated in the research and to provide evidence in supporting the secondary data. The primary data of this research were collected through questionnaires from individuals in Finland.

Theoretical part regarding steps and components constituting the consumer decision making process has demonstrated a systematic approach in buying of the stages individuals would engage in a potential market transaction before, during, and after the purchase. On the other hand, it has also identified the essence of social media marketing in which has illustrated a clarification on the change of the nature in today's marketing approach, and its effects on purchasing decision.

The empirical part focuses on finding out how individuals in Finland process information on social media before a purchase, the actions carried out after a consumption, as well as what are their perspectives regarding the new marketing era, in particular with social media. By getting a general perspective on the current buying behaviour in Finland, this research also aims to provide new insights regarding the impacts of social media on different demographics (age and gender) in the decision making process.

The following chapter explains the choice of research method, how the data was gathered and analysed, as well as the evaluation of reliability and validity regarding the research.

Research Data and Data Collection

There are two distinct research methods – quantitative and qualitative, in collecting data for the purpose of obtaining information from them, to solve or answer a particular research problem or question. Qualitative data is any data collection technique or data analysis procedure that generates or uses numerical data; whereas qualitative data is in form of descriptive accounts of observations or analysis which is conducted through the use of conceptualization.

Although it is usually better to link quantitative data with other methods (such as in-depth interviews) in order to complement the findings of a research (Saunders et al. 2009), this research is to identify the stage where social media has interfered in the consumer decision making process, in which is to describe facts and reasons in different phenomena (social media and traditional mass channels) and to explain the case-and- effect relationship between overwhelming information on social media and consumers' responses'.

For the purpose of this research, quantitative data was gathered and utilized. With the strategy of survey, it allows the collection of a large amount of data from a sizeable population in a highly economical way, itis also a logical and critical approach which allows the researcher to control measurement and outcome. Since the scope of the research focuses on a geographical area; thus the aim of the research method is to reach individuals ranging in different age and gender groups within Finland, and the more responses are collected the higher the credibility of the findings are. Taking the sample size into consideration, the researcher has decided not to conduct any in-depth interviews with the targeted respondents as the results may be difficult to analyse due to the subjectivity of individuals' beliefs and attitudes. Besides, the survey was not created merely as a collection of quantitative data, because few open-ended questions are included where respondents can have a chance to comment, to express, or to add extra.

By adding open-ended questions to survey data collection, it helps the researcher to gain valuable qualitative information and insights for deeper analysis. While comprehending the qualitative data, Saunders et al. (2009) have mentioned summarizing of meanings as one of the analysis processes, which implies condensation of meanings from the large amounts of text into fewer words, while becoming familiar with the main themes evolved from data collection.

Research design

Again, the aim of the survey is to find out how, why, where social media has influenced individuals in the process of decision making, as well as, hopefully, to identify new insights that companies may take advantage of. The survey was carried out in the form of questionnaire.

Since there was only one chance to collect the data, the researcher had to identify precisely of what data is needed, and to design the questionnaire in order to meet the research objectives (Saunders et al. 2009). The questions (Appendix 2) for the questionnaire were designed and built closely upon the theoretical framework
– decision making process, information processing theory, and social media marketing, which has discussed thoroughly in previous chapters of the research. In order to ensure respondent decodes the questions in the way the researcher intended, the clarity of the questionnaire structure was a dominant factor.

Since the researcher had to keep an appropriate length of the questionnaire, thus, not every theory discussed previously could all be included in the questionnaire. The logical order of the questions was structured mainly based on the steps carried out during the decision making process – problem recognition, search of information, evaluation of alternatives, final decision, and post purchase behaviour. Components of information processing theory were integrated in the questions as well.

As stated in the beginning of the research, the researcher tries to examine the relationship between social media and consumer behaviour from a consumer perspective, therefore, they are many questions subjected to individuals' beliefs and attitudes, which are expressed in the form of scale questions. Considering the matter of subjectivity, the use of close questions was critical in order to allow statistical conclusions to be made in a relatively objective manner; likewise, a few open-ended questions allow individuals to develop own responses, and may reveal attitudes or facts.

The questionnaire was sent out via school e-mail (see Appendix 1) to all international business program students and teachers in TUAS, as well as all personal contacts of the researcher who are currently living in Finland, which yields the sample size to be approximately 150 individuals. Participation was voluntary and the questions were designed in English.

Data Quality - Validity and Reliability

In order to ensure the validity of the research, the questionnaire was pilot tested, so that to refine the questionnaire and to assure respondents will not encounter problems in answering the questions (Saunders et al. 2009). Before sending the questionnaire to the targeted respondents, the researcher had consulted with and approved by the thesis supervisor when the questionnaire was outlined, also it was sent out to few people in order to get suggestions and comments for later modifications.

Analyses and conclusions of the research are made upon actual numerical facts of the collated data, in order to obtain verified and applicable data. As for the reliability of the research, it refers to the stability of a measure, and the extent to which the data collection method will yield consistent analysis. The sample group of respondents was decided to enclose as many people as possible in order to receive many answers, and finally altogether 108 questionnaires were completed in which delivers a good range of answers to yield consistent findings and sufficient extent upon; thus, reliable conclusions can be made.

2.1 The Role of Social Media

Social Media in Indian Politics

Social media is not only confined to you and me but to politicians as well. Through different activities politics and politicians in India have brought social media into the limelight. It is expected that social media will play a huge role and influence the coming general elections to a great extent. The study by IRIS Knowledge Foundation and supported by the Internet and Mobile Association of India (IAMAI) has indicated this fact. Social media will be real game changer with political leaders having millions of fans on Twitter and supporters on Facebook as well as Google+. In order to build a certain image, most of the politicians also have their own websites. A few examples:

All the recent lectures by Gujarat chief minister Narendra Modi got huge social media attention. He even hosted a political conference on Google+ hangouts and this makes him the third politician across the globe to do this after Obama and Australian PM Julia Gillard. Ajay Dagan hosted his Google+ Hangout in which the common man was free to ask live questions from him. He has a strong presence on YouTube, Facebook and Twitter.

Shashi Theron is very active on Twitter and his tweets are quoted in mainstream media.

Few months back, you must have seen a page on Facebook seeking Dr. Abdul Kalam as president of India. Then there is Anna Hazer’s Social Media Campaign against corruption in India.

Many researchers have indicated that social media would be stronger and more persuasive than television in influencing people.

2.2 LIMITATION

Despite the fact that theories were approved by findings from survey and the research is able to provide a certain degree of new insights in relating to the current situation, limitations may still exist.

In the foregoing chapter the above findings cannot represent all individuals across Finland as a whole, due to the decision making process involves psychological factors which may result in different behavioural actions. Also, regarding the summarization of question 31 in the survey, it may result in the lack of objectivity because the researcher may only highlight the comments according to the researcher's intention.

10 limitations of social media data

1. A high number of fans does not equal success

Christopher Wong, CEO of Clarity, said that from his experience, many Hong Kong companies use the number of social media followers and participants in a campaign to measure its effectiveness.

"But in my opinion, that is a very superficial way of looking at things. Having fans does not necessarily equate to true brand enhancement or real leads," Wong said.

Comments and shares are much more powerful because they show affiliation to your brand but they are limited to very active fans – it is possible to have engaged less active fans who do not leave a comment or share your post.

2. Videos are sexy but their impact is hard to measure

You can time how long a person spends on a web page and what pages they browse through, even though you don't know for how long they were actually reading text and surveying the images.

Similarly, with videos, it is challenging to determine how long a particular video has actually been watched and whether the viewer has in fact been paying attention the whole time.

3. The popularity of a platform may matter more than which platform is a suitable medium for your campaign

"Unfortunately, it is now about which platform has regional dominance rather than which platform is the best for a particular type of campaign," Wong said.

For example, while Instagram and Pinterest can be the most effective for campaigns heavy in visuals, Twitter and Pinterest is not as popular in Hong Kong as it is in the US and

Instagram is mostly used by the younger generation.

Facebook is a good option for interactive and game-based campaigns but it is not available in mainland China, where Sine Weibo would be the way to go.

Wong said, “But I know some marketers in mainland China who are looking at local social media sites other than Sine, which have a smaller reach but more real followers.”

4. Protection of user’s privacy limits data collection

Even though social media may seem like a very open space, social networks themselves limit the amount and specificity of data that you can collect to protect the privacy of its users. Fans themselves also expect a certain level of privacy.

One example is how Facebook would provide an overall breakdown of where fans of a brand Facebook page resides without identifying exactly which fans and where they live.

5. Data is fragmented by platform

You might know how many dislikes a YouTube video has received and the same video posted on Facebook would have no dislike data available. Meanwhile, you can get a gender breakdown of your fans on Sine Weibo. But there is no one-stop shop for all of this information in one platform.

6. It takes good analysis on the part of marketers to trace a link between ROI and social media

The path-to-purchase from social media, usually used to raise awareness and educate customers, is often an indirect process and customers may have to be channelled through well-known sales and marketing funnels.

Data needs to be analysed to zero-in on the right audience in order to make marketing campaigns more targeted. These leads can then be converted into purchases in the long run.

7. You can receive negative feedback

People use social media to post content they love, but they also use it to share experiences they didn’t love. If someone had a poor experience with your business, it opens a door of opportunity for them to share their poor experience with others.

This negative feedback comes in different forms. On platforms like Facebook, someone can leave a negative review on your page and share their negative experience. When someone checks out your business next, they’ll look at the reviews and see the negative feedback.

On sites like Twitter, users can tag a company in their posts and share their negative experience. People can retweet that poor experience and spread it across the network.Social media platforms are catalysts for complaining and leaving negative feedback. People use their profiles to help others understand their poor experience. Many people feel there is a social obligation to share their experience to prevent others from having the same experience.

Having too much negative feedback can negatively impact your future marketing efforts.

People trust others to give them insight into your company, especially if it's the first time they are hearing of your business. With social media, it's possible that negative feedback can hinder your business from earning leads.

How to adapt to this social media disadvantage: Whenever you receive negative feedback on social media, respond to it. Don't leave people's complaints and concerns unaddressed. Not everyone is going to have a positive experience with your business, but addressing the issues can speak volumes about your company and its values.

8. You open up the potential for embarrassment

It's easy for posts to go viral on social media. People keep a close eye on the good and the bad on social media. If you aren't careful about the content you post, you can end up embarrassing your company and getting caught in an awkward situation.

For example, at one point, the hashtag "Why Stayed" was trending on social media. This hashtag was about victims of domestic violence sharing their story. The hashtag took social media by storm and became a facilitator for conversations about abusive relationships.

Darion Pizza saw this hashtag trending and decided to jump in on an opportunity for brand exposure. They shared a tweet that said, "#Why Stayed you had pizza." Within minutes, people became outraged at the company for their tweet.

The pizza company hadn't researched the tweet beforehand to realize what it was regarding. The tweet was deleted in minutes, but the impact lasted a long time. People were still talking about the tweet long after it was removed.

This was an embarrassing moment for Darion that blew up over social media. They spent the next few weeks doing damage control and addressing their mistake with thousands of people on Twitter. The carelessness of the tweet made people have a negative perception of Darion.

When you post on social media, there is always an opportunity to embarrass your business on accident. This is a big downside to social media.

How to adapt to this social media disadvantage: Always do your research before posting content on social media. Whether it's a photo, a hashtag, or a video, do your research to see if there is any way it could be construed the wrong way. Research helps you adapt your content to prevent your company from embarrassment.

9. You must spend a lot of time on your campaigns

Social media isn't a one and done type of marketing method. You must constantly create new content, post content, and engage with your audience on these platforms. A big drawback to social media is that it is time- consuming for companies.

If you have a small business, small marketing department, or limited resources, it's challenging to manage a social media marketing campaign.

You have to find time to balance posting content, monitoring that content, responding to people, and measuring your content's impact. If you don't have the resources, it can be an overwhelming task.

If you aren't doing enough with your social networks because you don't have time, people, or programs to help you run your marketing strategy, your campaigns will suffer. You won't be as effective as someone who has the necessary aspects to run a successful social media campaign.

How to adapt to this social media disadvantage: If you don't have the resources, consider outsourcing your social media marketing campaign to a social marketing company. You can hire a social media marketing company to handle your campaign for you while you run your business. Not to mention, you'll partner with people who have years of experience running campaigns and know how to drive success!

10. You have to wait to see results

When companies invest in marketing strategies, they want to see immediate results. You want to know that your strategies are working and that the investment is worth your time. With social media marketing, you don't see immediate results.

Social media marketing's success is predicated on the campaign's overall success. Posting one piece of content doesn't determine the success of your campaign. You must post multiple pieces of content over a period of time to determine the true success of your campaign.

This is a downside of social media because you have to wait to see results. You must be patient and wait a few weeks to see results before you can adjust your campaign.

How to adapt to this social media disadvantage: The only true adaptation for this downfall is to be patient. You must remind yourself that you can't see true immediate results until your campaign is running for some time. The best thing you can do is track the performance of your social media posts as you post them to have them ready for comparison once your campaign is running for some time.

2.3 Advantages of Social Media

Social media is an excellent opportunity for you to grow your business.

1. You reach large audiences

There are millions of people using social media platforms. It's a great opportunity for your business to reach a large pool of people that are interested in your products or services.

According to research, these are the percentages of India adults that use social media sites online or on mobile:

YouTube: 73%

Facebook: 68%

Instagram: 35%

Pinterest: 29%

Snapchat: 27%

LinkedIn: 25%

Twitter: 24%

India adults use many of these sites, which creates great opportunities for your business to reach leads. You have numerous opportunities to reach leads and can engage them on these different platforms.

The ability to reach large audiences is a huge advantage of social media. It opens the door for your business to find more leads that want your products or services.

2. You have a direct connection with your audience

Social media is one of the few marketing strategies that allow you to connect directly with your audience. You know who is interested in your business because they choose to follow your social media account.

This social media advantage helps your business in numerous ways:

You get to know them better: When you know your audience better, you can deliver more valuable content to them. You make the content more personalized to their interests, which leads to more engagement on your page and with your business.

You provide better customer service: A direct connection with your audience allows you to resolve issues easier. You can address them personally, deal with their issues 1 -on-1, and build your brand in a positive light in the process.

You gain valuable insight about your customers: The direct connection with your audience helps you get to know your audience better. You see who interacts with your posts and how they interact with them. It helps you adapt your strategy to make it better for your followers.

You see how your audience perceives your business: It’s always good to know how others view your business. With social media marketing, you know what your audience thinks of your company. It’s a huge advantage of social media marketing because you can capitalize on aspects people like about your business and fix elements they don’t like.

The direct connection with your audience is a great way to improve your overall marketing campaign. You’ll get insight from your followers and be able to adapt your social media strategy better to meet their needs.

3. You can create organic content

The ability to post organic content for free is an incredible benefit of social media for business. This opens many opportunities for your company to connect with valuable leads at no cost. It’s one of the reasons why companies love using these platforms.

You can post as much content as you want to engage your audience too.

These platforms enable you to post photos, videos, and more, depending upon the social media network. It’s a great way to put your brand out in front of people interested in your business and help them get more familiar with it.

4. You have access to paid advertising services

If you want to go beyond organic posting, there is an option to run paid advertisements. Each social platform offers its own form of paid advertising. Your advertising capabilities will vary depending upon your platform.

Paid advertisements offer your business the opportunity to connect with interested leads that haven’t found your business yet. Social media platforms allow you to tailor your ads to appear in the feeds of people who are looking for your products and services.

This creates a great opportunity for your business to expand your reach and obtain new leads. You help more interested leads find your business, which results in new followers, as well as conversions for your business.

5. You build your brand

One advantage of social media marketing is the ability to build your brand. When you connect with interested leads, you expose them to your brand. The ability to post organic content for free allows you to build brand recognition repeatedly with your audience.

This builds brand loyalty. The more people get exposed to your brand, the more they become familiar with it. Brand familiarity leads to more conversions down the line because people tend to buy from brands they know well.

Social media also helps you build your brand because it enables sharing. You can share, retweet, and re-pin content on these platforms. This means that followers can share your content with their friends and family, which helps expose your brand to more people.

It's an excellent way for you to gain new leads. You can reach leads that you wouldn't reach otherwise. It helps you grow your followers and earn more leads.

6. You drive traffic to your website

Social media is a great catalyst for driving traffic to your business's website.

Most social media platforms allow you to post content with a link to your website. When you create compelling content, you can entice your audience click on the link. This directs them to your site, where they can learn more about your business.

It's a great opportunity for you to help your audience get more familiar with your business.

They can check out your website and learn about your products and services. More traffic on your site also helps your other marketing efforts because you'll drive more relevant traffic to your page.

7. You can evaluate your performance

The last advantage to social media marketing is the ability to assess your performance. Whenever you run a marketing campaign, you want to know how it's performing. Social media platforms make it easy for you to track your campaign to see if you're driving valuable results.

You can determine how many people see your posts, comment, like, share, and more. If you run an advertising campaign, you can view metrics for that, too. You'll see metrics like impressions, clicks, and conversions.

When you can evaluate your social media strategy's performance, you can optimize it and improve it to drive better results.

8. You can join social media networks for free

One of the biggest advantages of social media marketing is that it is entirely free to start. None of the largest platforms have signup fees of any sort, so the only investment you'll need to make is in the form of time.

That being said, there are paid advertising options on most social media platforms. These can be a great tool for growing your following and reaching more users, but are by no means mandatory for businesses.

9. YOU CAN CREATE VIRAL CONTENT

Perhaps the most unique advantage of social media is the ability to get help from your followers. People love to share things with their networks, from photos and recipes to interesting articles and hot deals.

Unlike other forms of Internet marketing, like your site and paid advertisements, content on social media is often shared. However wide your reach, your followers can share with their followers, who then share with their followers, giving you a wider reach (with lower cost) than a traditional marketing campaign.

10. You can uncover valuable insights

You can also use social media to gain valuable information about your customers that will help you make smarter business decisions. For example, social listening allows you to discover how people feel about your company and brand. With social listening, you can uncover conversations about your business and answer questions about your offerings.

What do people like about your business? How can you improve your products and services to better meet the needs of your target audience? Understanding the answers to these questions can your business stand out from the competition and reach more people.

2.4 The Impact of Social Media on Consumer Buying Intention

1. Social media

Increasing focus on global development and the expansive use of technology in marketing, advertising and promotion have led to shifts in the way in which companies focus on consumers (Quench&Jock, 2008).
Researchers have recognized that technology has become a major component in expanding markets and have defined entire marketing strategies around global access to technology. At the same time, advertising and promotion often focus on the psychological, emotional, and social factors influencing consumer behaviours, elements that must be incorporated into technology-based marketing (Quench&Jock, 2008). As a result, even in the presence of global expansion and new technologies, companies need to look at the four essential “Ps” of marketing: product, price, place, and promotion (Quench&Joke, 2008).

Rust, Moorman and Bhili (2010) maintain that while many companies have access to a variety of types of technologies that could enhance consumer interest, expand brand recognition and improve overall marketing, many underuse technologies as a foundation for interacting with customers. These researchers, though, seem to suggest that expanded use of information technologies and social media are going to be the trends in the future (Rust, Moorman, &Bhili, 2010). Rather than focusing on short-term advertising through technology, adept companies are integrating social media mechanisms to enhance the relationship with consumers. Companies frequently focus on three of the most widely used social media platforms for use in product marketing and branding: Facebook, YouTube and Twitter (Mounting, Moorman, &Smith, 2011; Shi, Rui, &Winston, 2014). More than any time in the past, companies are recognizing the value of the use of methods to engage consumers in a way that continually reintroduces the product, increases the appeal of products, or identifies social components to product experiences. Social media websites have become the canter of information distribution on products, including the introduction of new product lines, the creation of brand awareness, and methods to shape consumer behaviour (Mounting, Moorman &Smith, 2011). Social media provides the unique opportunity to use word-of-mouth marketing to a widespread audience, supporting consumer-to-consumer communications and advancing brand awareness through a large-scale social network (Cosines, de Valka, Wernicke, &Wilder, 2010).

Social media can be defined as “consumer-generated media that covers a wide variety of new sources of online information, created and used by consumer’s intent on sharing information with others regarding any topic of interest” (Choli, Suri, & Kapoor, 2014, p. 1). “According to remarketer (2013), nearly one in four people worldwide use social network sites – a number of about 1.73 billion people. By 2017, the global social network audience is estimated to be around 2.55 billion people” (Shavings, Christodoulides, &Zabriskie, 2016, p. 1). When assessing social media as a marketing tool, most researchers include both mobile and web-based technologies that focus on ways that users “share, co-create, discuss and modify user-generated content” (Choli, Suri, & Kapoor, 2014, p. 1). This is considered by most to be a paradigmatic shift in the way companies market their products, because companies are relying on consumers more than ever before to direct their marketing process and create the discourse around branding (Choli, Suri, & Kapoor, 2014).

Unlike print or television advertising, social media is not an advertising platform in and of itself, and as a result, companies can be challenged with determining how consumer information and engagement impact the branding process. Positive comments in social media venues can have a positive impact, but negative comments can also be a part of the brand dialogue and may not be able to be controlled by the companies using social media for marketing (Horde, Carson, & Moore, 2013; Choli, Suri, & Kapoor, 2014). At the same time, consumers participate in the discussion and exchanges that influence the branding process, all the while paying very little attention to their participation in the branding or marketing process (Choli, Suri, & Kapoor, 2014).

Of the three social media platforms identified as commonly used by companies to support marketing and branding (i.e. Twitter, YouTube and Facebook), Facebook is considered by some to be the "holy grail of marketers" because of its focus on the integration of advertising into participant's social content. In the Facebook format, advertisers present their information about specific brands and products, Facebook users provide comments or "Like" content (showing approval of specific content), and this then drives additional similar content (Nelson-Field, Rueben, & Sharp, 2012; Shen & Bissell, 2013). The more consumers engage in behaviours around product advertising or comment on Facebook about specific products, the more content they will be provided that has similar products or brands (Shen & Bissell, 2013). Social media, then, has a significant impact on how marketers design their strategic approach, how they deliver brand information, and how they scale advertising to enhance consumer engagement.

Social networking sites like Facebook have provided a new way of introducing brand-related content and creating exchanges with consumers by generating consumer interactions (Shen & Bissell, 2013). The value of this approach is based on the shift in the way in which the Internet is being used, and social venues are progressing. Just a decade ago, the number one online activity was pornography, but just a decade later, this has shifted to social networking (Shen & Bissell, 2013). As a result, about 93% of businesses use some form of social networking for marketing and branding (Shen & Bissell, 2013). In their 2013 study, Shen and Bissell maintained that in any given year, there are more than 200 million active online users in the United States who spend more than 29 hours spent on online browsing, product assessment and networking. Of this large amount of social networking use, Facebook is the leader, with the most time spent on this social network leader (over 7 hours per person per week) (Shen & Bissell, 2013).

Because of the shift in the format through which consumers engage with products and product brands, the internet and e-technologies have become essential elements in branding. Consumers are now encouraged to interact with brands, share information with other consumers and create their content that reflects their brand preferences. The more consumers are engaged in this process, the more likely they are to encourage others to explore specific brands (Christodoulou's, 2009). In understanding the role that social networks play in branding, it is important to recognize the views of businesses about the branding and marketing processes, their desire to create consumer engagement, and the impacts of social networks on influencing consumer purchasing decision-making.

2. Branding

Researchers generally recognize the importance of the concept of branding as it applies to product and marketing development (Compel, et al., 2014; Keller, 1993). Seminal work on the long-standing approaches to understanding branding reflected the connection between branding process and marketing (Keller, 1993). A brand can be defined as "a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors" (Kotler 1991, p. 442, as cited by Keller, 1993, p. 1). Specific brands can include a number of different brand identities through which associations are made based on central brand

characteristics.
Consumers frequently assess brands, make comparisons between like brands, and make purchasing decisions based on brand affiliation (Keller, 1993).

In alignment with this view, brand meaning extends from social constructs related to the brand and consumer perceptions that are based on both brand comparisons and branding strategies (Compel, et al., 2014). The social element of branding is one of the most

significant aspects of how branding shapes the focus of marketing. Whether looking at Nike products or electric vehicles, the messages utilized in branding strategies become the defence that consumers use to determine their purchasing decisions. Compel and colleagues (2014) maintained that branding is often influenced by social perceptions, including the value that individuals place on the brand, and social pressures, including the social messages that others place on brand ownership. Value linked to branding is influenced by components of the brand process, including brand message and brand knowledge.

Keller (1993) described brand knowledge as a component of brand equity, which is shaped by consumer knowledge of a brand and its products and consumer response to the marketing messages of a brand. Studies of brand equity often attempt to determine the consumer perceptions of a brand and its impact on decision- making. Acer (1997) maintained that this is based on the perception of branding that influence reception to brand messages. Acer described this in relation to brand personality, which includes the associations or characteristics of a brand. Brand personality is defined as “the set of human characteristics associated with a brand” (p. 348). For example, advertising messages that attach adjectives like “cook, hip, contemporary” to Absolut vodka, while attaching characteristics like “intellectual, conservative” and older to Stoll vodka define how the products are branded and how they are distinguished by consumers (Acer, 1997).

Brand personality can include traits like “sincerity, excitement, competence, sophistication, and ruggedness” (Acer, 1997, p. 348). Consumers make connections between characteristics they find affable and characteristics associated with a product shaped through branding (Acer, 1997). Because the influence of brands on consumer behaviours are linked to the perception of brand associations and memories of specific brand components, research indicates that psychological factors play a tremendous role in defining the effectiveness of marketing strategies (Acer, 1997; Keller, 1993).

Brand experience includes how brands are perceived by consumers, but also how responses are communicated. Some brand experiences are perceived very cerebrally, while others are conceptualized around feelings, emotions, sensations, and behaviours. Brand-related stimuli become an important component of the transfer of brand information (Backus, Schmitt, &Tarantellas, 2009). Depending on the type of product or service, specific consumer responses to brand images can result in feelings, thoughts or behaviours that are distinct to each brand. Associations made through response to brand stimuli shape not only knowledge of the brand characteristics but also enhances brand awareness.

Often consumer behaviours are shaped by brand awareness. Three coffee shops on a major street may present comparable products and services with a significant price differential. Even if Starbucks is the most expensive of the three, consumer behaviours and choices are often driven by their perception of the brand and belief in a brand-based experience that is differentiated solely by recognition of the brand. A person may choose Starbucks not because they provide the best service, best coffee, or best-baked goods but because they are a recognised brand that has associated feelings, cognitions, and sensations. These determine consumer expectations and beliefs about the outcomes of purchasing decisions (Backus, Schmitt, &Tarantellas, 2009; Keller, 1993). Kahr and colleagues (2016) recognized that consumer behaviour can be influenced by positive brand knowledge as well as by negative experiences that result in damage to a brand. For example, following the Exxon Valdez disaster in Alaska in 1989, many consumers turned away from this industry leader because of the negative environmental impact and brand deterioration that followed. It took decades and a merger with one of their largest competitors, Mobil, in 1999 to reshape the brand and reduce the negative impacts of the disaster. Once a good image is lost, Kahr and colleagues maintained, it can be lost forever.

Brand equity becomes a part of this process, especially when applying branding strategies to widespread consumer interactions (Kahlil, Suri, & Kapoor, 2014). Brand equity can be defined as the introduction of some ways in which knowledge about a brand can influence the consumer behaviours in response to marketing approaches (Choli, Suri, & Kapoor, 2014). “The ultimate aim of branding is a favourable response from consumers/customers. Companies attempt this by marketing products to customers, highlighting differentiating characteristics" (Choli, Suri, & Kapoor, 2014, p. 2). Companies seek ways of differentiating their marketing approach in order to reach the largest number of consumers. Subsequently, brands can be differentiated through marketing focus and messages in order to appeal to different consumer populations.

A good example of this relates to the way in which Nike has integrated technology and social media in the branding of their products to many different consumer populations. Nike recognized that across populations, their sports-related products appealed to individuals seeking a greater motivation for individuals to excel physically (Choli, Suri, & Kapoor, 2014). Their "Just do it" slogan was one that was recognized as a way to market their products to youths, adults, and even older adults by integrating a single message or slogan that could then be differentiated through the use of online advertising and population-specific content (Choli, Suri, and Kapoor, 2014). This kind differentiation is essential to branding process and promotes consumer loyalty while also ensuring brand knowledge.

Brand-Related Social Media

Brand loyalty becomes an increasing focus when companies consider the use of social media. Facebook, for example, has more than 955 million active users, most of whom log on at least once each month (Larches, Habib, & Richard, 2013). About half of Facebook users access their accounts on a daily basis, either via the internet-based platform or through their mobile application (Larches, Habib, & Richard, 2013). As a result of this widespread use, advertisers view Facebook and other social media platforms as the most beneficial technology to introduce brand-related content and promote band associations.

While companies see Facebook as a means to promote brand awareness and gain consumer attention, not all of the responses to advertising in social media are positive. While brand-related content is being introduced at an increasing rate in the Facebook platform, social media-based advertising is sometimes viewed as an unwanted element, and companies have to be aware of how consumer responses to their advertisements can impact the value of that brand-related content (Larches, Habib, & Richard, 2013). Researchers have maintained that it is important that companies recognize that the process of introducing advertising and brand-related content in social media requires a close scrutiny of the content and a focus on brand-based community building (Larches, Habib, & Richard, 2013).

Brand communities often form based on the presence of brand loyalty and positive response to brand-centric content. When creating a social media presence for a brand, the development of this kind of community requires an understanding of how social media works and how brand communities function through the application of social media. Brand communities are made up of individuals who choose to participate and demonstrate a relationship to the essential information, content, or materials that are being shared in the community. This can include commentary on products, responses to new products, incentivised elements that shape decisions about participation in the community, and methods to create a social connection that has emotional or socially driven experiential elements, including creating a sense of belonging (Larches, Habib, & Richard, 2013). A key element for leaders like Facebook is to develop social interactions and create engaging environments (Larches, Habib, & Richard, 2013). This means that individuals may be encouraged to engage in content by activities designed into the format. For example, content about a particular brand may appear on Facebook, linked to an individual's Web search for a specific product. The consumer is then asked to "Like" (show approval) or "Share" the content (showing approval by publically sharing the information with others) (Wallace, Build, de Sheratons, & Hogan, 2014). These simple tasks engage the participants in an interaction that helps them make decisions around products and provides feedback for advertisers.

At the same time, there is an important element to be understood in the creation of brand-based social media content and engagement with the consumer based: There are very few methods built into the mechanised system of response to content that allows for negative

feedback. Consumers may comment or engage in discussions about a product, but there are no opposite elements to the “Like” or “Share” options that can be selected in order to show opposition to the content in a public way. As a result, the content that is “Liked” or “Shared” becomes the content of value, and this results in the introduction of more similar content while ignoring these options does not necessarily result in similar content not being introduced.

From an organisational standpoint, brand managers become important in assessing data and providing direction related to the creation of brand communities and the information derived from consumer responses (Larches, Habib, & Richard, 2013). Effective measuring of consumer engagement in brand-related social media content can be an essential part of creating a social network marketing plan (Shavings, Christodoulides, &Damrosch, 2016). The creation of an internet presence for a particular brand is no longer a static process by which companies provide an internet presence or brand depictions without a feedback loop.

Different from the static websites in the early days of the Internet, the interactive nature of social media has ultimately changed the ways in which consumers engage with brands. When using social media on a regular basis, consumers are in contact with brands and products by reading, writing, watching, commenting, “Liking”, sharing, and in many other different ways. The growth in popularity of social media across consumers and firms has opened a vast research field for scholars (Shavings, Christodoulides, &Damrosch, 2016, p. 2). Researchers have indicated that there are different tools built into the social media platforms that allow for the creation of a brand community, the engagement of consumers, electronic word-of-mouth, communication amongst peer groups, and user-generated content, all of which support consumer engagement and create collective value (Fuller, Melcher, Matter, &Jacky, 2009; Larches, Habib, Richard, & Sankaranarayanan, 2012; Schivinski, Christodoulides, &Damrosch, 2016). The focus on value and the application of social media to create value has become an aspect of marketing and branding processes in most modern organizations.

3. Collective value creation

When brand communities are developed, social identification in the community and social drivers play a role in the creation of value. The use of social media to create these communities helps to connect the growing technology use with the development of value-creating practices in business environments (Shao, Muniz, &Arnold, 2009). These communities help to create value by sharing information, generating additional avenues to support consumption, creating dynamic and vital responses to products and developing a driving force for consumerism (Shao, Muniz, &Arnold, 2009). Most researchers recognize that these elements fall into two different categories: elements created the company (firm-created), and elements created by users (user-generated) (Schivinski &Droshky, 2014). Frequently, social media platforms like Facebook support a high degree of user-generated content that can be used to support social behaviours around products and enhance brand recognition (Wang, Yu, & Wei, 2012).

Some of the most powerful tools related to the use of social media to support consumer decision-making reflect the social mechanisms involved in creating collective value. Socialization around specific brand expectations and knowledge can influence decision-making and shape the way consumers assess brand- based information. In the same light, peer communications and social mechanisms can also influence how consumers perceive firm-created content (Wang, Yu & Wei, 2012). Frequently, brand value and purchasing decisions are linked more to the strength of peer communications and social mechanisms supporting brand image, rather than the firm-created content available in advertising segments. These factors support the belief that value is aligned with brand awareness (and the mechanisms that support awareness), and these elements subsequently influence how consumers respond to a brand or product.

4. Brand Awareness and Buying Intention

The increasing use of social media has led to a major shift in the approach to pursuing consumer brand awareness and making connections between brand awareness and intention to buy. A key shift is the fact that brands are no longer simply static descriptors or associations, but live as a part of a social process (Hollered, Glynn, Brodie, 2014; Hatter, Haunts, Gephardt, & Fuller, 2013). “Brands are now viewed as an ongoing social process (Muniz and O’Quinn, 2001; Fuller et al., 2012), whereby value is co-created in the interplay and negotiations of various stakeholders (Metz et al., 2009)” (Hatter, Haunts, Gephardt, & Fuller, 2013, p. 342). Brand awareness and brand value, then, are linked to social interactions and the response within social networks in which value becomes an element of exchange as a part of social mechanisms.
Researchers are increasingly aware of the social nature of brands and the importance of brand relationships in creating value and supporting consumer decision-making (Hatter, Haunts, Gephardt, & Fuller, 2013).

Adept companies recognize that consumers have countless brand opportunities and choices on a daily basis and social media impacts how they perceive different brands at the moment that they make buying decisions (Hatter, Haunts, Gephardt, & Fuller, 2013). Even in the presence of changing social media mechanisms and the increasing use of technology, consumers still go through a common set of steps in making decisions that impact purchasing selections (Hatter, Haunts, Gephardt, & Fuller, 2013). When determining what product to select, “the consumer first attains awareness and knowledge about a product, subsequently develops positive or negative feelings towards the product and finally acts by buying and using or by rejecting and avoiding the product” (Hatter, Haunts, Gephardt, & Fuller, 2013, p. 344). Researchers have indicated that this model moves along a progression of effects that impact how a consumer makes decisions, the technologies being in the first stage of product recognition. In other words, a consumer decides in the first few minutes of viewing a product about whether to purchase it or not based on the initial recognition of the brand. If the consumer does not have a positive association with the recognising, it will never move on to the next stage of decision- making (Hatter, Haunts, Gephardt, & Fuller, 2013). Because that first centre is essential in addressing consumer behaviours, companies must recognize the value of the use of social mechanisms as a behaviour tool in the hierarchy of consumer behaviours (Hatter, Haunts, Gephardt, & Fuller, 2013).

Early involvement in a consumer’s decision-making process can determine whether they continue to the next steps or not. This does not guarantee that early involvement will translate into purchasing intention but it does show that early involvement or early social recognition and brand awareness can ensure that the product remains in the loop of possible purchasing alternatives (Hatter, Haunts, Gephardt, & Fuller, 2013). As the consumer moves further along in the process, evaluative structures and decision-making strategies are more individualized and may take longer to play out. For example, if a consumer is looking at a high-end automobile, they may immediately rule out seven different brands for brand-specific, knowledge-based reasons. They may also rule out these brands because of social media representations of brands, consumer comments on specific brands, and social mechanisms that shape brand perceptions (Hitter, Haunts, Gephardt, & Fuller, 2013). Once the consumer moves on to the next stage where brand perception no longer immediately shapes their response, decisions may be based on another tier of perceptions that can be influenced by social media, including the consumer's needs, values, and interests, and the values and interests of those in their social collective (Hatter, Haunts, Gephardt, & Fuller, 2013; Yokes, Bile, &Yokes, 2014). Decisions are not always as simple as selecting a product or not; often consumers find themselves seeking better ways of evaluating a product and look to social networks for brand or product clues.

5. Strategic approaches

The old approaches to marketing and advertising rarely apply when considering how influential social media is to achieving competitive advantage. “Traditionally, organizations have created advertisements, and customers consumed them. The intentions of advertisers have been reasonably clear: Organizations use these messages (mostly in broadcast or print media) to inform, persuade, or remind present and potential customers of their offerings or of the organization itself” (Barton, Pitt, & Campbell, 2008, p. 6). As passive recipients of this kind of advertising or communication, consumers relied heavily on the messages introduced and much less on the perceptions of others about specific products or brands. Companies have had to become much savvier in their use of marketing strategies because modern consumer populations rarely look at advertisements the way they did in the past. A consumer will participate or engage in advertising in the first few seconds it is displayed, or dismiss it altogether (Barton, Pitt, & Campbell, 2008). The internet has provided companies with much more cost-effective ways of engaging with the consumer population, from creating responsive advertising and linked social networks to integrating surveys as a part of the consumer experience for a brand. “In 2013 alone, 43 percent of all research surveys completed in the United States were conducted online, generating total revenue of $1.8 billion” (Felony, 2014, p. 133).

Online research that provides a responsive tool via social media for understanding consumer perceptions has been an effective mechanism for supporting new marketing strategies (Felony, 2014). This has led to major investments in marketing in social media that exceeds over $5 billion a year in marketing investments (Ashley &Totem, 2015).

With that level of expenditure, companies want to be sure that their social media marketing campaigns utilize the best strategic approaches, aligning existing theories on social mechanisms for buying intention with the best options for engaging consumers (Ashley &Totem, 2015). This has led to branded social media campaigns that are reflective of the fact that about 86% of marketers believe that social media is an important and pervasive element in marketing initiatives (Ashley &Totem, 2015). “Branded social campaigns provide additional touch points to encourage ongoing interaction between the consumer and the brand story throughout the day, which can deepen consumer-brand relationships, help marketers uncover common themes in consumer feedback, and persuade consumers to engage with online content” (Ashley &Totem, 2015, p. 15).

One of the most significant shifts in marketing development that has led to social media-based strategies is the belief that consumers want to engage with product lines through user-generated content (Ashley &Totem, 2015). “Consumer generated media encompasses opinions, experiences, advice and commentary about products, brands, companies and services-usually informed by personal experience-that exist in consumer-created postings on Internet discussion boards, forums, Usenet newsgroups and blogs. CGM can include text, images, photos, videos, podcasts and other forms of media” (Krishnamurthy & Dou, 2008, p. 2). An example provided by Ashley and Totem (2015) was a Facebook-based campaign in which Procter and Gamble created a “Thank You Mom” campaign in which consumers were encouraged to share their family stories. This campaign integrated multiple social channels and a combined broadcast advertising campaign, but the primary elements were dictated by social media. The stories that Procter and Gamble sought were those that enhanced associations with the products while displaying the connection between mothers and their children. In the end, the campaign supported engagement by hundreds of thousands of female heads of households and “soccer moms,” creating a positive response to the brand (Ashley &Totem, 2015).

User-generated content is one of the dynamic and emerging approaches used by companies to enhance their interactions with consumers and advance brand knowledge. This is based on a growing view of the role that social media plays in the personal lives of consumers, including the belief that consumers use social media as a means of creating or building social capital and of creating their sense of wellness through the psychosocial elements of the social media tools (Ashley &Totem, 2015). Recognizing this connection can play an important role in developing the content and shaping the relationship between the consumer and the company.

This speaks to an important aspect of the paradigmatic shift towards social media and user-generated content in marketing: the belief that companies are now creating, and must manage, a closer relationship with their consumers (Ashley &Totem, 2015). This creates additional expectations in this kind of relationship, and companies creating a social media presence and interactions with their consumers must consider how to manage these relationships, create more effective and responsive customer service, and ensure that generate a following through their marketing mechanisms. Customer engagement and the willingness of customers to share their stories, create their own content, and engage are aligned with the goals of social media campaigns (Ashley &Totem, 2015).

From a general perspective, most marketer's belief that social engagement through marketing requires a high level of understanding of the goals of both the consumers and the companies in creating a social media presence. What is rarely addressed is the fact that social media platforms provide a context for the new creation of brand identity and for both positive and negative expressions of brand involvement.

Social media creates a venue through which computer-based word-of-mouth communication can significantly influence the brand image. Because one consumer can reach hundreds if not thousands of followers in a single post, companies must address their approaches to managing social networks before creating an online presence. This rarely occurs in advance of the introduction of the company in online forums. Instead, consumer engagement that is not positive is usually the first indicator that the company wants to apply focus on mitigating for negative social media responses. For this reason, user-generated content, which has been assessed as a valuable tool in creating consumer engagement, is not always the first choice for many companies.

Haunts, Fuller, Hatter, and Turbidly (2013) maintained that user-generated content could be used effectively by companies who recognize that there are varied formats, and some of it can be more structured in a manner that reduces the impacts of negative messaging. By creating avenues for positive message streams, in the manner commonly applied in platforms like Facebook, companies can make their customers the "ambassadors for products and brands by producing and disseminating user-generated content" (Haunts, Fuller, Hitter, &Turbidly, 2013). Bruhn, Steinkuehler, and Shafer (2012) maintained that user-generated social media communications could positively or negatively impact brand equity. Subsequently, social media communications must be managed and a plan created for effectively addressing the negative elements that can influence consumer perceptions (Bruhn, Steinkuehler, & Shafer, 2012).

Researchers have maintained that while user-generated content can help to secure consumer behaviours in relation to second stages of product decision-making, firm-created social media content has a greater overall effect on a brand image (Bruhn, Shoe Mueller, & Shafer, 2012). As has been previously stated, consumer decisions can be made in the first few seconds that a consumer assess a product. If the consumer has a positive association based on company-linked media content and brand image, the consumer will move on to the next stage of selection, the stage in which decisions are linked to perceptions of the brand by individuals within a social network. In align with this view, consumers need to consider the nature of their products, the capacity to maintain a brand image and the overarching value of social media networks in creating consumer engagement. Companies also need to recognize that branding itself is a complex process and requires a commitment to both traditional marketing approaches and social media-based approaches, including those that are linked to user-generated content.

2.5 HYPOTHESIS

1. The traditional "word of mouth" publicity has been replaced by "word of web".

2. Social media has opened up a new opportunity, both for the business and consumers.

3. Social media has given the platform to false & rumoured advertisement.

4. Social media platform is only for the personal interaction of ppt & not for the commercial purpose like advertising & promotion.

5. Social media is used by youth population in India. So, the marketing activity is youngsters only.

CHAPTER 3: LITERATURE REVIEW

3.1 Social media

What is social media

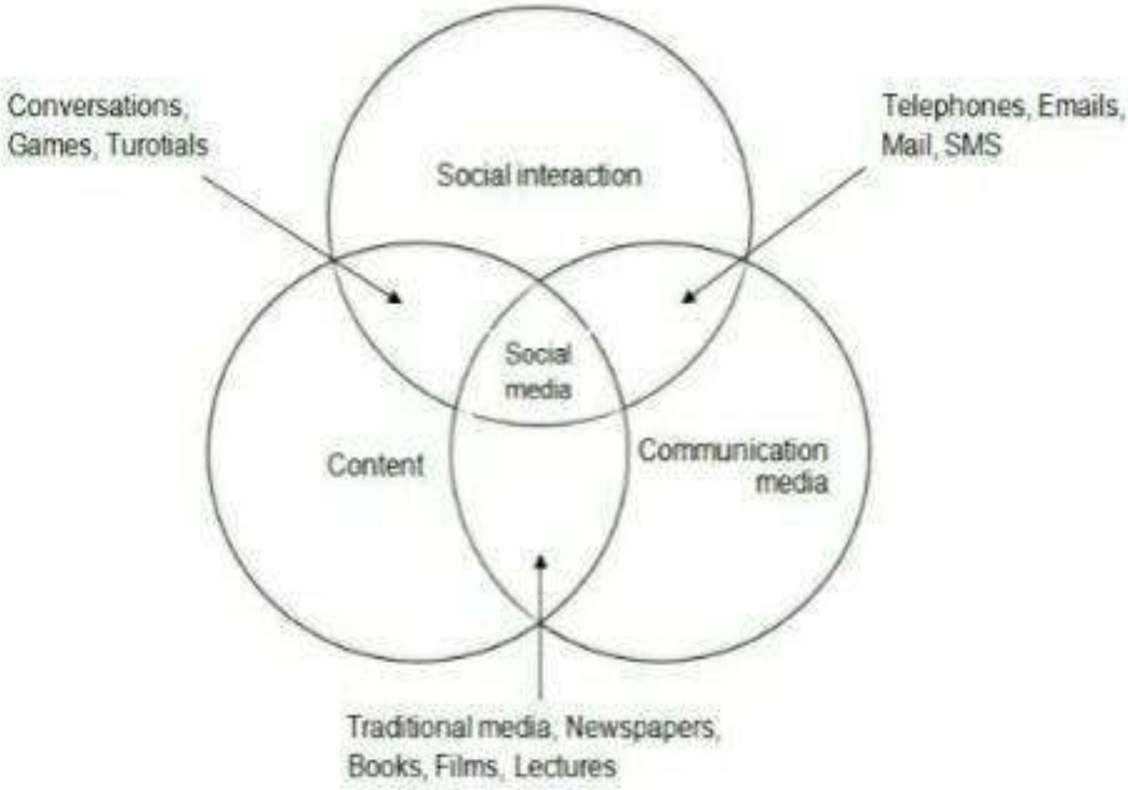
Many researchers have come across the interchangeable usage of the terms “social media” and “Web2.0” (Safko and Brake 2009, 6; Kaplan and Haenlein 2009, 60); however, Safko and Brake (2009, 6) have stated out that these two terms are closely related yet not exactly synonymous, and they differ in terms of usage.
For the purpose of this research, and in order to avoid any confusion, the above mentioned terms will be defined, despite the fact that social media is the central gravity of the research.

In regards of the term Web 2.0, Tim O'Reilly, the founder of O'Reilly media, has coined that "Web 2.0 is the business revolution in the computer industry caused by the move to the Internet as platform, and an attempt to understand the rules for success on that new platform." He has further provided a general business aspect in relations of Web 2.0 as the “harnessing of collective intelligence”, in which Web 2.0 provides platforms and fills the Web with user-generated content where all individuals – the former audience are able to take part in instead of important decisions made by a few people. (O'Reilly 2006.) Alternatively, Web

2.0 is a platform whereby content and applications are continuously modified and exchanged by all users in participatory and collaborative manner, and no longer merely created and published by individuals (Kaplan and Haenlein 2009).

There are still many ongoing debates and discussions regarding social media’s universal definition; as social media has been transforming and merging into the evolving development of New Media (Solis 2010).
Regardless of what thestandardized definition per se would be, many of the existing studies and articles have stated out the common core purpose of social media.

According to figure 3, Dann and Dann (2011) have demonstrated how social media is formed based upon the interconnected elements – social interaction, content, and communication media. Social media has created a new landscape in supporting the socialization of information (Solis 2007), as a result it has facilitated and enhanced communication flow by making it easier and to more people, and to spread useful information with potentially vast online audiences (Smith and Zook 2011, 10), in which the conversation may be taken place on media locally but lead to a global impact.



Safko and Brake (2009, 6) have supported the concept proposed by Kaplan and Haenlein (2009), as they have referred social media to “activities, practices, and behaviours among communities of people who gather online to share information, knowledge, and opinions using conversational media”. Nonetheless, social media expedites the flow of communication by encouraging contributions and feedback from everyone who is interested, and it is a two-way conversation when comparing to the traditional media because social media outlets are open up to feedback and participation (Mayfield 2008).

At its essence, social media describes the powerful new ways individuals are engaging with content on the Internet, and vice versa; that is, as many haveobserved, social media is user-centric in which it emphasizes and facilitates the process of creating, commenting, editing and sharing. More importantly, social media is the democratization of content. (Solis 2007.)

Types of Social Media

In the discussion regarding different categories of social media, five distinct types of social media outlets are focused on – 1) social networking sites, 2) social news, 3) media sharing, 4) blogs, and 5) microblogging.
Each of these social media platforms has provided unique features and experiences to individuals and entities, for instance marketers and consumers, in the social media sphere.

Social Networking Sites

Social Networking Sites (SNSs) are platforms where individuals are able to connect with others, for instance Facebook and My Space. Social networking sites, as Weinberg (2009, 149) states, "are generic terms for sites that are used to connect users with similar backgrounds and interests". These platforms, generally, have few common elements across most of them – (1) users are able to create interactive and customized profiles, either a public or a semi-public, within a bounded system, (2) a list of suggested "friends" with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system (Boyd and Ellison 2007, 211).

To consumers, they are the outlets, which present wealth opportunities for establishing a closer relationship with the brand via several functions – fan pages, plug-in applications, and groups.

Recently, empathise have conducted a survey about the U.S. consumers' usage of social media to make shopping decisions. The survey population is more than 6,500 U.S. consumers, of these consumers, over half (55 percent) have "Liked" a brand's Facebook page, and 73 per cent have claimed that their choice of recent store visit is influenced by a social networking site (Dugan 2012).

Social News and Bookmarking Sites

Social News sites and Social Bookmarking sites, for instance Digg, Reddit, and Scoop.it, are fairly similar, and are very much in the trend of online community. Social News enables users not only to be in control of their news streams, but also allows individuals to "submit and vote on content around the Web" but the core value of the latter one is to allow users "to collect and interesting links they have discovers and may wish to revisit." (Zarrella 2010, 103.)

In other words, individuals get to control and customized their news streams, this special attribute of social news site facilitates the democracy which creates values to users. These sites allow individuals to discover websites that a large number of people have already discovered; some say social news sites have changed the concept of newspaper nowadays and are governed by the "wisdom of crowds" (Weinberg 2009), due to the fact that the contents personal and targeted news and they empower users by putting the audience in the centre via active discussions and which reacts on how readers interact (Baekdal 2009).

Media-Sharing Sites

Media-Sharing sites (e.g. YouTube and Flickr) are outlets where individuals can upload, store, and share their multimedia files, for instance photos, videos, and music, with other users. There are myriad opportunities through the engagement to these websites, because these certain platforms within the social media segment has always been a stronghold to online societies, as they provide users opportunities to create their own podcasts with affordable technology and to propaganda their identical “channels” via subscriptions. One of the major elements of these media-sharing sites has to be highlighted is the tag. “A tag is a word assigned to a piece of content that helps describe it”, which means that businesses have to acknowledge the importance of the search words on the search engines (Zarrella 2010, 81).

Blogs

A blog is an online journal which is as refer to a type of content management system (CMS), typically maintained by individuals or groups, and featured commentary and ideas for a larger group of audience (Safko and Brake 2009). Blogs create good hubs for other social media marketing tools (videos, hyperlinks, pictures, and so on), because they can be integrated into the platforms and posts; besides, blog software provides a variety of social features such as comments, blogrolls, trackbacks, and subscriptions (Zarrella 2010, 9). On the other hand, Weber (2009) has pointed due to the fact that blogs allow everyone to publish and to join multithreaded conversations online, in which some of the bloggers have no editorial restrains and have access to the entire Web; as a result, their posts can impact personal, products, or brand reputation harmfully.

Microblogging

Microblogging is a real-time information network, which shares similarity to blogging, yet it limits the size (number of words) of each post and encourages a faster mode of communication. Microblogging allows users to spread their short-texted messages via instant messages, mobile phones, e-mails, or the Web. For instance, Twitter, launched in 2006, is one of the primal and leading microblogs that currently has over 140 million users as of 2012 and handles over 1.6 billion search queries per day (Twitter 2011). Obviously, Twitter provides companies with leverage via Internet traffic by creating a buzz on online communities, as users get the essence and concise information through short-texted posts. Many companies have been using Twitter to tap into the business prospects, influencers, and customers; by doing so, businesses are able to take advantage in relationship building, achieving on-line and offline marketing objectives, and brand building etc. (Weinberg 2009). Retweet is one of the most powerful mechanisms to marketers, in which individuals can copy and paste what others have posted onto their Twitter stream. Consequently, the certain tweet gets to spread virally in a furious speed (Ingram 2012).

3.2 Social Media and Marketing

Social Media Marketing is an umbrella term that can be described as the utilization of social media platforms as marketing tools. According to Weinberg (2009), he refers social media marketing as leveraging the 'social' through the 'media' to 'market' businesses' constituents; in other words, it is a process in empowering individuals to promote their websites, products, and/or services through online social channels, to interact with and to tap into a much larger community that may not have been available via traditional advertising channels.

It is no longer a striking fact that most of the advertisements via mass media are not as efficient as in the past, because by advertising through the mass, the message is generally reaching far more people than the potential customer intended to reach (Weber 2009; Weinberg 2009). Social web is where people with a common interest can gather to share thoughts, comments, and ideas; hence, instead of continuing as broadcasters, marketers should become aggregators of customer communities; that is, the Web should not be considered as a mere advertising channel, it is a place where marketers can listen and respond to communities, review contents, as well as promote a particular piece of content within the vast social sphere (community building) (Weber 2009).

What makes social media marketing special?

Upon the insufficient advertising budget that companies oftentimes encounter via the traditional channels, social media marketing might be, particularly, easier and more effective for small and medium-size companies to take maximum advantage of it. While social media marketing is an evolving technology with much potential, yet marketing's role still reminds the same – defining the target market, communicating with prospects, building loyalty, customer engagement and so on. (Weber 2009.)

Weinberg (2009) has proposed few reasons to tap into a solid social media strategy in addition to (or instead of) the traditional ones, which are – facilitation in natural discovery of new content, boost up in traffic numbers, strong relationship building, as well as a cheap alternative to traditional marketing. Unlike the traditional advertising, individuals in the social media era have access to contents that are not necessarily associated with commercial intent (neutral); consequently, if a person like a content, he/she is likely to pass it on to their peers, families, and so on via social sites, then content will be spread out quickly without interfering with traditional marketing. (Weinberg 2009.) Social media offers opportunities to achieve communities, once company has established its presence as a community participant worth following, eventually others will be likely interested in what it shares and pass to the relevant ones (Weber 2009).
Besides, in the phase of the new marketing era, bringing the brand to alive depends solely upon the engagement within communities (Weber 2009; Silverman 2001), as a result if company is genuinely paying attention to the members of the community, a strong relationship can be built upon investing time in responding on feedbacks and concerns. (Weinberg 2009)

‘Mass media audience become more and more difficult to buy,’ said Martin Sorrel (1996) of WPP (see Smith and Zook 2011, 282). The fortunes of advertising have grown alongside with the growth of mass media; however, this growth has stopped these years. (Smith and Zook 2011.) In fact, there are many sport brands in the marketplace are taking social media

marketing as a vital component in their businesses, in which they look at effective ways to gain a more detailed understanding of their social media fanbase. Nike has been putting more marketing muscle behind its digital initiatives, for instance by taking social media marketing in-house, claiming that online channels are more valuable to its business strategy than traditional advertising. (Joseph 2013.)

3.3 Social Media: The New Mind set

In order to gain a better position in the transition from traditional marketing approach to social media marketing, marketers will have to, firstly, change their marketing mind-set. Social media platforms have radically changed the approach of segmentation in implanting marketing strategy, instead of easily identified demographics, such as age, gender, or income are relatively less important, it groups people by what they do, think, like, and dislike, and more importantly by their behaviours', also known as behavioural targeting. (Weber 2009.)

Many marketing experts (Drury 2008; Mayfield 2008; Weber 2009; Weinberg 2009) have always emphasized that since marketing via social media is rather about receiving and exchanging perceptions and ideas, which makes social media marketing no longer one dimensional but a two-way process engaging a brand and an audience (Drury 2008) as well as a creation of increasingly visualize contents (Weber 2009). Oftentimes, content is a critical factor in achieving an effective marketing via social media; however, according to Curates' "B2B Marketing Trends Survey 2012 Report" (Marketing Profs 2012), companies seem to encounter challenges in creating original content, having time to create it, and finding high-quality content (see Jacobs 2013).

Drury (2008) has argued that with social media in particular, the content of advertising and branding must be provided as relevant value-added content that is more about consumer, rather than brash product placement. When companies help their customers through social media outlets, it is more likely to build a long-term relationship, which will in turn propel and leverage the brand awareness and growth (Young Entrepreneur Council 2012)

Besides, with social media, company is able to create the platform of true interactivity; the American Express' OPEN Forum is undoubtedly an outstanding case, which has surly surpassed customer expectations when it comes to putting a customer first; because instead of heavily promoting their traditional financial offerings on the community, the company has considered its consumers and their concerns and needs while providing information about their services (Weinberg 2009). Social media platforms serve as a tool for consumers who may not have an outlet or support system to find one another; brands like Weight Watchers and Nike Women have demonstrated how valuable social networking sites can be for bridging people who are facing similar daily obstacles (Young Entrepreneur Council 2012).

In the foregoing chapter about the course of information search and evaluation in decision making process, it has been discussed that individuals are likely to seek information that is consistent to their initial thought, and keenly avoid those that encounters with it; as a result, social media in today's marketing provides linkages to connect individuals who share similar interests and backgrounds, in which, to consumers, these communities serve as an vital "tuning" mechanism in the selection of needed information among the overwhelming information.

3.4 CONSUMER

The Consumers

Consumers are actors on the marketplace stage. Consumers, in general, can be referred as individuals who purchase or consume products and services; however, in terms of buyer and consumer, there is a slight difference. Buyers are the people who are acting either as ultimate, industrial, or institutional purchasers. The latter one, consumer, refers to individuals who purchase for merely ultimate use, which is more restrictive in terms of meaning (Sternal and Craig 1982); that is, the end-users for whom the products or services are ultimately designed for.

Consumer Decision Process

Inevitably, businesses encounter bottlenecks where the message is not reaching their consumers and prospects, with the fact that, at times, consumers and prospects are facing significant blocks in their decision process. If not, each of them should be fully committed, loyal, enthusiastic, repeated consumers; however, this is not the case. Today the accessibility and transparency of information has profoundly influenced the decision making process; therefore, it is important to examine what are the hurdles and fiction points that hold prospects becoming consumers, or keeps consumers hesitating from repurchasing.

Figure 1. The 5-Stage Decision Making Model (Silverman 2001.)

Engel, Koll at, and Blackwell (EKB) have presents a comprehensive model dealing with ultimate consumer’s behaviour in 1978, which attempts to capture the critical aspects of individuals’ consumption behaviour. As the figure (Figure 1) shows, the model has

interpreted consumer behaviour into five stages –
1) Problem recognition, 2) search of information, 3) evaluation of alternatives, 4) final decision, and 5) post

purchase decisions. (Stendhal and Craig 1982)

Problem recognition

Problem recognition takes place whenever a consumer recognizes a significant difference between the desired and the actual state of affairs, which is in sufficient magnitude to arouse and activate the decision process (Solomon, Barossa and Safeguard 2002), or need triggered by internal or external stimuli. After the realization of a problem, it initiates the search for information before any typical buying action.

When an individual is triggered externally, for instance, a person may see a television advertisement for a vacation, the stimuli triggers thoughts or ideas about the possibility of making a purchase (Kotler and Keller 2009). Nowadays, the mass media is no longer the only source of information, which may serve as a trigger of a purchase to individuals. As a result, consumers are exposed to vast amount of information, in order to get through the consumer's filter, marketers have to identify a claim or promise about their services or products, which are strongly penetrative. Filter, in this case, is a fact of being overlooked because of too much information competing in the marketplace (Silverman 2001).

Search of Information

The final purchase decision will not be made at once, even when individuals acknowledge, recognize their problems, and pay attention to the available products; likewise, when prospects have a certain interest in a product or service, they tend to go through the following steps before carrying out any action – identifying available options, studying information of selected options, and eventually judging which of these options can most likely deliver the best outcome (Silverman 2001).

The information sources can be divided into two types: internal and external. Internal search indicates former information and experience of an individual will result in future behaviour that the consumers will be likely to take (Solomon, Barossa and Safeguard 2002). Even when a consumer is attentive towards a marketing offer, it does not imply that the offer will be comprehended as intended; therefore, aside from the accumulated information, any information or message that is generally analysed and stored in the consumers' memory in forms of certain meaning will be used to evaluate alternatives. Essentially, competitive brands provide alternatives for consumers who are willing to find the best solution to their problems or needs, even they may offer same products or services.

Evaluation of Alternatives

Once an option is identified as the best/suitable solution according to the individual's needs after accumulating sufficient information, they undertake alternative evaluation (Sternal and Craig 1982, 46). Depending on their motives or goals, consumers establish a criterion for evaluating choice alternatives (Sternal and Craig 1982, 46), for instance which alternative is the simplest to use or to arrange, or what are other users' experiences, because there is a need to confirm whether or not the information is reliable and to verify that the product will work out as anticipated. (Silverman 2001.)

In order to ensure the outcome within the expectation, individuals require relevance of experience. Direct and indirect experience, which individuals, serve as indicators during the buying process. Direct experience is not always preferred since individuals are inexperienced towards specific products, which may result using it in an unskilled manner and have negative experience with it. Most often, if negative experiences take place, they are most likely to be costly (both financially and time), risky, or even damaging to reputation. (Silverman 2001.)

After the assessment of the choice alternatives, consumers formulate beliefs

regarding the alternatives, which guide their attitudes, intentions, and ultimately their choice among alternatives (Sternal and Craig 1982, 46). Besides, several studies have provided evident findings that the decision maker will increasingly seek ways to simplify the evaluation process when a decision becomes more complex (Bruner, Good now and Austin 1956; Association for Psychological Science 2008).

Final Decision

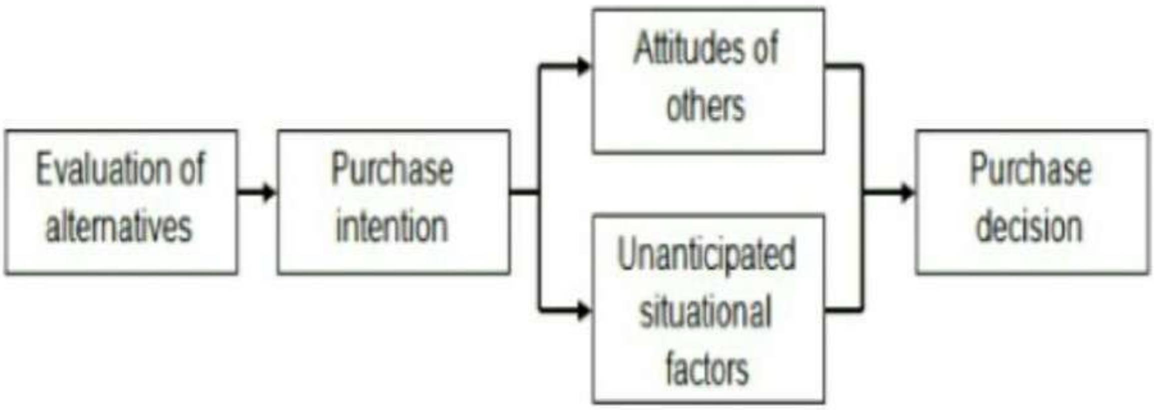


Figure 2. Steps between evluation of alternatives and a purchase decision

Kotler and Keller (2009) have suggested that during the course of evaluation, consumer eventually forms preferences among the brands in the choice desk, however, there are two

factors, which can interfere

between the purchase intension and purchase decision – attitude of the others and unanticipated situational factors (172).

Attitudes of others is the extent to which another person's negative attitude towards the preferred alternatives or reluctance to meet the terms of supporting the purchase intention, this may result in a readjustment of the consumer's purchase intention (Kotler and Keller 2009,172).

Likewise, Kotler (2009) has also stated that consumers are undoubtedly influenced by the immediacies' who publish their evaluations (e.g. customer reviews on Amazon.com, blogs, bulletin boards, and so on).
Unanticipated situational factors refer to those may erupt to alter the purchase intention, for instance, there might come an unexpected purchase that is more urgent compared to the purchase the consumer was firstly stimulated to buy; in other words, preferences and purchase intentions cannot be served as completely reliable predictors of purchase behaviour. (Kotler and Keller 2009.)

The stages in the decision process are not followed sequentially, but rather in a cyclically order; that is, in reality there are loops, for instance between information search and evaluation, consumer learns about new criteria not previously considered (Bateman 1979).

Post Purchase Decision

After the consumption, the consumer then experiences certain levels of satisfaction or dissatisfaction, and evaluates the wisdom of the choice made in selecting the alternative. Two potential outcomes are derived from this phase – satisfaction or dissonance. When consumer experiences dissonance towards the purchase, the choice is 'devaluated' and the consumer begins the process of searching, obtaining information and evaluating other options for future buying decision, in which triggers new behaviour. (Sternal and Craig 1982).

It is a phase when the consumer decides whether or not to move from merely implementing the product to a full adaption; that is, whether to use the product repeatedly or repurchase or not. Since consumer always has a choice regarding the products priority, frequency of usage, and new circumstances of new uses. When individuals are comfortable in using a specific product regularly, they will recommend it to others from using the product as well. (Silverman 2001).

Stages in decision making involves many psychological factors, which the above five-stages buying model has failed to explicate; thus, the following discussion focuses on attitude and the psychological components mentioned in the information processing theory proposed by Bateman (1979).

Attitude

Personal attitude towards products and brands, has been underlined in the buying model, due to the fact that attitudes are closely related to consumers' information process in which judgments are presumably based.

There are other factors influencing the consumer buying decisions, yet attitudes regarding the product and brand are powerful predictors of the process and the patterns of exposure to information (Fannies and Strobel, 2010, 112). Attitudes are learned through past associations/experience, through trails, as well as through information processing. It is composed of three elements – cognitive, affective, and conative.
Cognitive refers to the awareness or knowledge, such as, a brand; affective are the positive and negative feelings associated with a certain brand; and conative is the intention to purchase (Smith 1993, 82).

In general, individuals, for whom marketers most likely want to persuade, are the most challenging to reach. Sternal and Craig (1982) have implied few examples of a common observation such as Republicans are more likely to be exposed to Republican propaganda than Democrats, or non-smoker's comprise the majority of the audience for anti-smoking appeals, these evident investigations have provided the fact that information exposure is selective. In other words, in response to the findings, individuals' initial opinions (attitudes) are important determinants of the information they will seek out; as people are prompt to seek information that is consistent to their initial thought, and keenly avoid those that encounters with it. (Sternal and Craig 1982, 83.)

An attitude is usually learned from the result of a positive or negative experience, which the individual has with a certain product (Smith 1993, 82). In a review relating to the differences between attitudes based on direct or indirect experience, Fazio and Anna (1981) have stated that attitudes based on indirect experience depends on the expertise and credibility of the source of information.

Information Process Theory

For the purpose of this research, information processing theory regarding the consumer choice has denoted how information is preformed, evaluated, and post-evaluated during the course of the decisions process. The framework is interpreted into six dominant components – processing capacity, motivation, attention and perceptual encoding, information acquisition and evaluation, decision processes, and effects of consumption and learning (Bateman 1979).

Exposure

When consumers are exposed to information via mass media, it is considered as a passive process in respect of information processing. However, since the information is delivered in a faster rate, it tends to decrease consumers' attention and disrupt cognitive elaboration (Moore, Housecat, and Thermoduric 1986).
Adversely, in situations where consumers typically seek out information initiatively, the perspective in viewing information is considered as an active approach (Sternal and Craig 1982).

Sliver man (2001) has stated "most prospects are unwilling to take in relatively low priority new knowledge" in other words, information overload makes businesses harder to draw the attention of potential customers and to encode messages in their memories (Shapiro and Varian 1998). Also, buying decisions are often made very quickly, such as consumers are likely to reduce the dimensions they consider during brand choice under the pressure of time (Wright 1974, see Renishaw, Mike and Feininger 1990). At this stage, it is crucial to outbreak the clutter/ noise. Individuals' attention must be drawn to the incoming information (Sliver man 2001, 69), in which attention serves as an essential "tuning" mechanism in the active selection of information for additional processing (Barge and Pietro Monaco 1982; Broadbent 1977; Chainman 1973; Nasser 1976; see Renishaw et al. 1990).

The fact that human beings have a limited capacity for processing information is a very important notion, because it impacts the various components in the decision process; such components as motivation, attention, information search and retrieval, and so on are subjected to the constraints imposed by the processing capacity limitation (Bateman 1979).

Motivation

Bateman (1979) has hypothesized that choices are made to accomplish certain goals or purposes; thus, it is a crucial concept in any theory of consumer behaviour (18). Since individuals make choices continually, therefore motivation impacts not only on the direction (affecting choice of one behaviour over another) but also on the intensity of behaviour (the capacity allocations on a particular activity).

Attention and Perceptual Encoding

Attention and perception are essence elements in explaining, partially, the selection of information to attend to. Once an individual is physically exposed to the presented information, the extent of the information reception depends upon the recipient's attention regarding the incoming information (Sternal and Craig 1982, 88). In the perspective of psychology, attention refers to the amount of mental effort or cognitive capacity allocated by an individual to the stimulus environment or task at hand (Focal et al.1998, 80).
According to Sliver man (2001), in order for the information to be processed, the recipient must pay attention to it; in like manner to selective information exposure, attention is

selective. Individuals are highly selective in the kinds of stimuli that they pay attention to – focal attention, and tend to neglect stimuli that are nonlocals (Fannies and Strobel 2010, 51).

Focal attention is typically divided into two types – voluntary and involuntary (Kahn man 1973). Voluntary allocation of attention is, most often, impelled by the need to attain some goal or is driven by long-standing involvement with the product area (Focal et al. 1998), for instance when individuals are hungry, they tend to pay attention to cues or seek related information in the environment that signal" food" (Fannies and Strobel 2010, 51). Since voluntary attention is highly selective, thus it is commonly found marketers devoting vast amount of money and time in reaching involved consumer (Focal et al. 1998). In contrary, involuntary attention is attracted by environment stimuli (Focal et al. 1998), such as salience, vividness, and novelty (Fannies and Strobel 2010, 51).

Sternal and Craig (1982) describes attention can be enhanced by using a stronger signal to engage focal attention such as, in a consumer marketing perspective, using frequent advertising, or achieving concentrated distribution (louder noise being generated).

Individual tends to look for and see what they have expected, because interpretations of information are quickly constructed in consistent with concepts in memory, and interpretation of stimuli requires an actively analysis utilizing information stored in memory (Bateman 1979, 25). People tend to be drawn towards environment where a disproportionate amount of information is consistent with their initial opinion.
Namely, individual typically live in a community with individuals who share the similar values and perspectives, and it caters to their lifestyle; hence, it is not surprising that individuals are unlikely be aware of information that is contradicted to their lifestyles.

Perceptual interpretation of stimuli will often influence the subsequent direction of attention – they are continually interacting. Since consumers are likely to respond to a louder noise, such as a novel stimulus, such events then lead to interruptions of current information processing. Bateman (1979) has further proposed two types of interrupting events, which seems most relevant to attention and perceptual encoding – conflicts and learning about the environment.

Individuals can have various responses to conflicts, for instance ignoring it, changing emphasis on certain criteria, search for new information, and so on. The second major interruption highlights that individuals may often learn about the purchasing environment even if it may not be relevant to current purchasing decision. Learning about the environment is aroused when a certain of external factor happens to attract the consumer's attention, for instance, consumer may be attracted by an "interesting" package. (Bateman 1979.)

Many researchers (Krugman 1965; McLaughlin 1965; Posner 1973) have studied about the phenomenon of learning about the environment (see Bateman 1979), it can be either with voluntary attention involvement or with little conscious allocation of attention, however all findings refers to the basic idea that learning about the environment is closely tied to current goal (Bateman 1979).

Information Acquisition and Evaluation

Howard and Obtund (1973) have stated that often times the consumers' media selections of the information source are determinants of the information to which the consumers will be exposed (see in Healey 1974); that is, in the situation, consumers may have their preferences regarding which online communities or blogs or so on whenever they seek for information.

Sternal and Craig (1982, 83) have also indicated that consumers' information exposure is highly selective during the initial stage of information acquisition. When information is sought externally – for instance from friends, packages, advertising, and so forth, the actual external information found would significantly influence the future course of the search in which it may involve changing the goal, and redirecting attention and perceptual encoding.

There are many circumstances that will impact the decision regarding when the information search should be stopped, such as the perceived costs of obtaining information (e.g. time costs, effort required, or financial costs), the information availability, and the value of the information in helping to make a choice (e.g. credibility, experts' advice). As discussed previously, individuals may often learn about the environment, in which results in information intake unconsciously; in other words, individual is not actively searching for the piece of information. Advertising in this case is considered as an interruption that leads to a goal reordering – for instance, consumer may purchase a product, which is broadcasted on television.

Organizing the acquired information entails the combination of the bits of information that the consumer has acquired (Sternal and Craig 1982, 89). During this stage, consumer relates incoming information to his or her existing structure of beliefs and values (Bateman 1979). Many studies (Bateman 1979; Sternal and Craig 1982; Fannies and Strobel 2010) have proposed that the consumers' responses and reactions to the incoming information can affect the eventual impact of the information on the existing structure, in which whether the piece of information will be integrated, ignored, distorted, and so on.

Howard (1977) postulated (see in Sternal and Craig 1982) that if the alternative desired is identified, then the consumer may search for information about prices and stores where that alternative is available, for instance the price levels, locations, service capabilities, and so on. Bateman (1979) has suggested that the relative information availability within the particular choice environment affects the type of information consumer seeks for. For example, he mentioned, particular alternatives may be only available at particular stores, or vase versa, which makes the search for the dealer be extensive (120).

One of the issues that have to be denoted in Bateman's (1979) findings is in regards of the influences on the source from which information is sought. In his findings, he has brought up the temporal patterns of source usage found in innovation search by Rogers (1962). Rogers (1962) states that mass media sources tend to be used during the earlier awareness and interest stages of adoption whereas word-of-mouth communication tends to be most used during later evaluation and trial stage (see in Bateman 1979).

Decision Processes

In general, decision process takes place throughout the course of selecting information and comparing purchase alternatives. Bateman (1979) has indicated that the decision process does not follow a sequential flow, but rather a cycling procedure; that is, if conflict arouses, attention and perceptual encoding may be redirected regarding the solution of the conflict, eventually it may result in a change of decision choice.

Effects of Consumption and Learning

The consumption of the purchased products will most likely serve as a source of information to the individual on future purchase decisions. Depending upon how consumers interpret the outcomes they experienced, different inferences may have developed accordingly regarding the cause of the outcome, which can result in differing actions on future purchases (Bateman 1979).

3.5 SOCIAL MEDIA

What is social media

Many researchers have come across the interchangeable usage of the terms “social media” and “Web2.0” (Safko and Brake 2009, 6; Kaplan and Haenlein 2009, 60); however, Safko and Brake (2009, 6) have stated out that these two terms are closely related yet not exactly synonymous, and they differ in terms of usage. For the purpose of this research, and in order to avoid any confusion, the above mentioned terms will be defined, despite the fact that social media is the central gravity of the research.

In regards of the term Web 2.0, Tim O'Reilly, the founder of O'Reilly media, has coined that "Web 2.0 is the business revolution in the computer industry caused by the move to the Internet as platform, and an attempt to understand the rules for success on that new platform." He has further provided a general business aspect in relations of Web 2.0 as the “harnessing of collective intelligence”, in which Web 2.0 provides platforms and fills the Web with user-generated content where all individuals – the former audience are able to take part in instead of important decisions made by a few people. (O'Reilly 2006.) Alternatively, Web

2.0 is a platform whereby content and applications are continuously modified and exchanged by all users in participatory and collaborative manner, and no longer merely created and published by individuals (Kaplan and Haenlein 2009).

There are still many ongoing debates and discussions regarding social media’s universal definition; as social media has been transforming and merging into the evolving development of New Media (Solis 2010).
Regardless of what the standardized definition per se would be, many of the existing studies and articles have stated out the common core purpose of social media.

According to figure 3, Dann and Dann (2011) have demonstrated how social media is formed based upon the interconnected elements – social interaction, content, and communication media. Social media has created a new landscape in supporting the socialization of information (Solis 2007), as a result it has facilitated and enhanced communication flow by making it easier and to more people, and to spread useful information with potentially vast online audiences (Smith and Zook 2011, 10), in which the conversation may be taken place on media locally but lead to a global impact.

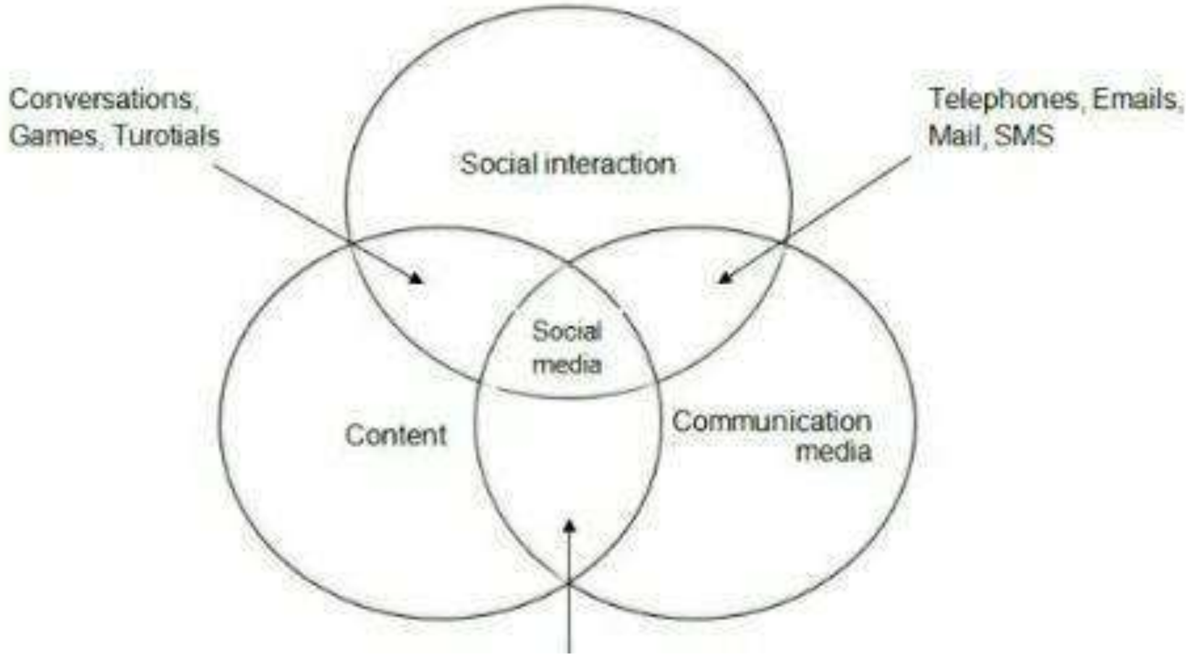


Figure 3. Social media components (Dann and Dann 2011, 345)

Safko and Brake (2009, 6) have supported the concept proposed by Kaplan and Haenlein (2009), as they have referred social media to “activities, practices, and behaviour’s among communities of people who gather online to share information, knowledge, and opinions using conversational media”. Nonetheless, social media expedites the flow of communication by encouraging contributions and feedback from everyone who is interested, and it is a two-way conversation when comparing to the traditional media because social media outlets are open up to feedback and participation (Mayfield 2008).

At its essence, social media describes the powerful new ways individuals are engaging with content on the Internet, and vice versa; that is, as many haveobserved, social media is user-centric in which it emphasizes and facilitates the process of creating, commenting, editing and sharing. More importantly, social media is the democratization of content. (Solis 2007.)

Types of Social Media

In the discussion regarding different categories of social media, five distinct types of social media outlets are focused on – 1) social networking sites, 2) social news, 3) media sharing, 4) blogs, and 5) microblogging.
Each of these social media platforms has provided unique features and experiences to individuals and entities, for instance marketers and consumers, in the social media sphere.

Social Networking Sites

Social Networking Sites (SNSs) are platforms where individuals are able to connect with others, for instance Facebook and My Space. Social networking sites, as Weinberg (2009, 149) states, “are generic terms for sites that are used to connect users with similar backgrounds and interests”. These platforms, generally, have few common elements across most of them – (1) users are able to create interactive and customized profiles, either a public or a semi-public, within a bounded system, (2) a list of suggested “friends” with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system (Boyd and Ellison 2007, 211).

To consumers, they are the outlets, which present wealth opportunities for establishing a closer relationship with the brand via several functions – fan pages, plug-in applications, and groups.

Recently, empathise have conducted a survey about the U.S. consumers’ usage of social media to make shopping decisions. The survey population is more than 6,500 U.S. consumers, of these consumers, over half (55 percent) have “Liked” a brand’s Facebook page, and 73 per cent have claimed that their choice of recent store visit is influenced by a social networking site (Dugan 2012).

Social News and Bookmarking Sites

Social News sites and Social Bookmarking sites, for instance Digg, Reddit, and Scoop.it, are fairly similar, and are very much in the trend of online community. Social News enables users not only to be in control of their news streams, but also allows individuals to “submit and vote on content around the Web” but the core value of the latter one is to allow users “to collect and interesting links they have discovers and may wish to revisit.” (Zarrella 2010, 103.)

In other words, individuals get to control and customized their news streams, this special attribute of social news site facilitates the democracy which creates values to users. These sites allow individuals to discover websites that a large number of people have already discovered; some say social news sites have changed the concept of newspaper nowadays and are governed by the “wisdom of crowds” (Weinberg 2009), due to the fact that the contents personal and targeted news and they empower users by putting the audience in the center via active discussions and which reacts on how readers interact (Baekdal 2009).

Media-Sharing Sites

Media-Sharing sites (e.g. YouTube and Flickr) are outlets where individuals can upload, store, and share their multimedia files, for instance photos, videos, and music, with other users. There are myriad opportunities through the engagement to these websites, because these certain platforms within the social media segment has always been a stronghold to online societies, as they provide users opportunities to create their own podcasts with affordable technology and to propaganda their identical “channels” via subscriptions. One of the major elements of these media-sharing sites has to be highlighted is the tag. “A tag is a word assigned to a piece of content that helps describe it”, which means that businesses have to acknowledge the importance of the search words on the search engines (Zarrella 2010, 81).

Blogs

A blog is an online journal which is as refer to a type of content management system (CMS), typically maintained by individuals or groups, and featured commentary and ideas for a larger group of audience (Safko and Brake 2009). Blogs create good hubs for other social media marketing tools (videos, hyperlinks, pictures, and so on), because they can be integrated into the platforms and posts; besides, blog software provides a variety of social features such as comments, blogrolls, trackbacks, and subscriptions (Zarrella 2010, 9). On the other hand, Weber (2009) has pointed due to the fact that blogs allow everyone to publish and to join multithreaded conversations online, in which some of the bloggers have no editorial restrains and have access to the entire Web; as a result, their posts can impact personal, products, or brand reputation harmfully.

Microblogging

Microblogging is a real-time information network, which shares similarity to blogging, yet it limits the size (number of words) of each post and encourages a faster mode of communication. Microblogging allows users to spread their short-texted messages via instant messages, mobile phones, e-mails, or the Web. For instance, Twitter, launched in 2006, is one of the primal and leading microblogs that currently has over 140 million users as of 2012 and handles over 1.6 billion search queries per day (Twitter 2011). Obviously, Twitter provides companies with leverage via Internet traffic by creating a buzz on online communities, as users get the essence and concise information through short-texted posts. Many companies have been using Twitter to tap into the business prospects, influencers, and customers; by doing so, businesses are able to take advantage in relationship building, achieving on-line and offline marketing objectives, and brand building etc. (Weinberg 2009). Retweet is one of the most powerful mechanisms to marketers, in which individuals can copy and paste what others have posted onto their Twitter stream. Consequently, the certain tweet gets to spread virally in a furious speed (Ingram 2012).

Social Media and Marketing

Social Media Marketing is an umbrella term that can be described as the utilization of social media platforms as marketing tools. According to Weinberg (2009), he refers social media marketing as leveraging the ‘social’ through the ‘media’ to ‘market’ businesses’ constituents; in other words, it is a process in empowering individuals to promote their websites, products,

and/or services through online social channels, to interact with and to tap into a much larger community that may not have been available via traditional advertising channels.

It is no longer a striking fact that most of the advertisements via mass media are not as efficient as in the past, because by advertising through the mass, the message is generally reaching far more people than the potential customer intended to reach (Weber 2009; Weinberg 2009). Social web is where people with a common interest can gather to share thoughts, comments, and ideas; hence, instead of continuing as broadcasters, marketers should become aggregators of customer communities; that is, the Web should not be considered as a mere advertising channel, it is a place where marketers can listen and respond to communities, review contents, as well as promote a particular piece of content within the vast social sphere (community building) (Weber 2009).

What makes social media marketing special?

Upon the insufficient advertising budget that companies oftentimes encounter via the traditional channels, social media marketing might be, particularly, easier and more effective for small and medium-size companies to take maximum advantage of it. While social media marketing is an evolving technology with much potential, yet marketing’s role still reminds the same – defining the target market, communicating with prospects, building loyalty, customer engagement and so on. (Weber 2009.)

Weinberg (2009) has proposed few reasons to tap into a solid social media strategy in addition to (or instead of) the traditional ones, which are – facilitation in natural discovery of new content, boost up in traffic numbers, strong relationship building, as well as a cheap alternative to traditional marketing. Unlike the traditional advertising, individuals in the social media era have access to contents that are not necessarily associated with commercial intent (neutral); consequently, if a person like a content, he/she is likely to pass it on to their peers, families, and so on via social sites, then content will be spread out quickly without interfering with traditional marketing. (Weinberg 2009.) Social media offers opportunities to achieve communities, once company has established its presence as a community participant worth following, eventually others will be likely interested in what it shares and pass to the relevant ones (Weber 2009).
Besides, in the phase of the new marketing era, bringing the brand to alive depends solely upon the engagement within communities (Weber 2009; Silverman 2001), as a result if company is genuinely paying attention to the members of the community, a strong relationship can be built upon investing time in responding on feedbacks and concerns. (Weinberg 2009)

‘Mass media audience become more and more difficult to buy,’ said Martin Sorrel (1996) of WPP (see Smith and Zook 2011, 282). The fortunes of advertising have grown alongside with the growth of mass media; however this growth has stopped these years. (Smith and Zook 2011.) In fact, there are many sport brands in the marketplace are taking social media marketing as a vital component in their businesses, in which they look at effective ways to gain a more detailed understanding of their social media fan base. Nike has been putting more marketing muscle behind its digital initiatives, for instance by taking social media marketing in-house, claiming that online channels are more valuable to its business strategy than traditional advertising. (Joseph 2013.)

Social Media: The New Mind set

In order to gain a better position in the transition from traditional marketing approach to social media marketing, marketers will have to, firstly, change their marketing mind set. Social media platforms have radically changed the approach of segmentation in implanting marketing strategy, instead of easily identified demographics, such as age, gender, or income are relatively less important, it groups people by what they do, think, like, and dislike, and more importantly by their behaviour’s, also known as behavioural targeting. (Weber 2009.)

Many marketing experts (Drury 2008; Mayfield 2008; Weber 2009; Weinberg 2009) have always emphasized that since marketing via social media is rather about receiving and exchanging perceptions and ideas, which makes social media marketing no longer one dimensional but a two-way process engaging a brand and an audience (Drury 2008) as well as a creation of increasingly visualize contents (Weber 2009). Oftentimes, content is a critical factor in achieving an effective marketing via social media; however, according to Curates’ “B2B Marketing Trends Survey 2012 Report” (Marketing Profs 2012), companies seem to encounter challenges in creating original content, having time to create it, and finding high-quality content (see Jacobs 2013).

Drury (2008) has argued that with social media in particular, the content of advertising and branding must be provided as relevant value-added content that is more about consumer, rather than brash product placement. When companies help their customers through social media outlets, it is more likely to build a long-term relationship, which will in turn propel and leverage the brand awareness and growth (Young Entrepreneur Council 2012)

Besides, with social media, company is able to create the platform of true interactivity; the American Express’ OPEN Forum is undoubtedly an outstanding case, which has surly surpassed customer expectations when it comes to putting a customer first; because instead of heavily promoting their traditional financial offerings on the community, the company has considered its consumers and their concerns and needs while providing information about their services (Weinberg 2009). Social media platforms serve as a tool for consumers who may not have an outlet or support system to find one another; brands like Weight Watchers and Nike Women have demonstrated how valuable social networking sites can be for bridging people who are facing similar daily obstacles (Young Entrepreneur Council 2012).

In the foregoing chapter about the course of information search and evaluation in decision making process, it has been discussed that individuals are likely to seek information that is consistent to their initial thought, and keenly avoid those that encounters with it; as a result, social media in today’s marketing provides linkages to connect individuals who share similar interests and backgrounds, in which, to consumers, these communities serve as an vital "tuning" mechanism in the selection of needed information among the overwhelming information.

3.6 SOCIAL MEDIA AND CONSUMER

Social media as a mean of giving consumers a voice

Having explained the possible components involved in the consumer decision process, the nature and the essence of social media, as well as having a brief discussion of the prominent features in different social media outlets, the researcher believes that social media is an essential touch point in today's consumer decision process, from stage quo to the stage of post purchase; likewise, companies are engaging with the purpose of creating brand awareness, engaging their existing customers, driving traffic to other marketing properties and growing channel number (Zarrella 2010; Weber 2009; Weinberg 2009; Smith and Zook 2011). The following section discusses on how consumers are affected by social media, and identify which would be the considerate phase of the purchase process that marketers should tap into.

Regarding the information processing theory of consumer choice, it is mentioned that there are vast amount of advertisements competing with each other in order to grasp individuals' attention (Fannies and Strobel 2011) and the fact that human beings have an obvious limited brain capacity in processing information; therefore, it is a challenge for each discrete message to get heard above the din (extraneous factors that distract or distort the message), even if marketers have the right message .

Each of the social media platforms plays a role in giving out, receiving, and exchanging information without any boundary limitations, and as mentioned previously that social media enables two-way flow of information. Since the flow of communication does not merely impact how companies can access their targeted groups, but also it influences throughout the entire decision process, from interpreting the message, searching for available alternatives, as well as actions carried out in the after the purchase; thus, It is important to denote that message rejection, misinterpretation, and misunderstanding are the possible pitfalls in the flow of communication (Smith and Zook 2011, 120).

In relating to social media marketing, the biggest fear of companies and brands is to give up the control over the content, and the frequency of information; however, it is essential for marketers to realize that reviews and discussions, as user-generated contents, serve to demonstrate a company's transparency.

When Zagat and Amazon started inviting individuals (such as consumers and users) to give their opinions, there was no stopping the trend; that is, the communication in present-day has drastically altered into a medium that is composed of millions of people who can actually contribute or detract from a marketing message. Consequently, comparing to offline traditional marketing channels (such as television, newspaper, magazines, and so on), word-of- mouth solely relies on social media outlets in this digital age, due to the fact that websites allow users to create their own virtual spaces in which fosters and ignite the word-of- mouth.

Conversation in traditional media is one-way: the company spoke, an audience listened. Mass messages are filtered through opinion leaders to the mass audience, in which opinion leader is very hard to be identified since they are not formal experts and do not necessarily provide advice but have a certain degree of influence on consumers.

In the notion of communication models theories (Goldenberg, Han and Lehmann 2010), the findings have provided that opinion leaders are those initially exposed to certain media content who interpret the message based on their own opinion, and are more active than others both in seeking information and in conveying it to others.

According to Lazars Feld and Katz’s hypothesis (1955), the information is channelled to the masses through opinion leaders, who have a more literate understanding of media content, explain and diffuse the content to others. Listeners, in turns, subsequently feed back to the opinion leaders.

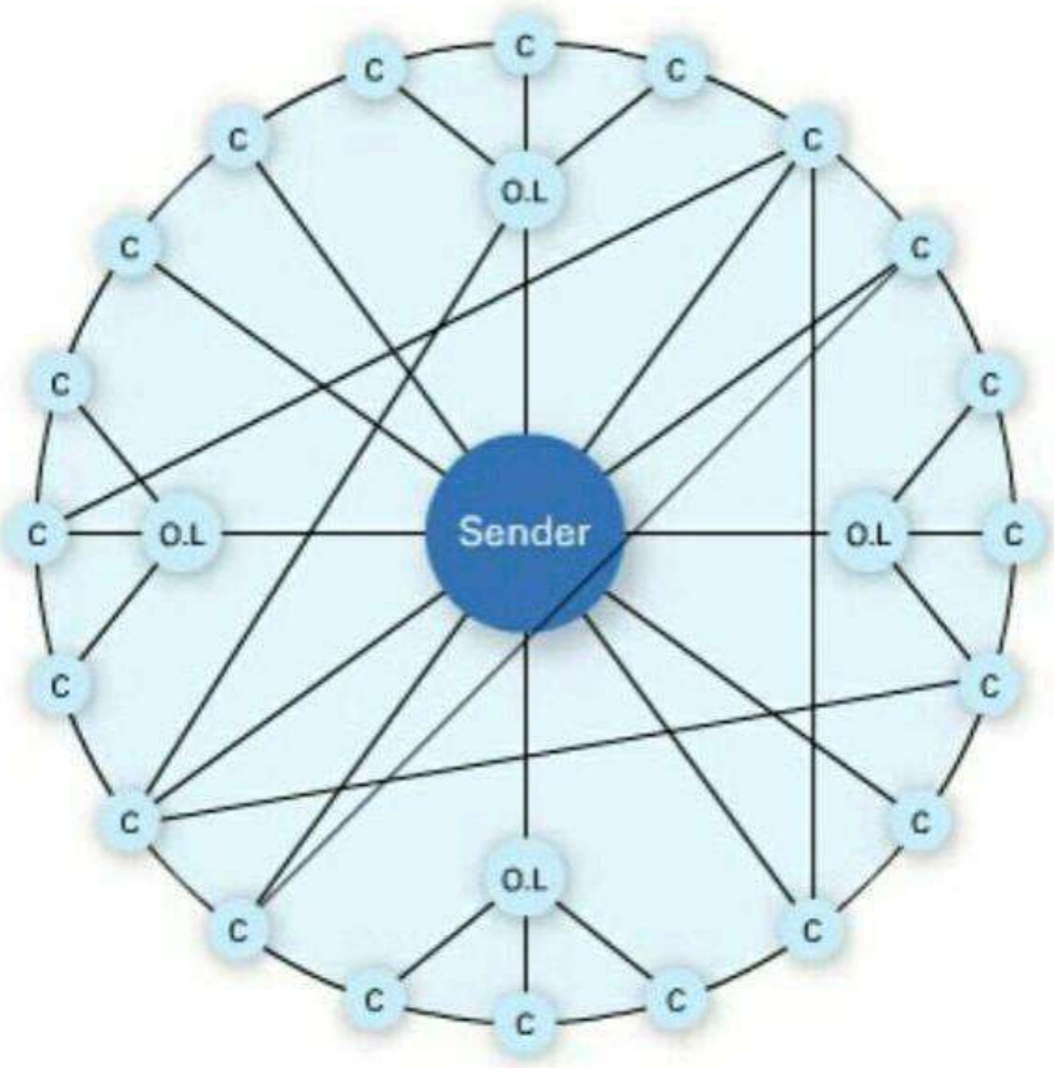


Figure 4. Web Communication Model.

"Customer are screaming to be more engage with the companies that affect their lives," is how Diane Hessian, president and CEO of Communicate, describes the change of social media has brought to consumers. She further addresses that "Blooming trends like blogging, online communities, flash mobbing, buzz agents, and My Space show that customers have a lot to say – they want to be asked and they want to be involved."

As it is said, social media has put consumers back to the centre by enabling them to engage in conversations, and neither decision are no longer to be made by few individuals nor the message being sent to the masses by the brand owner. Smith and Zook (2011) have pointed out that customers, first, talk to each other (C2C) with the online platforms came the easier facilitation of customer communities, and secondly back to the company (C2B). According to figure 4, it has put forward that online communities have bridged the communication gap between brands and consumers, and eventually this certain type of communication flow fosters a web communication between customers and opinion leaders in which spins around the brand.

Mangled and Fault's (2009) has presented a new communication paradigm, figure 5, indicating that the independency of social media platforms has amplified consumers' ability to communicate with one another, in which has profoundly affected consumer behaviour, and has bestowed consumers with power they have not previously experienced in the marketplace.

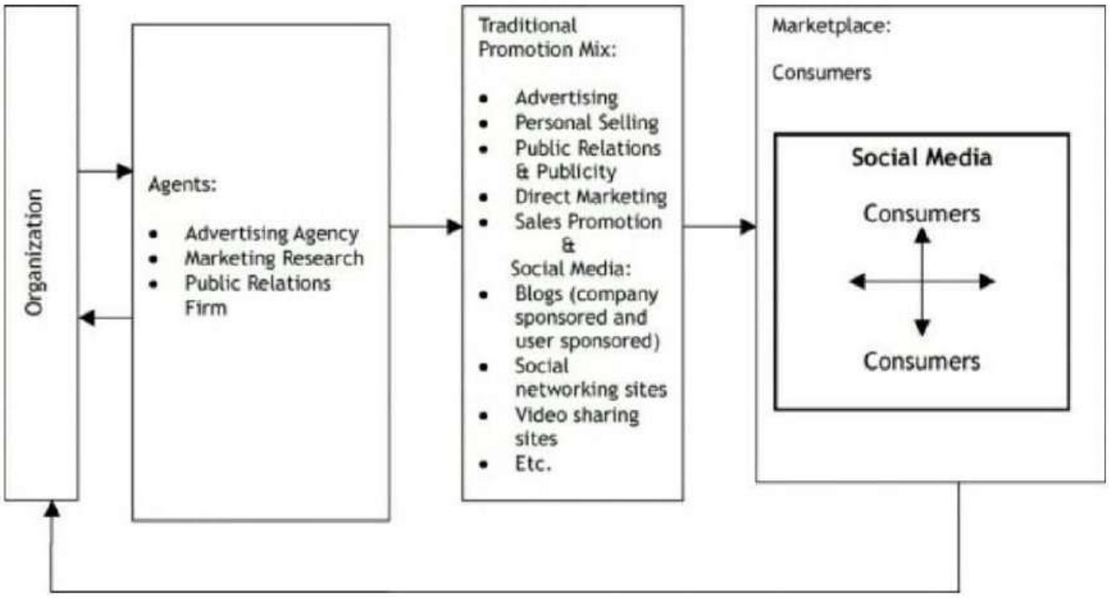


Figure 5. The New Communication Paradigm

Eventually, information and feedbacks are constantly circulating among the online communities and individuals are able to access to the information easily. Besides, considering that an average Internet user has 669 social ties (Hampton et al. 2011), as a result, word of mouth undoubtedly works much quickly online comparing to offline.

Most of the diffusion modelling (describes the process of how new products get adopted in a population) associated with marketing have suggested that the process in which a social system adopts an innovation is largely based on interactions among potential adopters; in this regard, consumer's decision to perform an action may be influenced by the decision of those around them.

During the phase of information acquisition in the decision process, consumers are influenced by external and internal source of information, Goldenberg, Han, and Lehmann (see Wuyts et al 2010, 284) have explicated that internal sources of information are previous adopters of the innovation who can influence potential adopters by digesting, analysing, filtering, customizing, and spreading word-of-mouth and functioning as role models in the market.

The Influences on Decision Making Process

As the business world re-centre around serving and delighting customers, CMOs are confident that social media impacts sales, brand awareness, and loyalty (Olenek 2012); as a result, social media data impacts their decisions while making predictions or forecasts. According to social media marketing industry report, the social media realm is not a mere fad in which marketers are increasingly attracted and 83% of them place high value high value on social media of their businesses.

Social media, as a new component, has further complicated the time-honoured buying behaviour process theory wherein the buying attitudes are not impacted merely by the traditional channels but extend to the online platforms. Preferences and decision marking

are prompted depend upon the inputs provided by parties beyond the control of online marketers, such as peer reviews, referrals, blogs, social networks, and other forms of user-generated content.

Constantin ides and Fountain (2008) have suggested an innovative Stimuli and Response model based on Kotler's (1994) framework, due to the increasing usage of social media. According to the presented diagram, see Figure 8, within a traditional shopping environment, consumers are most likely to be affected by the traditional marketing mix (e.g. ads on radio, newspaper, television, and so on) and other uncontrollable stimuli (e.g. values, societies, demographics, perceptions, and so on); however, with social media and Web 2.0, it extends to online marketing mix (e.g. emails, banners, cooperate websites, and so on) and the social media experiences, which are far beyond the marketer's control.

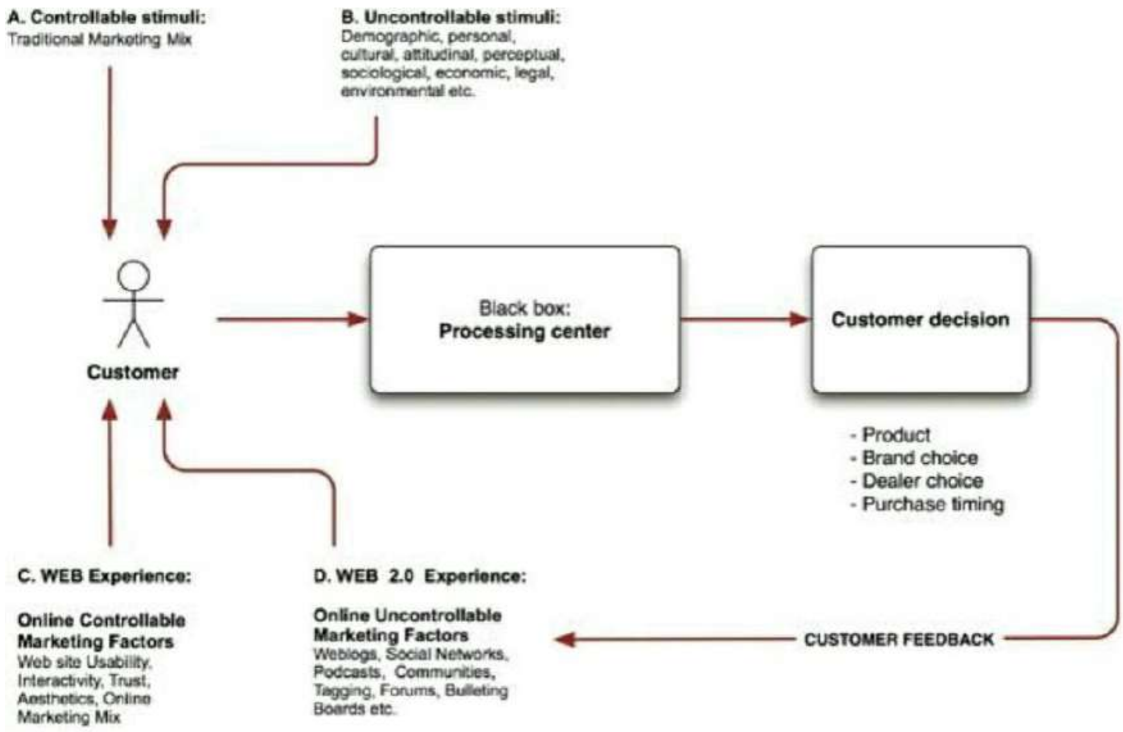


Figure 8. Stimuli and Response model.

Since the contents on social media are rather democratic and neutral, according to Vollmer and Recount (2008), consumers are turning more frequently to various types of social media to conduct their information searches and to make their purchasing decisions.

Reviews and user-generated contents such as rate movies, books, music, and other things on social media are involved a high degree of personal taste and subjectivity to users, in which these reviews have one overriding attribute that gives their influence on consumers' purchasing decision – trust. (Silverman 2001.) "More than a quarter of social media users say they are more likely to pay attention to an ad shared by one of their social connections," Bannon noted. "Additionally, more than a quarter of consumers are OK with seeing ads on social networking sites tailored to them based on their profile information" (Miller 2012);

that

is, individuals tend to trust these contents so as to filter, distils, and objectively evaluate the mound of information (Silverman 2001).

Regarding the phase of marketers tapping into the purchase process with social media, Evans (2008) has presented the classic purchase funnel model as an indicator of how social media has impacted on consumer decision making process in different stages. Figure 9 illustrates the purchase funnel and the buying phases of awareness, consideration, and purchase.

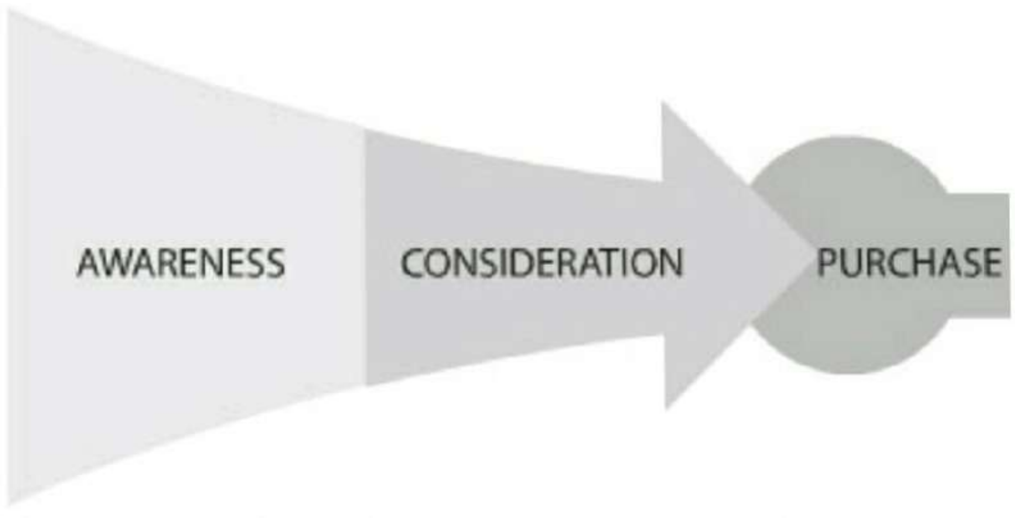


Figure 9. Classic Purchase Funnel.

Consideration links the buying process activities by connecting awareness and purchase, thus all considered factors, such as brand reputation, applicability, performance, and so on, trigger a potential purchase. In comparison to traditional media, since social media connects with and involves consumers from awareness all the way through consideration in which simultaneously tackles awareness and consideration instead of inciting a purchase from the awareness perspective.

Google (2012) conducted a research in U.K, U.S, France, Germany, Japan, Canada, and Brazil associating with the customer journey to online purchase, the research has shown different marketing channels influence the customer at different points in the path to purchase. In all the targeted countries, social media serves as an assisting channel in which to build awareness, consideration, and intent earlier in the purchase funnel.
Silverman (2009) has also stated that there are many brands competing for attention, therefore an interesting blog post or a compelling video on YouTube can be the stage quo in which a prospect pays attentions and gains awareness of a product or a service. During the stages of consumer decision process, social media is applicable as both a prompt (awareness) and as a validation (support the purchase decision takes place).

As indicated previously, one of the most valuable aspects of social media is in building and maintaining a feedback loop, as the conversations are more dynamic and flow in two-way. The difference that social media has impacted on the purchase funnel is the accessibility and transparency of experiential data generated by current customers for the benefit of the next wave of shoppers and prospects.

Although there is an obvious decline in the usage of traditional channels both from marketing and consumer perspectives, traditional media still takes a part of the picture in terms of triggering awareness. Furthermore, Evans (2008) has explicated the importance to denote the role of the social feedback cycle as a purchase validation tool (Figure 10); that is consumer may find out a particular product or service or either television, radio, or magazine, and then consumer can verify it on Internet. As it is depicted in figure 10, social media extends the purchase funnel with the addition of post-purchase word of mouth and user-generated contents; that is, the post-purchase conversation is built up and validated via the collective wisdom of crowd.

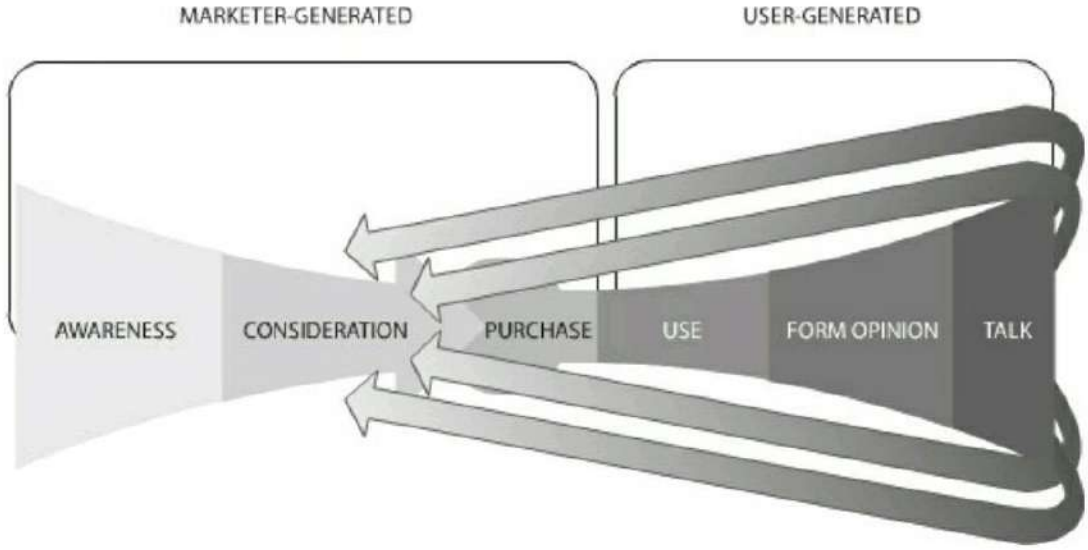


Figure 10. Purchase validation tool.

Word of mouth is self-generating, self- contained, and it costs nothing, besides it is increasingly manifesting itself through social media, where it spreads both farther and faster. Silverman (2001) has suggested the phenomenon of individuals liking to review products or services and engage in word of mouth is due to the basis of Zagat guides to restaurant, and it expects consumers to vote on everything from cruise lines to cookware; as a result, customer review becomes particularly important (Weber 2009) and word of mouth has become an attribute of a product (Silverman 2001).

In contrary, the exposure of an ad in traditional media is limited to the direct or pass-along readers. It is noticeable that the delivery of word-of-mouth is an efficient way to make decision easier, instead of confusing and low credibility information in the form of traditional marketing. (Silverman 2001.) The Social Web has had a pronounced impact on how people view their ability to gather unbiased information, to seek, find, and obtain a wider range of products and services, and to talk with others about actual experiences both before and after purchase. The main objective of marketers, particularly with social media, is toget people to talk about their positive experiences and to accelerate the spread of these contents around the communities.

CHAPTER 4: DATA ANALYSIS

Background

This following section presents analysis made on the data collected from the questionnaire. The set of questions based on the theories discussed in proceeding chapters were sent to all possible individuals who are currently living in Turku Region, Finland. Each question and response option associates with components of theories, and they have been modified in order to allow respondents to understand easily and to avoid any potential error in misunderstanding.

Since the survey was sent out to approximately 150 individuals, and the number of participants were 108, therefore the total percentage of responses was 72 (%). In total the questionnaire contains 11 questions. In the upcoming sections, analysis and the findings are presented; as for conclusions and further suggestions, they are discussed in the next chapter.

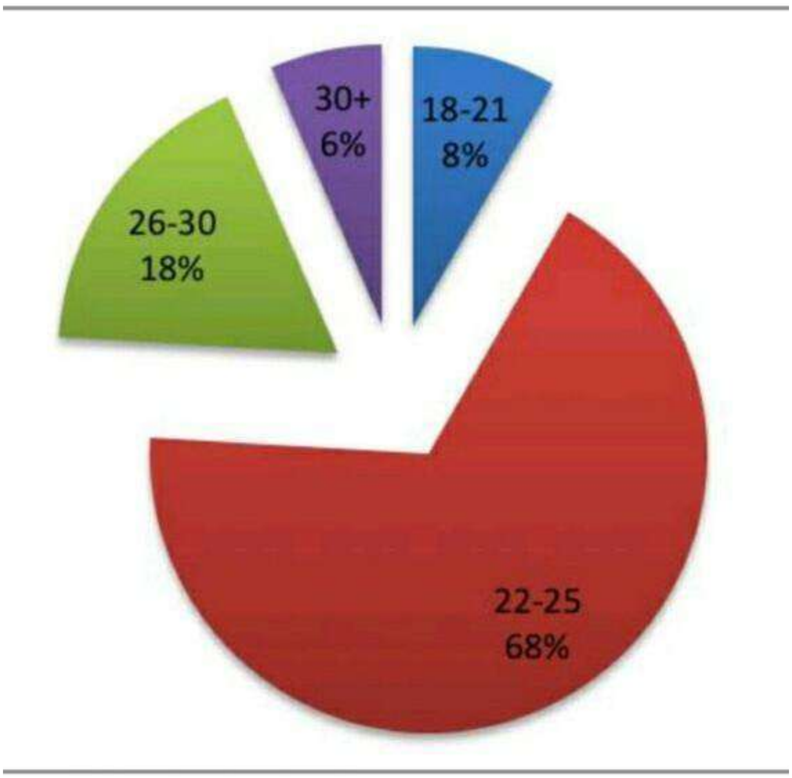


Figure 11. Age Distribution

By asking these two general questions – gender and age may help to identify weather social media has impacted the decision making processes differently based on these two segmentations. From the received 108 questionnaires, 62 (%) of the respondents were female, and 38 (%) were male. Four different age groups are covered by collected data, they are 18 –

21 years old (8%), 22 – 25 years old (68%), 26 – 30 years old

(18%), and 30 years old or more (6%). Since the collected data covers a wide range of demographic, therefore the following analysis is carried out in examining the general consumer's behaviour in Turku, instead of a particular segmentation.

Exposure

Questions in this section were aimed to find out how individuals are exposed to information on social media platforms in comparison to mass media channels.

Considering that, information exposure is a critical determinant in the decision process, because it may impact on how the information search is taken place, and how the information will be processed in later stages. By identifying which channels or platforms are mostly used, it can help to understand how consumers are actually exposed to information and the type of source they are exposed to. Also, by comparing the usage between social media platforms and mass media channels, it can reveal whether mass media is losing its effectiveness in advertising among the targeted group or not.

With the third question, it was identified that, among 4 age groups, social networking sites are being used most (98%), and microblogging is being used least (11%); the rest were: blogs/ forums with 32 (%), social news with 12 (%), and photos and videos sharing with 63 (%). The choice of the social platforms is narrowed down into 5 categorise, and the reason of doing so has already indicated in the proceeding chapter (see types of social network). As the responses are illustrated in the following chart, it shows that the pattern of using different social media platforms among different age groups are similar that social networking sites are mostly used on daily basis.

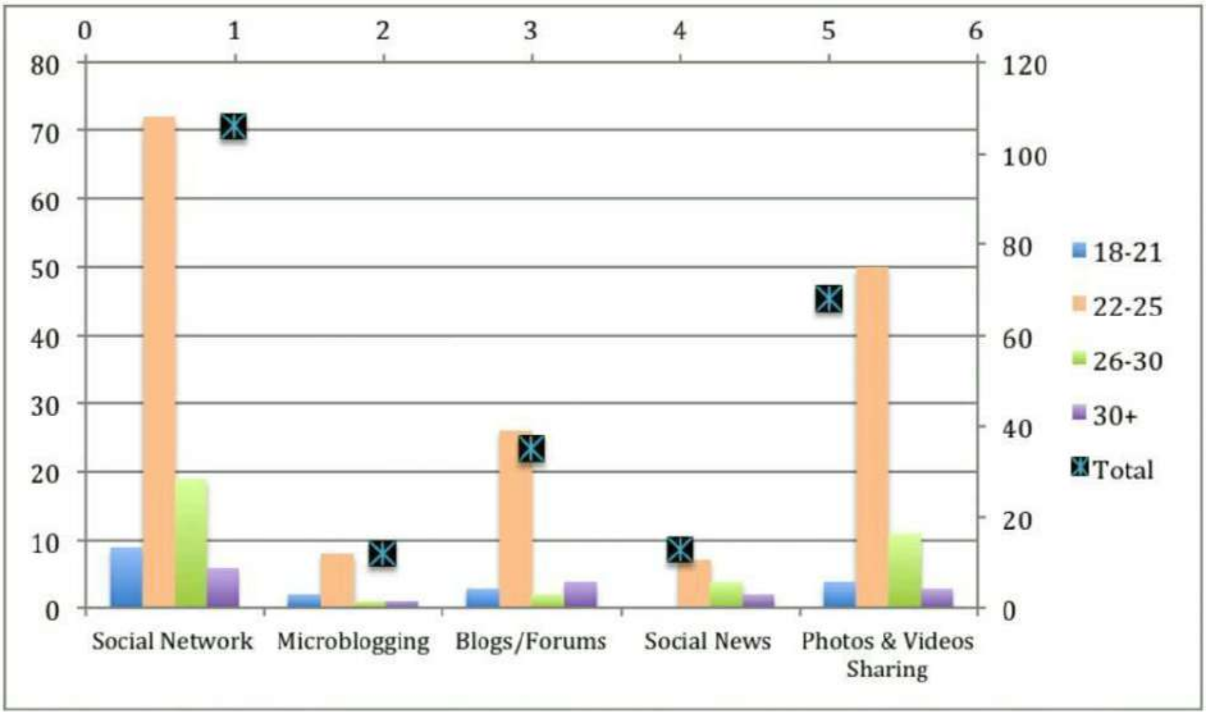


Figure 12. Types of social media sites used on daily basis

In the following questions (4 & 5), respondents were asked how much time they spend on social media platforms and mass media channels per week. The reason is to examine whether the time of exposure to information via social media platforms comparing to mass media channels may imply to one of the reason that advertising via mass media may not be as effective as it was before (see Smith and Zook 2011, 282).

Figure 13 and 14, below, have demonstrated that only 16 (%) of respondents tend to spend 10 hours or more per week on mass media whereas 27(%) of respondents spend on social media platforms. As it is seen, there is a sudden drop in between 4-6 hours (30%) and 7-9 hours (15%) usage in mass media channels per week. Despite the age groups, in combination of the answers, an individual spends an average of 6.2 hours on social media sites per week.

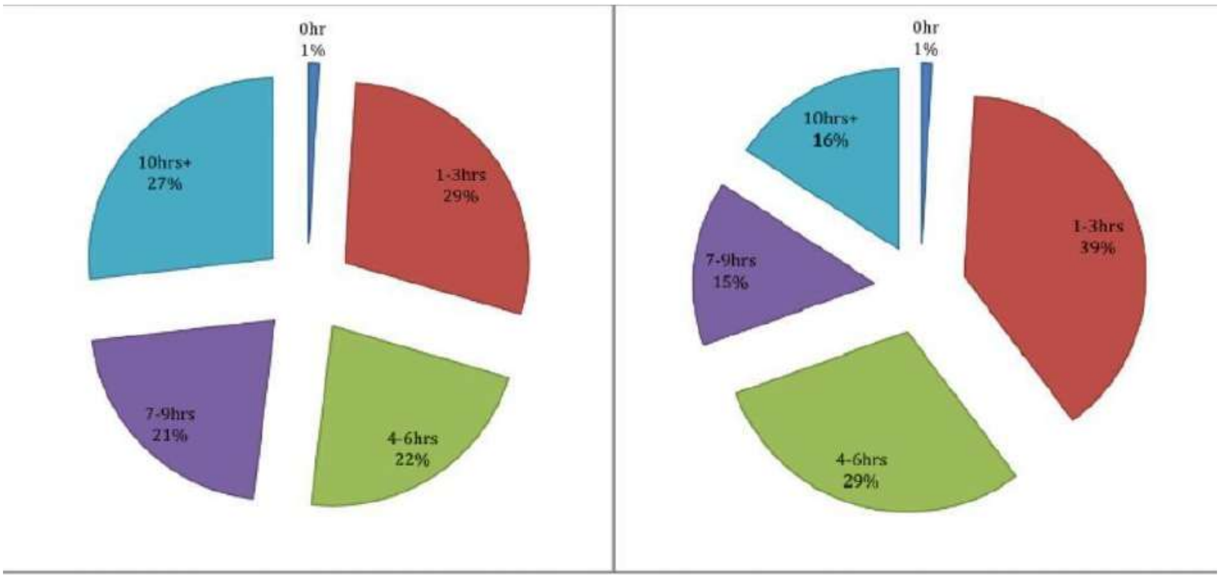


Figure 13. Time spent on social media per Figure 14. Time spent on mass media per

Week. Week.

o, with question 6, 58 (%) of the respondents had shown agreement that they are able to seek out information initiatively with the social media sites. According to Sternal and Craig (1982, 83), consumers in this case are considered as an active information process; whereas in the passive process, information is delivered in a faster rate, it tends to decrease consumers' attention and disrupt cognitive elaboration (Moore, Housecat, and Theodore 1986).

Attitude

Besides taking the type, duration, and method of exposure into consideration, attitude of individuals is one of the critical factor in associate with the buying model. In order to understand better the factors which, cause attitude, and how attitudes affect and altered during the course of decision making process, several questions were asked. Answers were combined into the figure 15.

With 48 (%), 44 (%), and 4 (%) of the respondents claimed that they sometimes, often, or always have prejudgment towards products or services before any actual consumption. An actual consumption in this case refers as trying or using the particular product or service. As a matter of fact, the responses regarding question 11," Do you tend to seek out information that is consistent with your initial opinion/preference for a purchase", has shown similar results as the tendency of having prejudgment before a consumption.
Prejudgment leads to the types of information which individuals would seek for. As Sternal and Craig (1982) have stated that individuals' initial opinions (attitudes) are important determinants of the information they will seek out; it provides the fact that information exposure is selective.

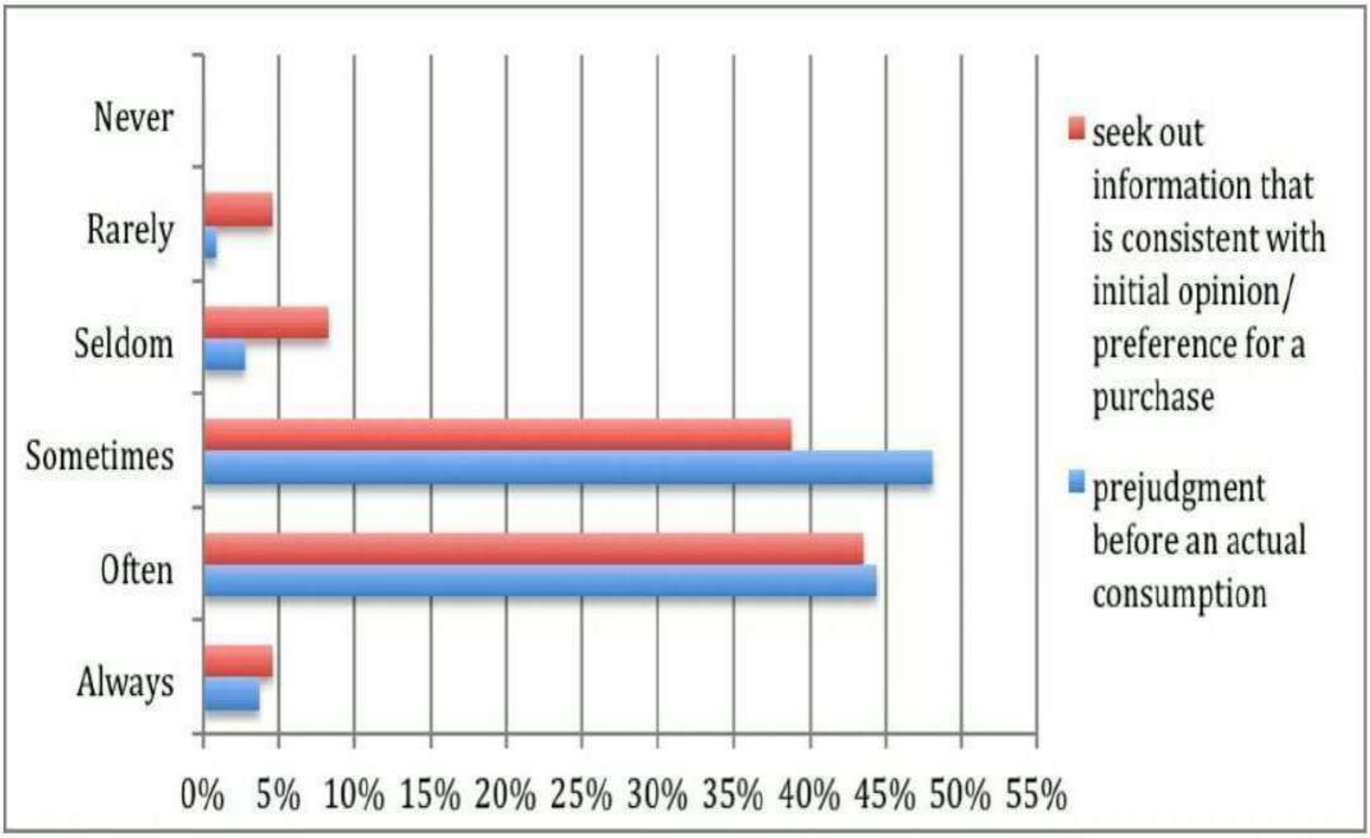


Figure 15. Prejudgment and initial search of information

There are many factors causing the individuals' attitudes regarding particular products and services, thus the selection was narrowed down into 6 factors, both including direct and indirect experiences. Figure 16, below, indicates that besides" information from mass media" (28%), the rest of the factors are fairly speeded.

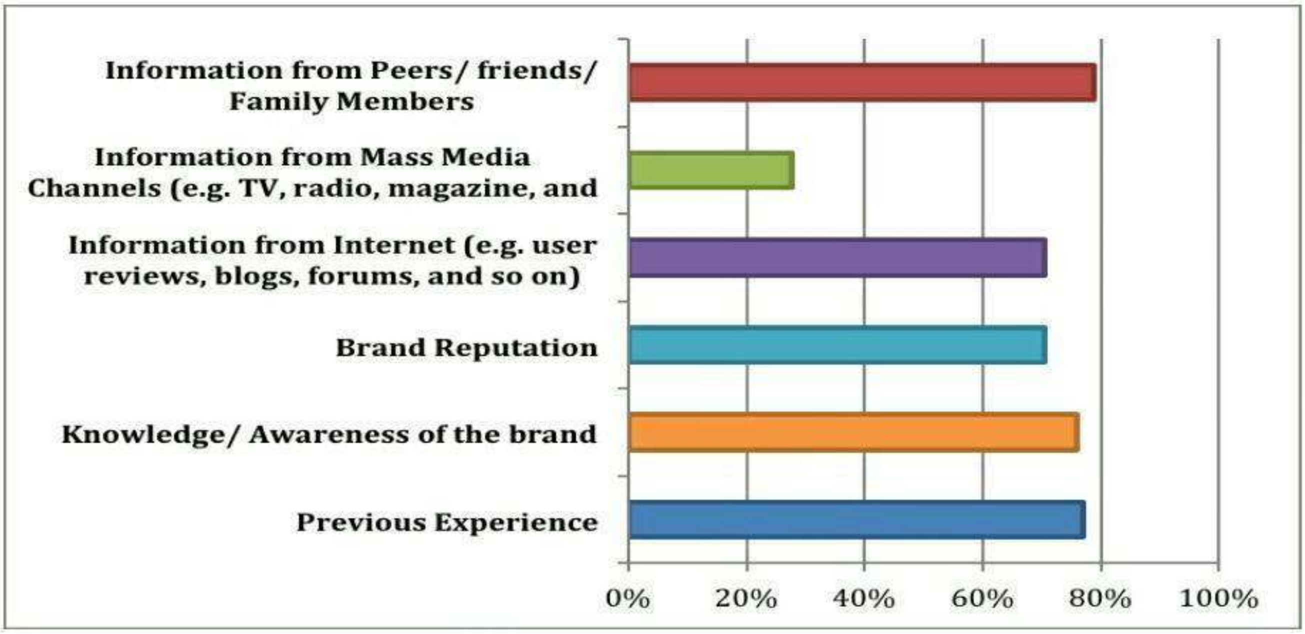


Figure 16. Factors causing prejudgments

Among the list of factors, 79 (%) of respondents expressed that information from peers, friends, and family members are the cause of their prejudgment, in which the credibility of source of information is high. In contrary to the source of information from mass media, 70 (%) of the respondents claimed that information from the internet (such as user reviews, blogposts, forums, and so on) are one of the factors that influenced their attitudes towards a product or service. The reasons of causing this phenomenon are discussed in the upcoming sections in associating with the relevant questions.

Problem Recognition

In the stage of problem recognition, an individual may be triggered by an internal or external stimuli; that is, in this research, social media sites and mass media channels are considered as the external stimuli. By looking at the gathered data from the survey, there were 32 (%) and 35 (%) of respondents were not sure and doubted about social media as a trigger to purchase; whereas, 32 (%) of respondents believed it is a trigger to perform a purchase. On the other hand, the responses regarding the attractiveness of advertisements on mass media channels were proportionally spread, with a 45 (%) no, and a 55 (%) yes. Besides, advertisements on television are still considered as the most attention drawing approach, in which 39 (%) of the respondents pointed out.

As aforementioned in the social media marketing chapter, although advertising through mass media does not consider as powerful as it used to be, they still have a certain influence in triggering or drawing consumers’ attention. Adversely, the data cannot tell if social media has a great effect in triggering individuals to realize their problems or needs which would lead to a purchase.

Search for Alternatives

As the data shows, social media allows individuals to seek out information actively (see question 6) instead of receiving information passively; therefore, it is important to identify how information is accessed with the mentioned platforms, types of social media platforms are used during the search of information, as well as how it can be beneficial to companies at this stage via the available outlets.

A majority of respondents (in total 72%) has indicated that information searching is easier through social media comparing to mass media, which has proven that social media has created a new landscape in supporting the socialization of information (Solis 2007). However, information searching does not necessarily mean the search is relating to products or services. Therefore, in responding to this question, respondents were asked about the frequency of performing a search via the social media before a purchase; as a result, "sometimes" was chosen the most (37%) in comparing to "often" (25%) and "always" (8%). This indicates that there are certain reasons which keep individuals in performing a search via social media before a purchase, such as the credibility of the source, the available time, the available information, etc.

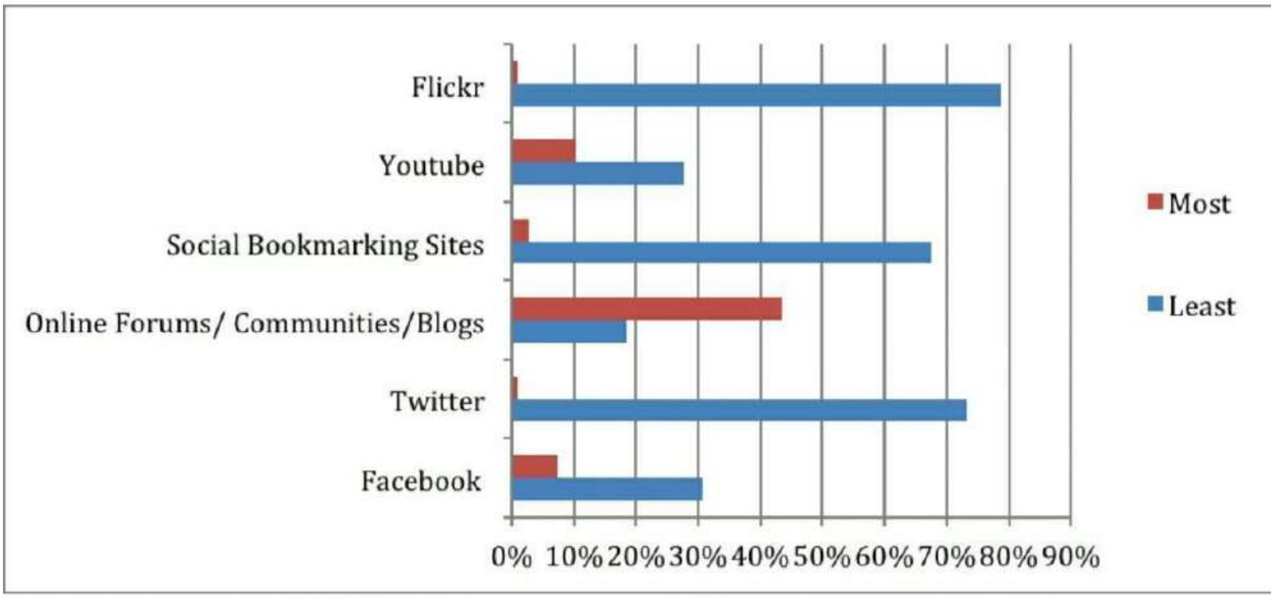


Figure 17. The source of information on social media used most and least

Respondents were inquired the source of information on social media which they use before a purchase base on the frequency, figure 17. Among the 5 categories of social media, "online forums/ communities/ blogs" (44%) is the source of information being used most before a purchase; whereas most of the respondents (78%) have used the photo sharing platforms least.

As it is shown, the researcher has split the category of video and photo sharing platforms into two – video sharing, and photo sharing, because the researcher has believed that a video sharing platform (YouTube) will have a relatively greater impact to individuals as a source of product/service information comparing to a photo sharing site (Flickr).

Due to the decline in the effectiveness in traditional mass media, it is noticeable that new products, services, or brands are oftentimes neglected and are not able to overcome consumers' filter. However, social media at this point helps these young products, services, or brands to deliver their presence to individuals. 68(%) of the respondents has expressed that new products, services, and brands are able to draw attention via social media sites comparing to mass media; whereas there was only 9 (%) of respondents who has taken an opposite stand.

Evaluation of Alternatives

One of the profound changes that social media has brought to individuals is the ability of getting access to any content. In theory, when consumers have accumulated sufficient information, they undertake an alternative evaluation according to their motives or goals. Direct or indirect experience serve as an indicator at this stage of buying process, in which social media provides means for consumer to gather information of indirect experience regarding their initial preference of purchase. The questions which fall under this section are to find out the perspectives that consumers are holding towards information available on social media and on mass media. By having an answer of it can lead us to an explanation of how social media is interfering consumer's decision making process before a purchase.

As in previous section, the findings have shown that social media has provided a more powerful platform where new products, services, or even new brands to be noticed in the marketplace. However, this does not imply that social media could influence consumers to actually try these products and services. In the gathered data, it reflects that individuals (64 %) are indeed influenced to try new products, services, or brands because of the user-generated contents (blogposts, Facebook status, user reviews, and so on) available on the social media. According to the data, it reveals that contents available on the social media have a different degree of effect on different age groups, which is presented in the following table.

Table 1. Influence of social media on age groups to try new products/ services/ brands.

Age Group	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
18-21	0%	67%	33%	0%	0%
22-25	12%	58%	19%	10%	1%
26-30	0%	58%	16%	21%	5%
30+	14%	14%	57%	14%	0%

In the theoretical part, it is mentioned that the determinants in the impact of indirect experience, in which affects an individual's attitude formation as well as the decision of the final choice, are the expertise and the credibility of the source of information. Since both mass media and social media have provided certain amount of information to consumers, and the critical determinant which differ them is the credibility of them. Thus, respondents were inquired to mention their beliefs in how credible and reputable the information on social media is comparing to those on mass media. 58 (%) of respondents believes that contents available on social media have a higher credibility than thus on mass media.

Then, respondents were asked to express their opinion. Regarding the statement ”contents available on social media have a higher credibility than thus on mass media”, 60 (%) of the respondents who has agreed, or strongly agreed upon the statement have expressed their point of view - contents available on social media are believed to be ”unbiased, more critical, trust-worthy, real experience, and with less commercial basis”, and one even pointed out that ”blogger who (s)he has followed for a period of time allows him/her to know what the person (blogger) is like and makes her/him to respect the blogger’s opinion rancher than opinion from random people in advertisements”. Also, it is also seen that information is” easier to find” and” information spreads faster and in large numerous” on social media has created a higher credibility than information on mass media.

On the other hand, 18 (%) of the respondents have hold a disagreement upon the credibility that social media has comparing to traditional media. In summary of their opinions behind the disagreement, 55 (%) of the disagreements has reflected the concern about the possibility of the false information, because” information on blogs is mostly opinions of people but not fact” and user- generated contents can also be paid editorials and with commercial basis.

Both communication models of traditional media and social media (see chapter regarding social media and consumer) have mentioned individuals who share their reviews, comments, or experiences though the social media can be referred as opinion leader, in which they have a certain degree of influence on consumers.
With the available platforms on social media, the gathered data has proven that information is easier to find and the flow of information is faster and access to more individuals; that is, everyone can be an opinion leader and has a certain degree of influences on the Internet over the others.

Most importantly, as mentioned in the theoretical part (social media and consumer) and with the combination of the above findings, the social media enables information to go beyond the company’s control which leads to a higher credibility of the source of information in comparison to the information on mass media; 64 (%) of the respondents have agreed that the statement as a critical factor.

Final Decision

According to five-stages buying model and information processing theory, they both have indicated that stages in decision process are rather in a cyclic order, due to perceptual interpretation of stimuli and attention are continually interacting. In other words, consumers may learn about the purchase environment while the course of information, for instance to reduce the risks of making an uncertainty, negative or unsatisfactory purchase, which leads to a change in their purchase preference, establish new criteria not previously considered, and eventually the search of information repeats again.

Since social media is considered as an extent of external stimuli in the decision process, in order to examine the influence of information available on social media on consumers' decision process, respondents were asked whether they would change their initial preference after carrying out information search via social media, and to study the reason behind the change.

The data in Figures 18 and 19 have revealed that the percentage of respondents that has reflected "sometimes", "often", and "always" as the frequency of pursuing an initial preference before a purchase is 48 (%), 44 (%), and 4 (%); whereas, 57 (%) of the respondents sometimes encounter changes in their initial preference after searching relevant information on social media.

55 (%) of the respondents have stated that they are likely to change their attitudes towards a certain brand or product or service after reading positive contents on social media sites, yet there are 36 (%) of the respondents expressed uncertainty regarding the issue.

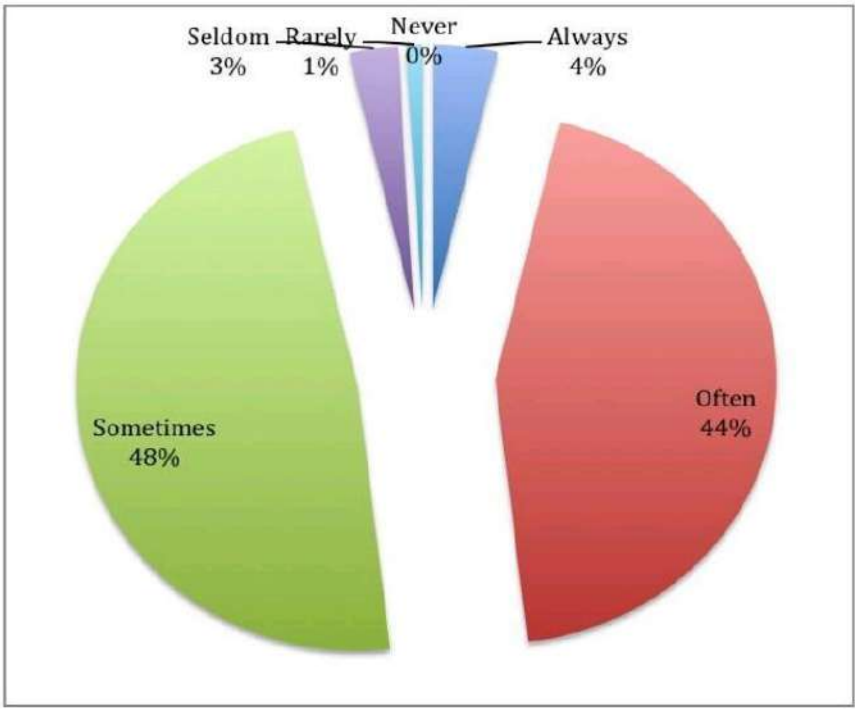


Figure 18. Initial preference/ attitude before a purchase

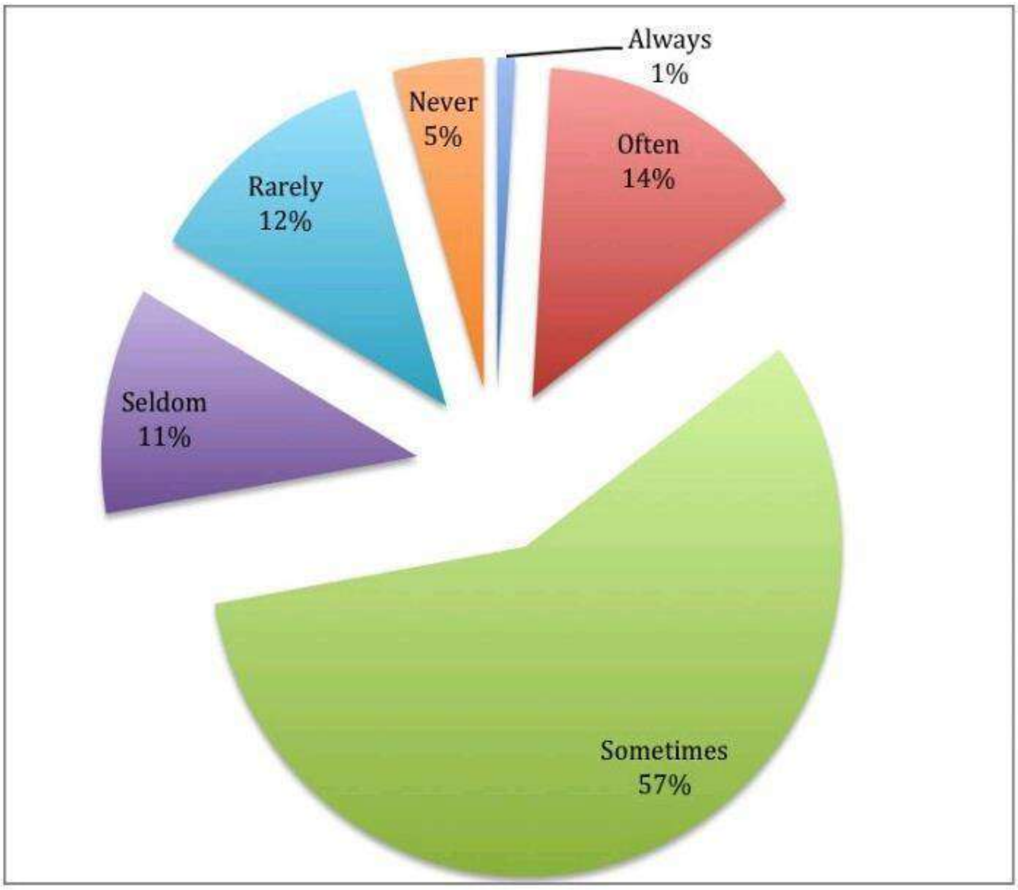


Figure 19. Change of initial preference after a search of information on social media.

From the above, one can observe that information available on social media has a certain degree of influence on consumer behaviour; that is, a change in attitude (positive or negative) can be made prior to purchase.

Likewise, companies can utilize the platforms on social media to interact with consumers in order to strive for building up a better and stronger relationship. Also, as it is shown, social media can serve as a” second chance” for companies to project their products, services, or brands even if consumers did not consider initially.

Moreover, 70 (%) of the respondents have either agreed or strongly agreed that feedbacks on social media sites do affect their purchase. This expression has indicated that consumers are undoubtedly influenced by the immediacies who publish their evaluations.

Post-purchase Evaluation

After a consumption, consumers experience differently which leads certain levels of satisfaction or dissatisfaction, and evaluates the wisdom of the choice made in selecting the alternative. Dann (2011) have stated that social

media is formed based upon the interconnected elements – social interaction, content, and communication media; that is, social media enables a two-way conversation, and enhances the communication flow by encouraging individuals whoever is interested to join the conversation. Thus, after a purchase and a consumption, it is critical to identify the actions of individuals would carry out in particular with the access to social media sites.

As the below Figure 20 shows, when respondents were asked if they were likely to share their opinions (comments, reviews, or related articles etc.) to peers or friends via social media after a purchase, only 4 (%) and 8 (%) of the respondents have shown that they "always" or "often share their comments regarding the purchase".

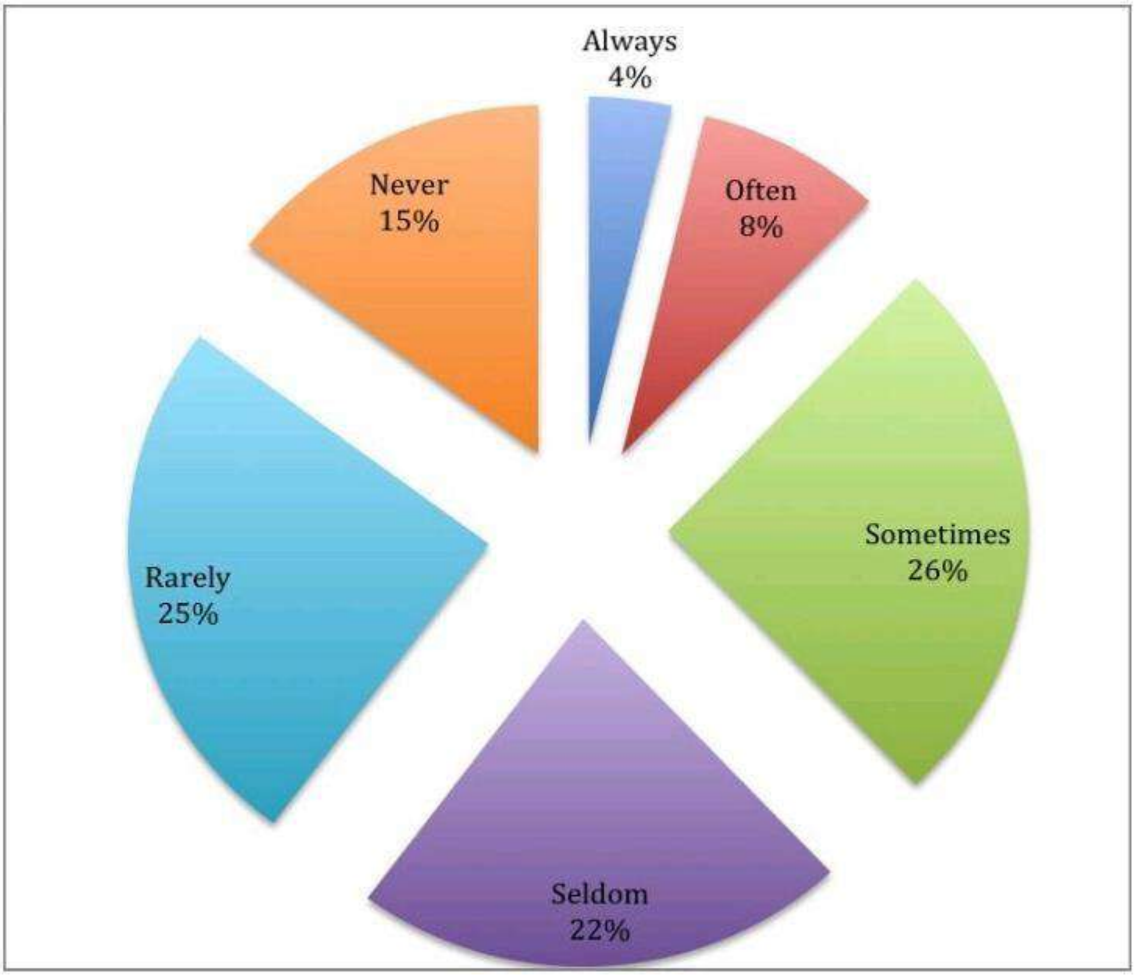


Figure 20. Tendency in passing of information on social media after a purchase

Then, the following questions were asked" do you agree that social media has provided an effective and powerful platform for consumers to communicate with each other and with the companies", and the answers were within expectation that majority of the respondents (78 %) have agreed or strongly agreed upon the statement, while 3 (%) of them have shown disagreement. However, when they were inquired whether they feel encouraged to voice their opinion after a purchase via social media platforms or not, the data has revealed that many of the respondents do not feel the encouragement even if there is available platforms on social media.

CHAPTER 5: CONCLUSION

Outline

The motive of the research was triggered by personal interest in how consumer behaviour has changed in the Digital Age, in particular with social media. The amount of information available to us increases in each new day, as a result, we are overwhelmingly exposed and attained to different aspects of information via the Social Web. The accessibility and transparency that social media offers has led changes in how consumers position themselves in today’s market, in which it is inevitable and necessary for companies to equip with a new marketing Mind set. The central gravity of the research was to explain why, when, and how social media has impacted on consumer decision making process both in theory and in practice.

There is a generous amount of reports relating to social media marketing which are primarily aimed to help businesses benefit from this marketing trend. Oftentimes, businesses assume that they are on the right track in the new marketing era, for instance engaging customers by creating a Facebook page; in fact, customers may not share the same picture as businesses may have.

Therefore, the research was carried out in the perception of consumers (in Finland), which was aimed to explain the impacts of social media on different stages in their decision making process, by finding out how consumers perceive social media in the entire process.

Additionally, the research, perhaps, could help company to gain new insights from this perspective and to identify potential pitfalls and opportunities via social media, for instance to develop appropriate ways to tab into the decision making process at the right time or to have a better understanding of why their social media marketing campaigns may not be executing as they would have anticipated

Essentially, the theoretical framework of this research was built upon consumer buying model and the changes social media has predominately brought to marketing. The five stages in the buying model served as a basis of the logical order of how the survey was carried out and the theories in social media provided guidelines on which set of questions would grasp the research questions.

The following chapter presents the conclusions drawn from the research findings. Nonetheless, further discussions and limitations are outline and deliberated.

The objective of the research was to to explain why, when, and how social media has impacted on consumer decision making process. Research questions were designed to narrow down the subject and to help the researcher to identify the explanations of the issue. The three research questions for this thesis were as follow:

How do consumers attend, process, and select the information before a

purchase? What are the differences between marketing on social media and through mass media?

What are the changes social media has brought to consumers in different stages of their decision making?

To begin with, social media has brought profound changes to both consumers and businesses, the findings of this research are consistent with the theories presented in the theoretical framework, Chapter 2 to 4. The collected data from the survey is elaborated in association with the presented theories in Chapter 6 Data Analysis of the research.

In terms of the first research question, the five-stage decision making model has provided a systematic approach in outlining the general stages that consumers engage in all purchase, while the information process theory addresses an in- depth perspective of how information is in used of throughout the course of decision making.

The aforementioned theories and the data analysis of the research have both proven that, no matter it is in association with social media or mass media, consumers are highly selective in attending, process, and selecting the information before a purchase takes place. Information exposure is highly selective in the initial stage of information, because consumers have the selections of information source, in which determinates the type of information that consumer will be exposed to. To be noted, personal attitude is a crucial factor which underlines during the course of information acquisition and evaluation. As a result, not any judgments regarding products or services are presumably based, but also it is a vital determinant of the information consumers will seek out, in which it eventually affects the extent of the information reception.

At the essence, all platforms available on social media have offered a two-way communication flow, which is highlighted theoretically and practically. Consequently, this principle feature of social media has created a new landscape in supporting the socialization of information, and has forced marketers to give up what they old Mind set in dealing with mass media marketing. As the collected feedbacks from the individuals, it has emphasized that, in particular with social media, consumers are able to access to customer experiences and word of mouth, in which surpasses the marketing and advertising mumbo-jumbo or polished slogans.

In other words, marketing via social media is more about creating high-quality contents that are consumer relevant (Drury 2008), instead of being a brash product placement. Moreover, marketing through social media focuses on building relationships between consumers and companies. The research findings have shown that the position of the consumer in the new marketing approach is the centralized gravity, because consumers are empowered. As many respondents have reflected that social media has provided a more effective platform to communicate with one another and with the company.

Finally, the core objective of the entire research was to find out the changes that social media has brought to consumers in each stage of their decision making process. According to the finding, social media still cannot be considered as a powerful tool to trigger a purchase in Finland, whereas individuals have reflected that mass media still remains a certain influence in gaining awareness, for instance discounts available in stores, or a good deal. Social media has considered as a powerful tool in getting relevant information, while mass media creates awareness of certain discounts or promotions.

In theory, information exposure through mass media is considered as a passive process as individuals are exposed and receiving information unconsciously. However, when consumers seek out information initiatively, it is perceived as an active process. In the research findings, consumers play an active role in the course of information acquisition because of the accessibility and availability of information on social media platforms.

The accessibility and transparency of information that social media has offered to consumers have been indicated throughout the entire research. Consumers are able to access to relevant information not only in a great range but also in a faster speed, which mass media consumes more time in searching information. In contrary, contents are not in control and monitored, thus the chance of getting false and nonfactual information which the consumers have shown concern of. In terms of a business context, marketers have to be aware of the bad mouth on social media, because it can be spread virally and led to a damage to brand's reputation.

The research finding has revealed the current situation concerning consumers' post purchase behaviour in Finland. Many individuals have noticed and agreed that with social media, they are able to voice out their opinions and to communicate with other consumers and with the company more effectively. However, again, many of them have felt not encouraged to voice out their feedbacks and to pass along their comments to peers, friends, or family members via social media. In responding to the purchase validation tool (Evans 2008), the reason why social media has added value to today's marketing is by bridging up the post- purchase word of mouth with the consideration stage of the consumer decision process, which has extended purchase funnel. Specifically, due to the word of mouth and user-generated contents on social media, the" talks" are able to generate an experiential data for prospects; however, the findings have shown that the word of mouth would be insufficient for the influence because of unwillingness to share the information via social media. In the perspective of marketers, this pitfall may serve as a bottleneck in association with marketing via social media; thus, marketers should identify the reason of this particular negative feelings among consumers and initiate consumers to participate in the conversations.

Social media has altered the communication model which it used to be in mass media (see Smith and Zook 2011), instead of having companies deliver messages to the public all times, social media has fostered a web communication between customers and opinion leaders in which spins around the brand; consequently, this particular new communication flow has built interactivity and communities among all users, which the effects of it has penetrated in every stage of the decision making process. This influence has been reflected from the collected opinions.

To conclude, from the findings of this research, it can be observed that consumers in Finland are actively utilizing social media platforms as a tool in validating of the purchase decisions; however, consumers are deemed to be inactive in sharing their word of mouth to others with the available social media platforms. The consistency in the gathered data and time-honoured theories relating to consumer behaviour and contemporary frameworks regarding social media marketing, it has suggested that the essence of consumer behaviour still remains the same even after the advent of social media, in which individuals have to go through the all the stages before a purchase, instead of straight to the purchase decision once a thought of purchase being triggered.

Future Research

Considering the limited time and scope of this research, many theories related to the subject were covered but in a rather general perspective so as to provide a big picture for the readers. Therefore, if further research could be conducted, then an in-depth survey should be carried out in tackling the research objective.

It would be undoubtedly useful and interesting to have a case company as a reference of the research. By studying the case company, it may offer a comparison between what company thinks it is working out, and what does its consumers actually perceive. Would the result reflect a diverse perception from two different parties in regards of social media and decision making proceed? The results could help company to gain an evident insights and to identify actual tactics to tackle the situation.

Since research has revealed that consumers do not feel encouraged to generate the word of mouth through social media, and this indication may imply that marketers would have to carry out certain actions in order to provoke these conversations. Therefore, a future research can be conducted based on this perspective in investigating the reasons associating with this particular feeling and how it could be altered in order to utilize social media as an effective purchase validation tool.

Nonetheless, if further research could be conducted for companies, then theories could be implied more accurately, because some of the theories are proposed and developed in aiming to help companies to gain a better position in the transition from the traditional marketing approach to the new marketing Mind set. In that case, findings and conclusions could be drawn without vaguenes

REFERENCE

Bargh, John A.; Pietromonaco, Paula.1982. Automatic information processing and social perception: The influence of trait information presented outside of conscious awareness on impression formation. Journal of Personality and Social Psychology 43 (3): 437–449.

Bettman, J. R. 1979. An Information Processing Theory of Consumer Choice. USA and Canada: Addison- Wesley Publishing Company, Inc.

Boyd, D. M, Ellison, N. B. (2007). Social network sites: Definition, history, and scholarship. Journal of Computer-Mediated Communication, 13(1), article 11. available on the web at http://www.postgradolinguistica.ucv.cl/dev/documentos/90,889,Social_network_boyd_2007.pdf

Constantinides, Efthymios and Fountain, Stefan J. 2008. Web 2.0: Conceptual foundation and marketing issues. Journal of Direct, Data and Digital Marketing Practice, 9 (3). 231-244. USA: Palgrave Macmillan.

Dann, S. & Dann. S. 2011. E-Marketing: Theory and Application. London, U.K: Palgrave Macmillan.

Drury, G.n. 2008. Social Media: Should marketers engage and how can it be done effectively". Journal of Direct, Data and Digital Marketing Practice 9 (3): 274-277. USA: Palgrave Macmillan.

Evans, D. 2008. Social Media Marketing: An Hour a Day. N.J, USA: John Wiley and Sons.

Zarrella, D. 2010. The Social Media Marketing Book.

Sebastopol, CA: O'Reilly Media Inc. Zynman, S. 1999. The

End of Marketing As We Know It. New York: Harper

Business.

PROJECT ON

A COMPARISION STUDY OF PUBLIC BANKS AND PRIVATE BANKS WITH REFERENCE TO BANK OF INDIA AND HDFC BANK

SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

Mr. Chaudhari Mohd. Hanis
SEAT NUMBER:1162778

UNDER THE GUIDANCE OF

ASST. PROF. DRAKSHA KHAN

BGPS'MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

NAAC ACCREDITATION

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

DECLARATION

I the undersigned **Mr. Chaudhari Mohd. Hanis** the student of T.Y.B.M.S. Semester hereby declare that the work embodied in this project work *"***A COMPARISION STUDY OF PUBLIC BANKS AND PRIVATE BANKS WITH REFERENCE TO BANK OF INDIA AND HDFC BANK",** forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DRAKSHA KHAN.** is a result of my own research work and has not been previously submitted to any other university for any other degree/ diploma to this or any other university.

Wherever references have been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Hanis

Place: Mumbai | Mr. Chaudhari Mohd. Hanis

Date of Submission: | Seat number: 1162778

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

NAAC ACCREDITATION

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI: - 400037

CERTIFICATE

This is to certify that **Mr. Chaudhari Mohd. Hanis** has worked and duly completed his project work for the degree of bachelor of management studies under the faculty of commerce in the subject of and his project is entitled, ***"*A COMPARISION STUDY OF PUBLIC BANKS AND PRIVATE BANKS WITH REFERENCE TO BANK OF INDIA AND HDFC BANK*",*** under the guidance of **ASST. PROF. DRAKSHA KHAN.**

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any degree and diploma of any university.

It is his own work and facts represented by his personal findings and investigations.

Place: Mumbai

Dated:

ASST.PROF. Mrs. Draksha Khan
BMS Course Coordinator

ASST. PROF. Mrs. Draksha Khan
Project Guide

Dr. Subhash Vadgule

Principal

External Examiner
Signature & Date

ACKNOWLEDGMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project. I take this opportunity to thank the University of Mumbai for giving me chance to do this project.

I would like to thank my Principal, for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our Course Co-ordinator Asst.Prof. Draksha Khan, for their moral support and guidance.

I would also like to express my sincere gratitude towards my project guide Asst.Prof. Draksha Khan whose guidance and care made the project successful. I would like to thank my College Library, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my Parents and Peers who supported me throughout my project.

	TABLE OF CONTENT	
SR.NO	NAME OF TOPIC	PG.NO

Summary

After passing of nationalization the Indian banking system has considerably developed with a large network of branches and wide range of financial instruments. As banking industry is growing today with a rapid speed and competition it has more than 11,75,150 employee and has a 1,09,811 branches across India and 171 branches in abroad and have managed deposits of Rs. 67504.54 billion and bank credit of Rs. 52604.59 billion. The net profit of banks operating in India was Rs. 1027.51 billion against RS. 9148.60 billion Turn over during 2012-13. Banking sector has a very important place in our Indian economy. The amount of the profit indicates the efficiency of the organization the larger the profit higher the growth rate. The profitability depends on the effective utilization of funds to procure maximum profit for growth. . The present research paper is an effort to make a comparative study between the Growth rate in Punjab National Bank and HDFC Bank. As a study of Growth analysis of both the banks for a period of 10 years, i.e., from 2004 to 2014 is made. The main parameters of growth in banks are Net profit growth, Net assets growth, ROA (Return on Assets) and NPA

Executive summary

OBJECTIVE OF THE STUDY

1) To know the details of private sector banks such as structure, policy framework for ownership and governance.
2) To know about some of the leading private banks in India
3) A comparison between private sector banks (HDFC) and public sector banks (PNB)
4) To know about some of the leading public bank in India

5) This study has been conducted with a variety of important objectives in mind. The following provides us with the chief objectives that have tried to achieve through the study. The extent to which these objectives have been met could judged from the conclusions and suggestions, which appear in the later of this study.

Research methodology

The research is conducted on the basis of primary data and secondary data .for the following have been the main source of information

Sampling area

mahada colony , vashinaka , mahul gaon

Sampling size

Sampling size 43 public bank and private bank

Sampling technique

The research used primary and secondary method

Primary data

I have been conduct surveys among bank customers to know their assessment about bank.

And also find different kind of technique that can be used to collect the required primary data

Such as observation, questionnaire, indirect oral interview, and interview. And also research analysis

Secondary data

The research made extensive use of internet to obtained secondary data. Data from number of research journals dissertation project report, hand books, government report, news pepper, and websites

SCOPE OF THE STUDY:

The scope of the research is to identify the service of HDFC and Bank of India.

This research is based on primary data and secondary data. This study only focuses on the dimensions of service quality. It aims to understand the skill of the company

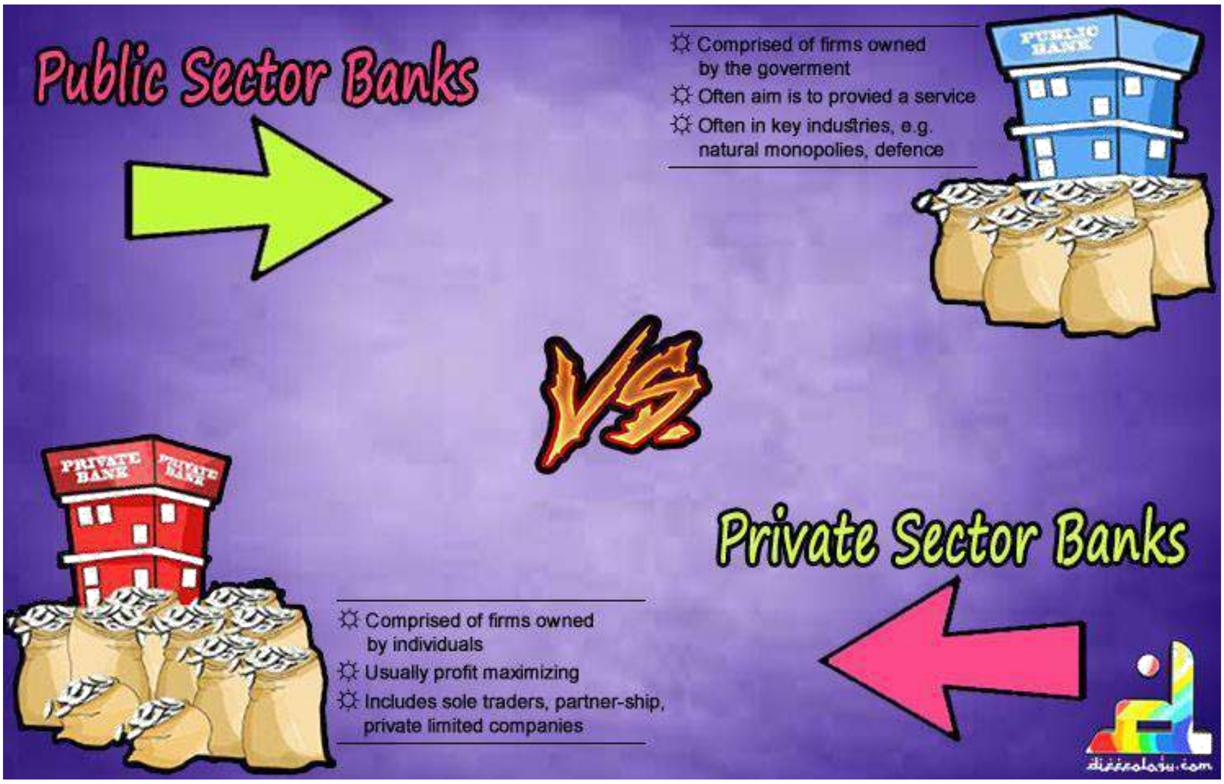
This study was done taking two branches of HDFC and B.O.I.

Introduction

Public sector banks are the banks which the government has a major holding . private sector banks are those banks in which the equity is held by private shareholders i.e thers is no government shareholding . public sector banks dominated the indian banking industry in the initial stages . financial sector rreforms made many changes in banking industry and private sector banks with the help of advnced technology and professionalized thereby causing a great threat to the public banks

In india the banking is very old like the civiliazation. The existances of banking system in india can be traced in vedic period the year 1786 marked the beginning of the establishmentof formal banks in india in this era,two banks ,namely,general bank of india and bank of hindustan came into existance . both the banks however, had to be declared defunct soon

the bigining of nineteeneth century was marked by tremendous growth trading activities in india .this was expectally true in case of calcutta which becomes the hub of trade in india during that period.rise intrade paved way for establishment of the bank of bangal in calcutta in 1806. by the midof 19^{th} century . many foreign banks like creditlyonnais had also staed their operation in calcutta ,allahbad bank becomes the first fully owne indians bankswith its establishment in 1865

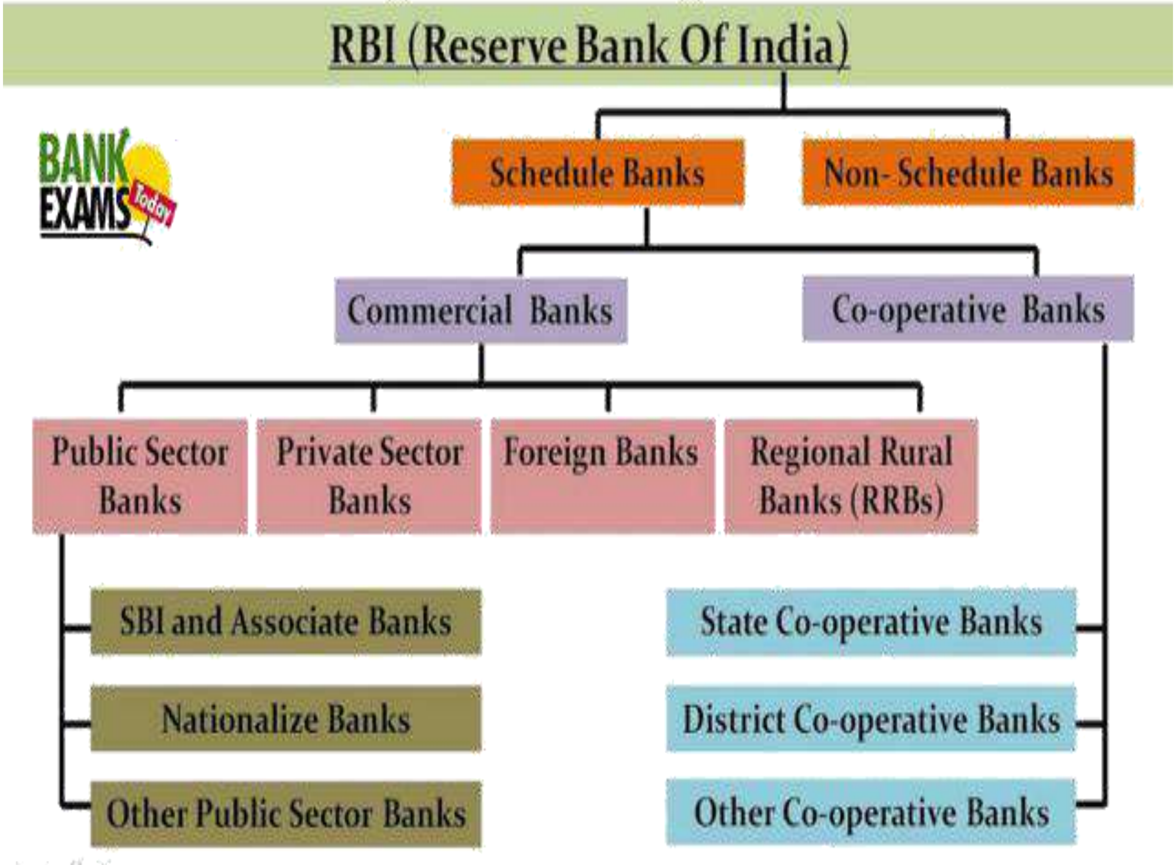



LOAN FROM
PRIVATE SECTOR BANK
(ICICI, HDFC ETC.)
OR
PUBLIC SECTOR BANK
(SBI, PNB ETC.)
www.am22tech.com
Evaluate costs, loan process, after sales services
With re-payment, pre-payment costs And flexibility

The Indian banks can be broadly characterizes as nationalizes. Private banks and specializes banks institution .the HDFC BANKS. Performed a as a body. Nationalizes of banks took place in 1969, the public sector banks or the nationalizes banks have attained prominent place and has since then tremendous progress. The Indian banking has finally taken up challenges under compatitatives dynamics scenario in India. banking sector is successfully addressing the relevant issues to take on the multifarious challenges of globalization .more number of banks employ IT solution and they are perceived to be futuristic and proactive players ,capable of meeting the multifarious requirement of the large customer base.

As per the reserve bank of India (RBI) Indian banking sector is sufficiently capitalized and well –regulated .the financial and economies conditions in the country are far superior to any other country in the world. in league of this India has potential to become the fifth largest banking industry in the worlds by 2020 and third largest by 2025 according toKPMG-CII report ,Indian’s banking and financial sector is expanding rapidly. The Indian banking industry is currently worth 81trillion (us$1.31trillion) and banks are now utilizing the latest technologies like internet and mobile devices to carry out transaction and communication with the masses. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well

Indian banking industry has recently witnessed the rollout of innovation banking models like payment and small financial banks .the central bank granted in-principle approval to 11 payment banks and 10 small finance banks in FY 2015-16. RBI’ new measure may go a long way in helping the restrictions of the domestics banking industry. The market size of Indian banking system consist of 26 public sector banks ,25 private sector banks ,43 foreign banks ,56 regional rural banks ,1589 urban cooperative banks and 93,550rural cooperatives banks in addition to cooperative credit institution.


RBI (Reserve Bank Of India)
Schedule Banks
Non- Schedule Banks
Commercial Banks
Co-operative Banks
Public Sector Banks
Private Sector Banks
Foreign Banks
Regional Rural Banks (RRBs)
SBI and Associate Banks
Nationalize Banks
Other Public Sector Banks
State Co-operative Banks
District Co-operative Banks
Other Co-operative Banks

Structure of Indian banking industry

All banking industry working in India has to be followed the rules regulation provided by reserve bank of India? As RBI is the regulatory authority in India.

To RBI banking industry mainly consist of:

(1) Commercial banks according

(2) Co-operative banks

The commercial banks in India divided into 2parts

(1) Scheduled commercial banks

(2) Unscheduled banks.

Scheduled commercial banks constituted those banks which have been included in the second scheduled of reserve bank of India

For the purpose of assessment of performance of banks, the reserve bank of India categories those into 3 main parts are

(1) Private sector banks

(2) Public sector banks

(3) Foreign banks

The co-operative bank in India divided into 3 parts

(1) Regional rural banks

(2) Urban co-operative banks

(3) Rural co-operative banks

Private banking sector

Historically the private sector played a crucial role in the growth of joint stock banking in India. The first half of the 20 the century witnessed phenomenal growth of private sector banks. at present there are 32 private comprising of 24 old banks , which existed prior to 1993-94 and eight new private banks which were established during in 1993-94 and onwards after the RBI announced guidelines in January 1993 for establishment of new banks in private sector following the recommendations of narshimham committee –I (1991)

Current scenario of private sector banks-

New private sector banks are the fastest growing sector in India. Performance and efficiency of these banks have increased manifold. Evaluation of this sector is not an easy task. After the banks nationalization process

Done in the year 1969, the number of private sector banks

Increased .and due to presence of the new private sector banks and foreign banks has made the market competitive

And it also improves the quality of services during the last two decades in India. These banks have establishment themselves in new and latest system and standard with good quality of services and goods efficiency. In the year 1993, RBI announced guidelines for the establishment of 7 new private sector banks as per the recommendations of narsimham committee-I (1991)

PUBLIC sector bank

Public sector banks (PSBs) are banks where a majority stake is held by a government. The shares of these banks are listed on stock exchanges. There are a total of 27 PSBs in India that includes 21 nationalized banks and 6 state banks group (SBI+5 associates). In 2011 IDBI banks and in 2014 bharatiya manila bank were nationalized with a minimum capital of RS500 CRORE. Thus at present all the nationalized banks are public sector banks .in addition to these, we can also say that IDBI banks LTD BMB AND SBI are to public sector BANKS (THOUGH NOT NATIONALIZED BANK) as GOL has over 50%stake in these bank too

Banking is a single industry incorporating a dozen businesses, such as a cooperative banking, investment banking, small business banking, wealth management, capital markets and so on. further one of these is retail banking which mischaracterized by large numbers of customers , account and transactions , a variety of products and services , a high level of dependency on technology and terries level of corporation .

Banks have more capacity than they can use, consumers will need a bank account to receive government benefits and banks continue consolidating into a small number of large banks. These consolidations may be a good thing, or it may be a bad thing. Certainly smaller banks will have to develop successful strategies to compete with large banks, and such competition will benefit customers. One hop could be that even if we do end up with a handful of banks, they will at least compete with each other, and not enjoy comfortable, began competition between them. But that might be a dream .we must have real competition.

After passing of nationalization the Indian banking system has considerably developed with a large network of branches and wide range of financial instruments. As banking industry is growing today with a rapid speed and competition it has more than 11,75,150 employee and has a 1,09,811 branches across India and 171 branches in abroad and have managed deposits of RS.67504.54 billion and bank credit of RS.52604.59 BILLION against RS 9148.60 billion turnover during 2012-13

Banking sector has a very important place in our Indian economy the amount of the profit indicates the efficiency of the organization the larger the profit higher the growth rate. The profitability depends on the effective utilizations of funds to procure maximum profit and growth

As regards Punjab national banks, it was established in 1895. Bank has strong capital base with capital adequacy ratio 12.89% as in march2104

The bank has paid –up capital of 30.91 cores as on march 2014, with more than 120 years of purposeful existences , more than 8.9 core customers through 6200 branches I has grown as a regard s HDFC bank , it was established by reserve bank of India in 1994

It was the first bank to get the approval by RBI to set up as private sector bank. the paid up share capital as on march 2015 is RS.501,2990,634, its capital adequacy ratio as on march 2014 is 16.1% and it has 3659 branches with 11766 ATMs

This research pepper is an effort to make a comparative study of the growth rate in Punjab national banks and HDFC banks. As a study of growth analysis of both the banks for a period of 10 years i.e. From 2004 to 2014 is made

The main parameters of growth in banks are net profit growth. Net assets growth, ROA (return of asset) and NPA .the statically analysis is made on the basis of annual compound growth rate and NPA on mean, standard deviation, coefficient of correlation

The main functions of commercial banks are accepting deposits from the public and advancing them loans. However, besides these functions there are many other functions which these banks perform. All these functions can be divided under the following heads:

1. Accepting deposits
2. Giving loans
3. Overdraft
4. Discounting of Bills of Exchange
5. Investment of Funds
6. Agency Functions
7. Miscellaneous

Functions

(I) Accepting Deposits:

The most important function of commercial banks is to accept deposits from the public. Various sections of society, according to their needs and economic condition, deposit their savings with the banks. For example, fixed and low income group people deposit their savings in small amounts from the points of view of security, income and saving promotion. On the other hand, traders and businessmen deposit their savings in the banks for the convenience of payment.

Current Deposits:

The depositors of such deposits can withdraw and deposit money whenever they desire. Since banks have to keep the deposited amount of such accounts in cash always, they carry either no interest or very low rate of interest. These deposits are called as Demand Deposits because these can be demanded or withdrawn by the depositors at any time they want.

(b) Fixed Deposits:

These are the deposits which are deposited for a definite period of time. This period is generally not less than one year and, therefore, these are called as long term deposits. These deposits cannot be withdrawn before the expiry of the stipulated time and, therefore, these are also called as time deposits. These deposits generally carry a higher rate of interest because banks can use these deposits for a definite time without having the fear of being withdrawn.

(c) Saving Deposits:

In such deposits, money up to a certain limit can be deposited and withdrawn once or twice in a week. On such deposits, the rate of interest is very less. As is evident from the name of such deposits their main objective is to mobilize small savings in the form of deposits. These deposits are generally done by salaried people and the people who have fixed and less income

Granting Loans:

The second important function of commercial banks is to advance loans to its customers. Banks charge interest from the borrowers and this is the main source of their income. Banks advance loans not only on the basis of the deposits of the public rather they also advance loans on the basis of depositing the money in the accounts of borrowers. In other words, they create loans out of deposits and deposits out of loans. This is called as credit creation by commercial banks. Modern banks give mostly secured loans for productive purposes. In other words, at the time of advancing loans, they demand proper security or collateral. Generally, the value of security or collateral is equal to the amount of loan. This is done mainly with a view to recover the loan money by selling the security in the event of non-refund of the loan. At limes, banks give loan on the basis of personal security also. Therefore, such loans are called as unsecured loan. Banks generally give following types of loans and advances

Cash Credit:

In this type of credit scheme, banks advance loans to its customers on the basis of bonds, inventories and other approved securities. Under this scheme, banks enter into an agreement with its customers to which money can be withdrawn many times during a year. Under this set up banks open accounts of their customers and deposit the loan money. With this type of loan, credit is created.

Demand loans:

These are such loans that can be recalled on demand by the banks. The entire loan amount is paid in lump sum by crediting it to the loan account of the borrower, and thus entire loan becomes chargeable to interest with immediate effect.

Short-term loan: These loans may be given as personal loans, loans to finance working capital or as priority sector advances. These are made against some security and entire loan amount is transferred to the loan account of the borrower

Over-Draft: Banks advance loans to its customer‘s up to a certain amount through over-drafts, if there are no deposits in the current account. For this banks demand a security from the customers and charge very high rate of interest.

Discounting of Bills of Exchange:

This is the most prevalent and important method of advancing loans to the traders for short-term purposes. Under this system, banks advance loans to the traders and business firms by discounting their bills. In this way, businessmen get loans on the basis of their bills of exchange before the time of their maturity.

Investment of Funds:

The banks invest their surplus funds in three types of securities—Government securities, other approved securities and other securities. Government securities include both, central and state governments, such as treasury bills, national savings certificate etc.

Agency Functions:

Banks function in the form of agents and representatives of their customers. Customers give their consent for performing such functions. The important functions of these types are as follows:

(I) Banks collect cheques, drafts, bills of exchange and dividends of the shares for their customers.

(ii) Banks make payment for their clients and at times accept the bills of exchange: of their customers for which payment is made at the fixed time.

(iii) Banks pay insurance premium of their customers. Besides this, they also deposit loan installments, income-tax, and interest

(iv) Banks purchase and sell securities, shares and debentures on behalf of their customers.

(v) Banks arrange to send money from one place to another for the convenience of their customers.

Miscellaneous Functions: Besides the functions mentioned above, banks perform many other functions of general utility which are as follows:

(I) Banks make arrangement of lockers for the safe custody of valuable assets of their customers such as gold, silver, legal documents etc.

(ii) Banks give reference for their customers.

(iii) Banks collect necessary and useful statistics relating to trade and industry.

(iv) For facilitating foreign trade, banks undertake to sell and purchase foreign exchange.

(v) Banks advise their clients relating to investment decisions as specialist

(vi) Banks does the under-writing of shares and debentures also.

(vii) Banks issue letters of credit.

(viii) During natural calamities, banks are highly useful in mobilizing funds and donation

(ix) Banks provide loans for consumer durables like Car, Air-conditioner, and Fridge etc

Advantages of Public Sector Banks:

The system of banking has completely revolutionized our lives. The prime depiction that rushes to our mind when we think of banks is the panorama of the gluttonous goldsmiths who took up the responsibility of safekeeping the assets of the affluent ones in the social order during the medieval times. Gradually they also began the process of providing funds to the deprived classes. Indeed, this was the earliest glimpse of banking in our Indian history. It can also be termed an ―Indigenous Beginning of Banking‖.

According to chronological facts, the system of banking originated in India with the setting of ―The General Bank of India‖. Subsequently, there was an upsurge of banks all over the country. y. A few, like ―

The Bank of Bengal‖ (now The State Bank of India), have withstood the troubles and tribulations of time and functions very smoothly even today. Banking has undergone many changes and developments in the due course of time. It has never failed to meet the budding demands of the nation. For them satisfaction and contentment of the customers is of great importance nowadays. In other words the renovation and reconstruction of the banking sector was carried out to tender to the ever-growing needs of people of the country.

The relation of banks with their customers has deeply amplified in the present days. For each and vary aspect of money, we now rely on banks. In the meanwhile, banks have also introduced customer friendly services and beneficial activities for the public. Banking in the earlier days was supposed to be a very hectic chore. Opening an account in the bank was a very lengthy procedure carefully monitored by the concerned officials. Earlier, sanctioning of loans meant recurrent visits to the bank for the customers. Now it has become much uncomplicated and less time consuming. Sitting in our homes, in front of our personal computer, we can execute any banking transaction with just a mouse click. Thanks to the new generation banking facility termed as E-Banking, which respects the concept of ―Time Is Money‖

Furthermore, banks also offer a lot of other amenities to their clientele. Carrying with us, a huge sum of liquid cash while traveling was a very incommodious affair.

Cheque and global ATM services life has become simpler and easier for populace. Credit cards, often termed as plastic money can be utilized for almost all transactions in the place of money. We can use internationally approved credit cards and debit cards even in foreign territories. Traveler‘s cheque, another utility product of the bank, though not popular among the common man, becomes handy while traveling abroad. These are special kinds of cheques used instead of foreign currency and are issued by the banks upon the request of the customer. Likewise, ATM centers are coming up in every nook and corner of the metropolis now. ATM or Automatic Trailer Machines are at times called ―Any Time Money‖ because of the fact that money can be obtained from them without any intricacy, anytime, anywhere provided that you are an ATM card holder. The scheme of Global ATM cards is a relatively new idea that has gained great impetus soon after its instigation.

Though accepting deposits and advancing loans are the primary functions of a bank, they also carry out some other miscellaneous services for their customers. The customers can deposit outstation cheques, bills of exchange and bank drafts of his/her clients into the bank. As an agency service, bank takes up the responsibility to collect the money with respect to the date and condition specified in these vouchers and transfers the so-received amount into the bank account of the customer. From the customers point of view this saves a lot of his money and time. Dividends from shares and debentures, interest from certain investments will also be collected by the banks if asked to do so. In the same way, banks can also be entitled to make certain payments on behalf of the customer. Certain payments like salary - in the case of a businessman, insurance premium - in the case of an insured person etc. can be paid through one‘s bank

This reduces a lot of errands and hassle for the customer. Prior to this system, the customers were supposed to remember the due dates for all their payments, which was a very niggling issue in a busy schedule. Our banks also endow us with a lot of custodial services also. Customers can keep their valuable documents and other expensive material goods in the lockers provided by the banks. Lockers are high security vaults in the banks and as certain banks claim it is the safest place on earth!!! This service enables the customers to sleep in peace since they have entrusted banks to safeguard their belongings and the products of their toil and hard work.

Banking has become very sophisticated now. The prospect of E-Banking is becoming popular day by day. Even people who do not have an access to the Internet can perform banking transactions through the telephone. The latest trend in banking is M-banking or mobile banking which is a venture now on the test run.

Modern Trends in Public Sector Banks:

Liberalization of Banks:

In the early 1990s, the then Narsimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as New Generation tech-savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, Axis Bank (earlier as UTI Bank),ICICI Bank and HDFC Bank . This move, along with the rapid growth in the economy of India, 104 revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The next stage for the Indian banking has been setup with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 49% with some restrictions. The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%; Go home at4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more. Currently, banking in India is generally fairly mature in terms of supply, product range and reach even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility but without any fixed exchange rate-and this has mostly been true. With the growth in the Indian economy expected to be strong for quite sometimes-especially in its services sector the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong. One may also expect M&A‘s, takeovers, and asset sales.

Privatization of Banks:

In many ways, India provides an excellent testing ground for hypotheses about privatization and its impact, except that so far privatization has not binate mated on a scale that researchers would like to see. The country has a large, well diversified public sector. Unlike many of the transition economies, it also has a long tradition of private enterprise, including big companies in the private sector, although there are certain sectors in which private sector participation is quite new, these sectors having been reserved until recently for the public sector. Privatization in India generally goes by the name of _disinvestment 'or _divestment 'of equity. This is because privatization has thus far not meant transfer of control or even of controlling interest from government to anybody else. The government has sold 105 stakes ranging from one per cent to 40% in 40PSUs, but in no company has its stake fallen below the magic figure of 51%which is seen as conferring controlling interest. The privatization program is itself relatively new to the country. It is part of an ambitious process of economic reforms covering industry, trade, the financial sector and agriculture and also involving a program of macroeconomist bilization focused on the federal budget, which commenced in 1991.Privatization is seen necessary in order to enable firms in the public sector to compete and survive in the new environment. Disinvestment opens the gate for eventual privatization and this route must be opposed. Instead, the alternative of issuing of bonds and preference shares should be encouraged. No individual or institution should be permitted to hold beyond 5 percent of the shares. Already foreign institutional investors are holding sizeable shares in public sector banks as also in the major new private sector Indian banks. In order to finance the private industrial and business activity, a network of development banking and financial institutions has been organized by the Government which are as follows:

Industrial Finance Corporation of India (IFCI)

Industrial Credit and Investment Corporation of India (ICICI)

Industrial Development Bank of India (IDBI)

State Finance Corporation

NABARD

EXIM (Export Import) Bank

Small Industries Development Bank of India (SIDBI)

Unit trust of India (UTI)

Nationalized Banks

Co-operative banking institutions

Globalization of Banks:

Publicly owned banks handle more than 80% of the banking business in India and the rest is in the hands of private sector banks. However, banking in both the government and private sector is being revolutionized by this latest phenomenon called globalization. Globalization has offered a number of advantages to the banking sector in India. Remarkable advancements in communication and information technology have facilitated the globalization of these domestic banks. Apart from the benefits, several Risks are also associated with the opportunities made available by globalization. In order to fortify the Indian baking sector against the risks involved in globalization, appropriate regulatory, prudential and supervisory framework need to be adopted. This will help in strengthening the domestic banking system in a global-environment.

Marketing practices in Public sector banks:

In the fierce competitive market, needs of customer keep changing. Hence, our marketing strategy must be dynamic and flexible to meet the changing scenario. Here are steps that form successful and effective marketing strategy for bank products.

Emphasis on Deposits:

Emphasis, though in a discrete manner, should be given to mobilize more of term deposits as they are more profitable for the bank in comparison to demand. Introduction of products comparable to ―Kisan Vikas Patra‖ of post office and product with the facility of tax rebate under section 88 of Income Tax Act will of much help in this regard.

Form a Saleable Product Scheme:

Bank should form a scheme that meets the needs of customers. A bunch of such schemes can also form a product. A bank product may include deposit scheme, an account offering more flexibilities, technically sound banking, tele/mobile/net banking, an innovative scheme targeted to special group of customers like children, females, old aged persons, businessman etc. In short, a bank product may consist of anything that you offer to customers. 107

Effective Branding :

Man is a bundle of sentiments and emotions. This can effectively be helpful in branding our products. Considering the features of products and target group of customers, the product can be effectively branded so as to sound it catchy and appealing. Some proven examples are Apna Ghar, Dhan Laxmi, Kuber, Flexi Deposit, Smart Kid, Sapney, Vidya etc. The branding should be done in such a way that the brand name must attract the attention of customers. It should be easy to remember. The target group and the silent feature of the product should resemble brand name. This will help a lot in making the brand successful. All employees and all our campaigns should refer the product by its brand name only so that to strike the same in the customer‘s mind.

Products for Women :

The national perspective plan for women states that 94 pc of women workers are engaged in the unorganized sector and 83 pc of these in agriculture and allied activities like dairy, animal husbandry, sericulture, handloom, handcrafts and forestry. Banks should do something to improve their access to credit which they require.

Customer Awareness:

There is a need to educate the customers on bank products. Efforts should be made to widen and deepen the process of information flow for the benefit and education of Indian customers. Today, the customers do not have any idea as to how much time is required for any type of banking service. The rural customers are not aware for what purpose the loans are available and how they can be availed. Customers do not know the complete rules, regulations and procedures of the bank and bankers preserve them for themselves and do not take interest in educating the customers. It is a need to educate the customers from the grassroots of banking. It is time that each bank branch takes steps to educate the customers on all banking function, which will facilitate growth of banking on healthy lines both qualitatively and quantitatively.

Advertisement:

Advertisement is an eminent part of marketing of bank products. Advertisement should be such that appeals to people. It should not follow the orthodox pattern of narrating a product. For effective advertisement, bank should understand people‘s tastes and choices.

Selling Products in Rural Areas:

For enhancing the marketing of their product, bank should sell their products in rural areas. For it, there is a need to open branches in the rural areas.

Informing Customers about Products:

The bank should embark upon aggressive marketing of its products, particularly at the time of launching a new product, which will inform the perspective customers regarding product and at the same time relieve staff at branch level from explaining the product to all customers.

Customer Convenience:

In a service industry like banking where product differential is hard to maintain and quality of service depends upon the service provider, from whom it cannot be separated. So the bank employees have to render services to the satisfaction of the customer, not as per their own conveniences or whims.

Re-orient Staff:

Sincerity of efforts in implementation of the measures is lacking among the bank staff. It is a fact that its employees are not able to rise up to the expectations of its customers. They lack in their behavior, attitude and efficiency. The phenomenon is glaring at urban centers. Therefore, it calls for an immediate attention which is 109 missing links in the entire process of marketing, and the bank should undertake all such steps to motivate and reorient its staff.

E-delivery Channels:

After the Information Technology Act, many new e-delivery products have been introduced. These E-delivery channels are very helpful in enhancing the marketing of various products and services. Thus Indian banks should sale the products and services through e-delivery channels. Internet is a network of network which connects the world. Thus, banks should sale their products through web-site. This will enhance the marketing of the products not only at the national but also at the international level

The private sector banks play a vital role in the Indian economy. They indirectly motivate the public sector banks by offering a healthy competition to them. The following are their importance:

(I) offering high degree of Professional Management:

The private sector banks help in introducing a high degree of professional management and marketing concept into banking. It helps the public sector banks as well to develop similar skill and technology.

(ii) **Creates healthy competition:**

The private sector banks provide a healthy competition on general efficiency levels in the banking system.

(iii) **Encourages Foreign Investment:**

The private sector banks especially the foreign banks have much influence on the foreign investment in the country.

(iv) **Helps to access foreign capital markets:**

The foreign banks in the private sector help the Indian companies and the government agencies to meet out their financial requirements from international capital markets. This service becomes easier for them because of the presence of their head offices/other branches in important foreign centers. In this way they help a large extent in the promotion of trade and industry in the country.

(v) **Helps to develop innovation and achieve expertise:**

The private sector banks are always trying to innovate new products avenues (new schemes, services, etc.) and make the industries to achieve expertise in their respective fields by offering quality service and guidance.

They introduce new technology in the banking service. Thus, they lead the other banks in various new fields. For example, introduction of computerized operations, credit card business, ATM service, etc.

Types of Private sector banks:

Private sector banking is a type of banking process that involves financial institutions which are primarily owned and operated by private individuals and business organizations rather than by a government entity. This is in contrast with public sector banking, in which the banking enterprise is owned and operated by the state in some manner.

In many nations that are supportive of free enterprise, private sector banking is the most common form of banking available. While a government may not actually control banks and other financial institutions that engage in this form of banking, private sector institutions do typically have to comply with governmental regulations that apply to banking in general. It is not unusual for private sector banking to play a major role in the economy of a given nation.

Since this form of banking along with other private sector business enterprises tends to account for a large portion of the money that moves through an economy, financial analysts will pay close attention to what is happening in the private sector. In some nations, a government bank may sometimes set the standard for issues such as interest rates, with banks in the private sector following the example. Since so much of the economy depends on the activities occurring within the private sector, the current policies and procedures that govern private sector banking within a given nation can often help to slow and eventually reverse an unfavorable economic trend, such as a recession. Another benefit of private sector banking is the support that the mechanism provides to the free enterprise system within a number of economies.

Assuming that the banks associated with the private sector are working in harmony with other private sector businesses and concerns, the potential for growing the economy at a consistent and prudent pace is possible. Banking of this tends to make it easier for companies to obtain funds for expansion projects, the launching of stock offerings, and other vital activities that ultimately benefit the banks and the companies, as well as consumers in general. While private sector banking does provide a wide range of benefits, this form of banking has to comply with governmental regulations that are in effect in the nation where the banks are located. This helps to provide a basis or foundation for the operation, allowing all banking concerns to have the opportunity to compete for customers.

Typically, the regulations also help to establish guidelines for the creation of financial products that are offered to individual and commercial customers, while still allowing each bank to offer value-added benefits that help them to stand out among the different choices open to those potential customers. There are types of Private Banks in India;

a. Old generation private banks.

b. New generation private banks

c. Foreign banks operate in India

d. Co-operative banks

<u>Old Generation Private Banks:</u>

The banks, which were not nationalized at the time of bank nationalization that took place during 1969 and 1980‘s are known to be the old private-sector banks. These were not nationalized, because of their small size and regional focus. Most of the old private-sector banks are closely held by certain communities their operations are mostly restricted to the areas in and around their place of origin. Their Board of directors mainly consists of locally prominent personalities from trade and business circles. One of the positive points of these banks is that, they lean heavily on service and technology and as such, they are likely to attract more business in days to come with the restructuring of the industry round the corner. List of the old private-sector banks in India:

1. Bank of Rajasthan Ltd.

2. Catholic Syrian Bank Ltd.

3. City Union Bank Ltd.

4. Dhanalakshmi Bank Ltd.

5 Federal Bank Ltd.

6. ING Visa Bank Ltd.

7. Jammu and Kashmir Bank Ltd.

8. Karnataka Bank Ltd.

9. Karur Visa Bank Ltd

10. Lakshmi Vilas Bank Ltd.

New Generation Private-Sector Banks:

The banks, which came in operation after 1991, with the introduction of economic reforms and financial sector reforms are called "new private-sector banks". Banking regulation act was then amended in 1993, which permitted the entry of new private-sector banks in the Indian banking s sector. However, there were certain criteria set for the establishment of the new private-sector banks, some of those criteria being: The bank should have a minimum net worth of Rs. 200 Crores. 1. The promoters holding should be a minimum of 25% of the paid-up capital. 2. Within 3 years of the starting of the operations, the bank should offer shares to public and their net worth must increased to 300 crores. List of the new private-sector banks in India

1. Bank of Punjab Ltd. (since merged with Centurion Bank)

2. Centurion Bank of Punjab (since merged with HDFC Bank)

3. Development Credit Bank Ltd.

4. HDFC Bank Ltd.

5. ICICI Bank Ltd.

6. IndusIandBank Ltd.

7. Kodak Mahindra Bank Ltd.

8. Axis Bank (earlier UTI Bank)

9. Yes Bank Ltd.

Foreign banks operate in India:

In 2005, the Reserve Bank released the ―Road map for presence of foreign banks in India‖ laying out a two track and gradualist approach aimed at increasing the efficiency and stability of the banking sector in India. One track was the consolidation of the domestic banking system, both in private and public sectors, and the second track was the gradual enhancement of foreign banks in a synchronized manner.

Co-operative banks

The history of co-operative movement in India is about a century old. The movement was started in India with a view to encourage and promote thrift and mutual help for the development of persons of small means such as agriculturists, artisans and other segments of the society.

It was also aimed at concentrating the efforts in releasing the exploited classes out of the clutches of the money lenders. Keeping this as one of the objectives, credit societies were formed under Cooperative Societies Act of 1904. The 1904 Act was largely based on the English Friendly Societies Act, 1896.

Under this Act, only primary credit societies were permitted to register and noncredit and federal organizations of primary co-operative credit societies were left out. This lacuna was bridged by the Co-operative Societies Act, 1912. This Act paved the way for the organization of central co-operative banks throughout the country. But the provisions of 1912 Act were inadequate to meet the requirements of those states where co-operative movement had made considerable progress.

Bombay, the pioneers in this regard passed a new Act, viz., the Bombay Cooperative Societies Act, 1925 for serving the many sided development of the state. Later on, Madras, Bihar and Bengal passed their own Acts in 1932, 1935 and 1940 respectively.

Structure of Co-operative Banking in India

India's co-operative banking structure consists of two main segments, viz., agricultural and non-agricultural credit. There are two separate structures in the case of agricultural credit - one for short and medium term credit and the other for long term credit. The co-operative credit structure for short and medium terms is a three tier one with primary agricultural credit societies at the base level, the central co-operative bank at the district level and state co-operative bank at the apex level. Over and above these institutions, grain banks are actively functioning as primary societies in certain states. Though the organization of central and state co-operative banks was mainly for the benefit of the agricultural credit sector, they serve nonagricultural societies too.

Primary Agricultural Credit Societies

Primary Agricultural Credit Societies (PACS) are the foundation of the cooperative credit structure and form the largest number of co-operative institutions in India. Most of these societies have been organized mainly to provide credit facilities and to inculcate the habit of thrift and economy among their members. The share capital of a society is divided into units, called shares, contributed by the members. The most important source of finance of PACS is members' deposits. Borrowings constitute the most important element of their working capital.

The criteria for borrowings differ from state. To state according to their liability. Punctuality in the repayment of loans has hardly been observed by the members with the result that there has been a steep rise in the amount of over dues all over the country.

Primary Agricultural Credit Societies in India:

In India, PACS are passing through an era of crisis. Increasing incidence of nonviability is one of the major setbacks. PACS have made little progress in attracting deposits. In majority of the cases, the deposits were collected through book adjustments by carving certain portion of loan amount. The repaying capacity of the PACS has been dwindled considerably, as a result mounted over dues in the loan outstanding against members. Along with the increasing volume of business the number of PACS running into loss and the amount of loss have increased considerably over the years. The important reasons for this situation are, existence of non-viable and dormant societies, uneven growth of agricultural credit movement, inadequacy of the quantum of loan supplied by them, defective loan policies, delay in loan disbursement, inadequate supervision and defective audit, no linking of credit with marketing, high over dues, ineffective management, neglect of small farmers and domination of vested interests.

District Co-operative Banks in India:

District Co-operative Banks (DCBs) occupy the middle level position in the three tier co-operative credit structure of the country. In the beginning of the formation of PACSs, they could not function effectively without gaining financial support from an outside agency. Over and above this, they were in need of technical guidance and administrative support. At the same time, there were some societies which have gained strength and posses surplus funds as well as talents. As a precondition to get mutual help it became necessary that all these primary societies form a federation for ensuring rational use of their funds and provide a common place to meet for exchange of ideas and co-operative experience. The formation of DCBs was thus a felt need for mutual help. The Co-operative Societies Act of 1912 permitted the registration of DCBs. Even before the enactment of this Act, some DCBs were established to cater to the needs of primary societies. In 1906, forerunner of the first DCB was established as a primary society in Uttar Pradesh. At Ajmer in Rajasthan the first DCB was established in 1910. But the first full-fledged DCB as per the provisions of the Act of 1912 was started in Jabalpur District of the Central Province. Co-operative banks are an important constituent of the Indian Financial System, judging by the role assigned to them, the expectations they are supposed to fulfill, their number, and the number of offices they operate. The co-operative movement originated in the West, but the importance that such banks have assumed in India is rarely paralleled anywhere else in the world. Their role in rural financing continues to be important even today, and their business in the urban areas also has increased in recent years mainly due to the sharp increase in the number of primary cooperative banks.

FEATURES OF CO-OPERATIVES BANKS

Co-operative movement is quite well established in India. Co-operative Institutions are engaged in all kinds of activities namely production, processing, marketing, distribution, servicing, and banking in India and have vast and powerful superstructure. Co-operative Banks are important cogs in this structure. Co-operative Banks: • Are organized and managed on the principal of co-operation, self-help, and mutual help. They function with the rule of "one member, one vote".

• Function on "no profit, no loss" basis. Co-operative banks, as a principle, do not pursue the goal of profit maximization.

• Co-operative bank performs all the main banking functions of deposit mobilization, supply of credit and provision of remittance facilities. Co-operative Banks provide limited banking products and are functionally specialists in agriculture related products. However, co-operative banks now provide housing loans also.

• UCBs provide working capital loans and term loan as well.

• The State Co-operative Banks (SCBs), Central Co-operative Banks (CCBs) and Urban Co-operative Banks (UCBs) can normally extend housing loans up to Rs 1 lakh to an individual. The scheduled UCBs, however, can lend upto Rs 3 lath for housing purposes. The UCBs can provide advances against shares and debentures also

. • Co-operative bank do banking business mainly in the agriculture and rural sector. However, UCBs, SCBs, and CCBs operate in semi urban, urban, and metropolitan areas also. The urban and non-agricultural business of these banks has grown over the years. The co-operative banks demonstrate a shift from rural to urban, while the commercial banks, from urban to rural.

• Co-operative banks are perhaps the first government sponsored, government supported, and government subsidized financial agency in India. They get financial and other help from the Reserve Bank of India NABARD, central government and state governments. They constitute the "most favored" banking sector with risk of nationalization. For commercial banks, the Reserve Bank of India is lender of last resort, but co-operative banks it is the lender of first resort which provides financial resources in the form of contribution to the initial capital (through state government), working capital, refinance

. • Co-operative Banks belong to the money market as well as to the capital market. • Primary agricultural credit societies provide short term and medium term loans

. • Land Development Banks (LDBs) provide long-term loans. SCBs and CCBs also provide both short term and term loans.

• Co-operative banks are financial intermediaries only partially. The sources of their funds (resources) are

(a) Central and state government

(b) The Reserve Bank of India and NABARD,

(c) Other co-operative institutions,

(d) Ownership funds and,

(e) Deposits or debenture issues.

It is interesting to note that intra-sect oral flows of funds are much greater in co-operative banking than in commercial banking. Inter-bank deposits, borrowings, and credit from a significant part of assets and liabilities of co-operative banks. This means that intra-sectoral competition is absent and intra-sectoral integration is high for co-operative bank. • Some co-operative bank are scheduled banks, while others are non-scheduled banks. For instance, SCBs and some UCBs are scheduled banks but other cooperative bank are non-scheduled banks. At present, 28 SCBs and 11 UCBs with Demand and Time Liabilities over Rs 50 crore each included in the Second Schedule of the Reserve Bank of India Act. • Co-operative Banks are subject to CRR and liquidity requirements as other scheduled and non-scheduled banks are. However, their requirements are less than commercial banks.

Functions of Private sector banks:

The private sector banks play a vital role in the Indian economy. They indirectly motivate the public sector banks by offering a healthy competition to them. The following are their functions:

Offering high degree of Professional Management: The private sector banks help in introducing a high degree of professional management and marketing concept into banking. It helps the public sector banks as well to develop similar skill and technology.

Creates healthy competition: The private sector banks provide a healthy competition on general efficiency levels in the banking system.

Encourages Foreign Investment: The private sector banks especially the foreign banks have much influence on the foreign investment in the country.

Helps to access foreign capital markets: The foreign banks in the private sector help the Indian companies and the government agencies to meet out their financial requirements from international capital markets. This service becomes easier for them because of the presence of their head offices/other branches in important foreign centers. In this way they help a large extent in the promotion of trade and industry in the country.

Helps to develop innovation and achieve expertise: The private sector banks are always trying to innovate new products avenues (new schemes, services, etc.) and make the industries to achieve expertise in their respective fields by offering quality service and guidance. They introduce new technology in the banking service. Thus, they lead the other banks in various new fields. For example, introduction of computerized operations, credit card business, ATM service, etc.

Function of private banks

Primary Functions

The primary functions of the commercial banks include the following: A. Acceptance of Deposits

1. Time Deposits: These are deposits repayable after a certain fixed period. These deposits are not withdrawn able by cheque, draft or by other means. It includes the following.

(a) Fixed Deposits:

The deposits can be withdrawn only after expiry of certain period say 3 years, 5 years or 10 years. The banker allows a higher rate of interest depending upon the amount and period of time. Previously the rates of interest payable on fixed deposits were determined by Reserve Bank. Presently banks are permitted to offer interest as determined by each bank. However, banks are not permitted to offer different interest rates to different customers for deposits of same maturity period, except in the case of deposits of Rs. 15 lakhs and above. These days the banks accept deposits even for 15 days or one month etc. In times of urgent need for money, the bank allows premature closure of fixed deposits by paying interest at reduced rate. Depositors can also avail of loans against Fixed Deposits. The Fixed Deposit Receipt cannot be transferred to other persons.

(b) Recurring Deposits:

In recurring deposit, the customer opens an account and deposit a certain sum of money every month. After a certain period, say 1 year or 3 years or 5 years, the accumulated amount along with interest is paid to the customer. It is very helpful to the middle and poor sections of the people. The interest paid on such deposits is generally on cumulative basis. This deposit system is a useful mechanism for regular savers of money.

(c) Cash Certificates:

Cash certificates are issued to the public for a longer period of time. It attracts the people because its maturity value is in multiples of the sum invested. It is an attractive and high yielding investment for those who can keep the funds for a long time. It is a very useful account for meeting future financial requirements at the occasion of marriage, education of children etc. Cash certificates are generally issued at discount to face value. It means a cash certificate of Rs. 1, 00,000 payable after 10 years can be purchased now, say for Rs. 20,000. 2. Demand Deposits:

These are the deposits which may be withdrawn by the depositor at any time without previous notice. It is withdraw able by cheque/draft. It includes the following:

(a) Savings Deposits:

The savings deposit promotes thrift among people. The savings deposits can only be held by individuals and non-profit institutions. The rate of interest paid on savings deposits is lower than that of time deposits. The savings account holder gets the advantage of liquidity (as in current a/c) and small income in the form of interests. But there are some restrictions on withdrawals. Corporate bodies and business firms are not allowed to open SB Accounts. Presently interest on SB Accounts is determined by RBI. It is 4.5 per cent per annum. Co-operative banks are allowed to pay an extra 0.5 per cent on its savings bank deposits.

(b) Current Account Deposits:

These accounts are maintained by the people who need to have a liquid balance. Current account offers high liquidity. No interest is paid on current deposits and there are no restrictions on withdrawals from the current account. These accounts are generally in the case of business firms, institutions and cooperative bodies. Nowadays, banks are designing and offering various investment schemes for deposit of money. These schemes vary from bank to bank. It may be stated that the banks are currently working out with different innovative schemes for deposits. Such deposit accounts offer better interest rate and at the same time withdraw able facility also. These schemes are mostly offered by foreign banks. In USA, Current Accounts are known as 'Checking Accounts' as a cheque is equivalent to check in America.

B. Advancing of Loans

The commercial banks provide loans and advances in various forms. They are given below:

1. Overdraft:

This facility is given to holders of current accounts only. This is an arrangement with the bankers thereby the customer is allowed to draw money over and above the balance in his/her account. This facility of overdrawing his account is generally pre-arranged with the bank up to a certain limit. It is a short-term temporary fund facility from bank and the bank will charge interest over the amount overdrawn. This facility is generally available to business firms and companies.

2. Cash Credit:

Cash credit is a form of working capital credit given to the business firms. Under this arrangement, the customer opens an account and the sanctioned amount is credited with that account. The customer can operate that account within the sanctioned limit as and when required. It is made against security of goods, personal security etc. On the basis of operation, the period of credit facility may be extended further. One advantage under this method is that bank charges interest only on the amount utilized and not on total amount sanctioned or credited to the account. Reserve Bank discourages this type of facility to business firms as it imposes an uncertainty on money supply. Hence this method of lending is slowly phased out from banks and replaced by loan accounts. Cash credit system is not in use in developed countries.

3. Discounting of Bills:

Discounting of Bills may be another form of bank credit. The bank may purchase inland and foreign bills before these are due for payment by the drawer debtors, at discounted values, i.e., values a little lower than the face values. The Banker's discount is generally the interest on the full amount for the unexpired period of the bill. The banks reserve the right of debiting the accounts of the customers in case the bills are ultimately not paid, i.e., dishonored. The bill passes to the Banker after endorsement. Discounting of bills by banks provide immediate finance to sellers of goods. This helps them to carry on their business. Banks can discount only genuine commercial bills i.e., those drawn against sale of goods on Credit. Banks will not discount Accommodation Bills. 4. Loans and Advances: It includes both demand and term loans, direct loans and advances given to all type of customers mainly to businessmen and investors against personal security or goods of movable or immovable in nature. The loan amount is paid in cash or by credit to customer account which the customer can draw at any time. The interest is charged for the full amount whether he withdraws the money from his account or not. Short-term loans are granted to meet the working capital requirements where as long-term loans are granted to meet capital expenditure. Previously interest on loan was also regulated by RBI. Currently, banks can determine the rate themselves. Each bank is, however required to fix a minimum rate known as Prime Lending Rate (PLR). Classification of Loans and Advances Loans and advances given by bankers can be classified broadly into the following categories:

(i) Advances which are given on the personal security of the debtor, and for which no tangible or collateral security is taken; this type of advance is given either when the amount of the advance is very small, or when the borrower is known to the Banker and the Banker has complete confidence in him (Clean Advance).

(ii) Advances which are covered by tangible or collateral security. In this section of the study we are concerned with this type of advance and with different types of securities which a Banker may accept for such advances (Secured Advance).

(iii) Advances which are given against the personal security of the debtor but for which the Banker also holds in addition the guarantee of one or more sureties. This type of advance is often given by Banker to persons who are not known to them but whose surety is known to the Banker. Bankers also often take the personal guarantee of the Directors of a company to whom they agree to advance a clean or unsecured loan.

(iv) Loans are also given against the security of Fixed Deposit receipts.

5. Housing Finance:

Nowadays the commercial banks are competing among themselves in providing housing finance facilities to their customers. It is mainly to increase the housing facilities in the country. State Bank of India, Indian Bank, Canada Bank, Punjab National Bank, has formed housing subsidiaries to provide housing finance. The other banks are also providing housing finances to the public. Government of India also encourages banks to provide adequate housing finance. Borrowers of housing finance get tax exemption benefits on interest paid. Further housing finance up to Rs. 5 lakh is treated as priority sector advances for banks. The limit has been raised to Rs. 10 lakhs per borrower in cities.

6. Educational Loan Scheme:

The Reserve Bank of India, from August, 1999 introduced a new Educational Loan Scheme for students of full time graduate/post-graduate professional courses in private professional colleges. Under the scheme all public sector banks have been directed to provide educational loan up to Rs. 15,000 for free seat and Rs. 50,000 for payment seat student at interest not more than 12 per cent per annum. This loan is on clean basis i.e., without calling for security. This loan is available only for students whose annual family income does not exceed Rs. 1, 00,000. The loan has to be repaid together with interest within five years from the date of completion of the course. Studies in respect of the following subjects/areas are covered under the scheme.

(a) Medical and dental course.

(b) Engineering course.

(c) Chemical Technology.

(d) Management courses like MBA.

(e) Law studies.

(f) Computer Science and Applications.

This apart, some of the banks have other educational loan schemes against security etc., one can check up the details with the banks.

7. Loans against Shares/Securities:

Commercial banks provide loans against the security of shares/debentures of reputed companies. Loans are usually given only up to 50% value (Market Value) of the shares subject to a maximum amount permissible as per RBI directives. Presently one can obtain a loan up to Rs.10 lakhs against the physical shares and up to Rs. 20 lakhs against dematerialized shares.

8. Loans against Savings Certificates:

Banks are also providing loans up to certain value of savings certificates like National Savings Certificate, Fixed Deposit Receipt, Indira Vikas Patra, etc. The loan may be obtained for personal or business purposes.

9. Consumer Loans and Advances:

One of the important areas for bank financing in recent years is towards purchase of consumer durables like TV sets, Washing Machines, Micro Oven, etc. Banks also provide liberal Car finance. These days banks are competing with one another to lend money for these purposes as default of payment is not high in these areas as the borrowers are usually salaried persons having regular income? Further, bank's interest rate is also higher. Hence, banks improve their profit through such profitable loans.

10. Securitization of Loans:

Banks are recently trying to securities a part of their part of loan portfolio and sell it to another investor. Under this method, banks will convert their business loans into a security or a document and sell it to some Investment or Fund Manager for cash to enhance their liquidity position. It is a process of transferring credit risk from the banker to the buyer of securitized loans. It involves a cost to the banker but it helps the bank to ensure proper recovery of loan. Accordingly, securitization is the process of changing an illiquid asset into a liquid asset.

11. Others:

Commercial banks provide other types of advances such as venture capital advances, jewel loans, etc.

1. Effective October 18, 1994 banks were free to determine their own prime lending rates (PLRs) for credit limit over Rs. 2 lakh. Data relate to public sector banks.

2. The stipulation of minimum maturity period of term deposits was reduced from 30 days to 15 days, effective April 29, 1998. Data relate to public sector banks.

3. The change in the Bank Rate was made effective from the close of business of respective dates of change except April 29, 1998.

4. Effective April 29, 1998. C. Credit Creation Credit creation is one of the primary functions of commercial banks. When a bank sanctions a loan to the customer, it does not give cash to him. But, a deposit account is opened in his name and the amount is credited to his account. He can withdraw the money whenever he needs. Thus, whenever a bank sanctions a loan it creates a deposit. In this way the bank increases the money supply of the economy. Such functions are known as credit creation.

Secondary Functions:

The secondary functions of the banks consist of agency functions and general utility functions. A. Agency Functions Agency functions include the following:

(i) Collection of cheques, dividends, and interests:

As an agent the bank collects cheques, drafts, promissory notes, interest, dividends etc., on behalf of its customers and credit the amounts to their accounts. Customers may furnish their bank details to corporate where investment is made in shares, debentures, etc. As and when dividend, interest, is due, the companies directly send the warrants/cheques to the bank for credit to customer account.

(ii) Payment of rent, insurance premiums:

The bank makes the payments such as rent, insurance premiums, subscriptions, on standing instructions until further notice. Till the order is revoked, the bank will continue to make such payments regularly by debiting the customer's account.

(iii) Dealing in foreign exchange:

As an agent the commercial banks purchase and sell foreign exchange as well for customers as per RBI Exchange Control Regulations.

(iv) Purchase and sale of securities:

Commercial banks undertake the purchase and sale of different securities such as shares, debentures, bonds etc., on behalf of their customers. They run a separate 'Portfolio Management Scheme' for their big customers.

(v) Act as trustee, executor, attorney, etc:

The banks act as executors of Will, trustees and attorneys. It is safe to appoint a bank as a trustee than to appoint an individual. Acting as attorneys of their customers, they receive payments and sign transfer deeds of the properties of their customers.

(vi) Act as correspondent:

The commercial banks act as a correspondent of their customers. Small banks even get travel tickets, book vehicles; receive letters etc. on behalf of the customers.

(vii) Preparations of Income-Tax returns:

They prepare income-tax returns and provide advices on tax matters for their customers. For this purpose, they employ tax experts and make their services, available to their customers.

B. General Utility Services :

The General utility services include the following:

(i) Safety Locker facility:

Safekeeping of important documents, valuables like jewels are one of the oldest services provided by commercial banks. 'Lockers' are small receptacles which are fitted in steel racks and kept inside strong rooms known as vaults. These lockers are available on half-yearly or annual rental basis. The bank merely provides lockers and the key but the valuables are always under the control of its users. Any customer cannot have access to vault. Only customers of safety lockers after entering into a register his name account number and time can enter into the vault. Because the vault is holding important valuables of customers in lockers, it is also known as 'Strong Room'.

(ii) Payment Mechanism or Money Transfer:

Transfer of funds is one of the important functions performed by commercial banks. Cheques and credit cards are two important payment mechanisms through banks. Despite an increase in financial transactions, banks are managing the transfer of funds process very efficiently. Cheques are also cleared through the banking system. Correspondent banking is another method of transferring funds over long distance, usually from one country to another. Banks, these days employ computers to speed up money transfer and to reduce cost of transferring funds. Electronic Transfer of funds is also known as 'Chequeless banking' where funds are transferred through computers and sophisticated electronic system by using code words. They offer Mail Transfer, Telegraphic Transfer (TT) facility also.

(iii) Traveller cheques:

Traveller‘s Cheques are used by domestic traveller as well as by international travellers. However the use of traveller's cheques is more common by international travellers because of their safety and convenience. These can be also termed as a modified form of traveller's letter of credit. A bank issuing travellers cheques usually have banking arrangement with many of the foreign banks abroad, known as correspondent banks. The purchaser of traveller's cheques can encase the cheques from all the overseas banks with whom the issuing bank has such an arrangement. Thus traveller's cheques are not drawn on specific bank abroad. The cheques are issued in foreign currency and in convenient denominations of ten, twenty, fifty, one hundred dollar, etc. The signature of the buyer/traveller is written on the face of the cheques at the time of their purchase. The cheques also provide blank space for the signature of the traveller to be signed at the time of encashment of each cheque. A traveller has to sign in the blank space at the time of drawing money and in the presence of the paying banker. The paying banker will pay the money only when the signature of the traveller tallies with the signature already available on the cheque. A traveller should never sign the cheque except in the presence of paying banker and only when the traveller desires to en-cash the cheque. Otherwise it may be misused. The cheques are also accepted by hotels, restaurants, shops, airlines companies for respectable persons. Encashment of a traveller cheque abroad is tantamount to a foreign exchange transaction as it involves conversion of domestic currency into a foreign currency. When a traveller cheque is lost or stolen, the buyer of the cheques has to give a notice to the issuing bank so that stop order can be issued against such lost/stolen cheques to the banks where they are permitted to be encased. It is also difficult to the finder of the cheque to draw cash against it since the incasher has to sign the cheque in the presence of the paying banker. Unused travellers cheques can be surrendered to the issuing bank and balance of cash obtained. The issuing bank levies certain commission depending upon the number and value of travellers cheques issued.

(iv) Circular Notes or Circular Letters of Credit:

Under Circular Letters of Credit, the customer/traveller negotiates the drafts with any of the various branches to which they are addressed. Thus the traveller can obtain funds from many of the branches of banks instead only from a particular branch. Circular Letters of Credit are therefore a more useful method for obtaining funds while travelling to many countries. It may be noted that travellers letter of credit are usually paid for in advance. In other words, the traveller first makes payments to the issuing bank before obtaining the Circular Notes.

(v) Issue "Travellers Cheques":

Banks issue travellers cheques to help carry money safely while travelling within India or abroad. Thus, the customers can travel without fear, theft or loss of money.

(vi) Letters of Credit:

Letter of Credit is a payment document provided by the buyer's banker in favour of seller. This document guarantees payment to the seller upon production of document mentioned in the Letter of Credit evidencing dispatch of goods to the buyer. The Letter of Credit is an assurance of payment upon fulfilling conditions mentioned in the Letter of Credit. The letter of credit is an important method of payment in international trade. There are primarily 4 parties to a letter of credit. The buyer or importer, the bank which issues the letter of credit, known as opening bank, the person in whose favour the letter of credit is issued or opened (The seller or exporter, known as 'Beneficiary of Letter of Credit'), and the credit receiving/advising bank. The Letter of Credit is generally advised/sent through the seller's bank, known as Negotiating or Advising bank. This is done because the conditions mentioned in the Letter of Credit are, in the first instance; have to be verified by the Negotiating Bank. It is mostly used in international trade.

(vii) Acting as Referees:

The banks act as referees and supply information about the business transactions and financial standing of their customers on enquiries made by third parties. This is done on the acceptance of the customers and help to increase the business activity in general.

(viii) Provides Trade Information:

The commercial banks collect information on business and financial conditions etc., and make it available to their customers to help plan their strategy. Trade information service is very useful for those customers going for cross-border business. It will help traders to know the exact business conditions, payment rules and buyers' financial status in other countries.

(ix) ATM facilities:

The banks today have ATM facilities. Under this system the customers can withdraw their money easily and quickly and 24 hours a day. This is also known as 'Any Time Money'. Customers under this system can withdraw funds i.e., currency notes with a help of certain magnetic card issued by the bank and similarly deposit cash/cheque for credit to account.

(x) Credit cards:

Banks have introduced credit card system. Credit cards enable a customer to purchase goods and services from certain specified retail and service establishments up to a limit without making immediate payment. In other words, purchases can be made on credit basis on the strength of the credit card. The establishments like Hotels, Shops, Airline Companies, Railways etc., which sell the goods or services on credit forward a monthly or fortnightly statements to the bank. The amount is paid to these establishments by the bank. The bank subsequently collects the dues from the customers by debit to their accounts. Usually, the bank receives certain service charges for every credit card issued. Visa Card, BOB card are some examples of credit cards.

(xi) Gift Cheques:

The commercial banks offer Gift cheque facilities to the general public. These cheques received a wider acceptance in India. Under this system by paying equivalent amount one can buy gift cheque for presentation on occasions like Wedding, Birthday

(xii) Accepting Bills:

On behalf of their customers, the banks accept bills drawn by third parties on its customers. This resembles the letter of credit. While banks accept bills, they provide a better security for payment to seller of goods or drawer of bills.

(xiii) Merchant Banking:

The commercial banks provide valuable services through their merchant banking divisions or through their subsidiaries to the traders. This is the function of underwriting of securities. They underwrite a portion of the Public issue of shares, Debentures and Bonds of Joint Stock Companies. Such underwriting ensures the expected minimum subscription and also convey to the investing public about the quality of the company issuing the securities. Currently, this type of services can be provided only by separate subsidiaries, known as Merchant Bankers as per SEBI regulations.

(xiv) Advice on Financial Matters:

The commercial banks also give advice to their customers on financial matters particularly on investment decisions such as expansion, diversification, new ventures, rising of funds etc

(xv) Factoring Service:

Today the commercial banks provide factoring service to their customers. It is very much helpful in the development of trade and industry as immediate cash flow and administration of debtors' accounts are taken care of by factors. This service is again provided only by a separate subsidiary as per RBI regulations.

Advantages of Private sector banks:

The importance of private sector in Indian economy over the last 15 years has been tremendous. The opening up of Indian economy has led to free inflow of foreign direct investment (FDI) along with modern cutting edge technology, which increased the importance of private sector in Indian economy considerably. Previously, the Indian market were ruled by the government enterprises but the scene in Indian market changed as soon as the markets were opened for investments. This saw the rise of the Indian private sector companies, which prioritized customer's need and speedy service. This further fueled competition amongst same industry players and even in government organizations. The post 1990 era witnessed total investment in favour of Indian private sector. The investment quantum grew from 56% in the first half of 1990 to 71 % in the second half of 1990. This trend of investment continued for over a considerable period of time. These investments were especially made in sector like financial services, transport and social services. The late 1990s and the period thereafter witnessed investments in sector like manufacturing, infrastructure, agriculture products and most importantly in Information technology and telecommunication. The present trend shows a marked increase in investment in areas covering pharmaceutical, biotechnology, semiconductor, contract research and product research and development. The importance of private sector in Indian economy has been very commendable in generating employment and thus eliminating poverty. Further, it also effected the following –

Increased quality of life

Increased access to essential items

Increased production opportunities

Lowered prices of essential item

Increased value of human capital

Improved social life of the middle class Indian

Decreased the percentage of people living below the poverty line in India

Changed the age old perception of poor agriculture based country to a rising

Manufacturing based country Effected increased research and development activity and spending

- Effected better higher education facilities especially in technical fields Ensured fair competition amongst market players
- Dissolved the concept of monopoly and thus neutralized market manipulation
- Practices.

<u>Modern trends in Private sector banks</u>:

When the new generation private sector banks started operations in 1993, they had to compete against established players, some of whom had been in business for over a century. The market was dominated by the state-owned banks, which had strong branding as well as a widespread branch network.

(a) Business trends driving IT adoption

The Indian banking sector is expected to witness strong growth in the coming years, primarily driven by the huge pool of potential customers, favorable demographics, increasing household incomes, and an increasing focus on semi– urban and rural areas. Some of the key trends that will shape the future of Indian banking are:

(ii) Focus on retail banking:

Rapid accumulation of wealth in households and emergence of the ―next billion‖ consumer segment would drive growth in retail banking, both for high net worth individuals, as well as, for the emerging middle class.

(iii) Increasing banking footprint:

Banks will have to expand their networks extensively by setting up branches and ATMs. The industry will follow the model of low–cost branch network, involving smaller sized branches.

(iv) Lower margins:

The sector would face downward pressure on margins in retail as well as corporate banking. Banks will invest in innovative technologies to improve efficiency and lower costs.

(v)Financial inclusion:

Financial inclusion, which requires banks to come up with innovative solutions to cater to low ticket–size customers, is a central item on the Government‘s agenda. The Ministry of Finance has mandated public sector banks to focus on financial inclusion. At the same time, private banks have also started focusing on this. The current business models are not economically viable, and new models such as the business correspondent approach will have to be radically different in terms of distribution, technology, HR practices, and risk management.

(vi) Key areas of opportunity:

IT will play a critical role in the growth of the banking sector. The larger banks have successfully implemented the basic IT infrastructure required to run their operations, and the next tier is also moving toward greater IT adoption through increased outsourcing of its IT functions. Larger investments would be needed to upgrade existing systems and develop new ones to meet the growing and ever– changing business requirements. Customer relationship management: Banks would invest in developing IT solutions to adapt to the increasing needs of their customers, and to manage client relationships effectively. Some of the steps banks are expected to take include: Develop superior capabilities in data analytics to develop customer insights, improve customer services, and identify potential cross–selling opportunities–

Identify innovative means of targeting customers, such as social media and digitization–Target growth in automated, standardized products to reduce lead time, and allow effective selling of low–risk products

(vii) Back–end management:

Banks are expected to spend on upgrading their IT systems to make their internal processes efficient and cost–effective. Future IT spends will include:–Use of cloud computing to improve efficiency, reduce costs, and scale up operations without incurring additional expenses on hardware, software, and manpower– Implementation of tools for better HR management, especially in PSU banks– Migration to paperless transactions & processing, such as cheque truncation system–Increased investments in areas such as automated data flow, data storage as per KYC norms and document management, to ensure compliance with regulations

(viii) Data warehousing:

To manage the growing volume of business transactions, banks would increasingly spend on data warehousing that can enable efficient decision making by providing a repository of historical data through systematic design. This would require a vast suite of applications, giving rise to multiple opportunities for IT providers.

(ix) E–payments and mobile banking:

For the next generation of tech–survey customers, mobile is emerging as the preferred medium of conducting banking transactions. Private Banks are developing capabilities to provide mobile banking services to their customers. Nationalized banks, too, are starting to adopt this technology. Going forward, banks will invest in development of systems and applications that will cater to the demand for such services from the new breed of technology–friendly customers, helping banks to build lasting client relationships.

(x) Payment systems:

An increasing portfolio of products across delivery channels, and coupled with newer methods of making payments, would require banks to invest in development of new payment systems to ensure protection of customer funds and internal security.

(xi) ATM outsourcing:

Another major opportunity for IT providers lies in the ATM space. The rollout of ATM s is on the rise to cater to the population in tier 2 and tier 3 cities. There is an increasing trend towards outsourcing of ATM management, with many banks embracing total outsourcing models, which encompasses management of installation, ATM services as well as assets.

(xii)Regulations:

One of the important drivers of IT spending by banks will be the guidelines put forth by the RBI that pertain to the use of IT. Automated data flow, the subject of the central bank's approach paper release in November 2012,

Literature overview

Diversification has been one of the most frequently researched areas in strategic management literature and to some extent in finance. Many studies have been conducted on factors influencing performance of banks. The internal determinants originate from the financial report of the bank concerned and are often termed as micro or bank-specific determinants of profitability. The external determinants are those forces that reflect the economic environment which conditions the operation and performance of financial institutions.

Panda and Lall (1991) had identified certain factors which influence the profitability improvement of banks to the great extent. They argued that branch expansion is one of those factors which can impact on profitability.

Rammohan and Ray (2004) concluded that with regard to the revenue maximizing efficiency, public sector banks are significantly better than private banks but they found no significant difference between public and foreign banks on this parameter.

Kumar (2006) observed that the bank nationalization in India marked a paradigm shift in the focus of banking as it was intended to shift the focus from class banking to mass banking and efforts are also being made internationally to study causes of financial inclusion and designing strategies to ensure financial inclusion of the poor disadvantaged. He argued that the banks also need to redesign their

Business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibilities and financial inclusion can emerge as commercial profitable business.

Venkatesan (2007) viewed that the net interest margin has come down over the last one decade with increased competition in the banking industry. He viewed that banks will look for fee based income to fill the gap in interest income.

Bennaceur and Goaied (2008) examined factors affecting profitability for the period 1980-2000 and suggested that capital and overhead expenses are positively related to profitability level.

Kosmidou (2008) findings suggest that the more profitable banks have higher level of capital and lower cost to income ratio.

Manoj (2010) argued that enhanced profitability and efficiency has become vital for survival and growth of the banks in the era of globalization and significantly affected by asset quality, capital adequacy and liquidity of the banks.

Ghosh (2010) examines the interplay between credit growth bank soundness and financial fragility in Indian banks. The soundness of banks is measured by their distance to default. Loan growth is often directly associated with soundness but an extension could weaken bank soundness.

Anjum and Deepika (2012) made a comparative study of the profitability of the Indian Banking Sector and the impact of technological investment on the profitability of the Public and Private Sector Banks. They argued that Indian Banking Industry in technological advancement is still in gestation phase and RBI has to take various steps so that the Public Sector Banks (Nationalized and SBI & its Associates) becomes able to manage their profitability by striking the balance between technological Investments (Expenditures) and Incomes.

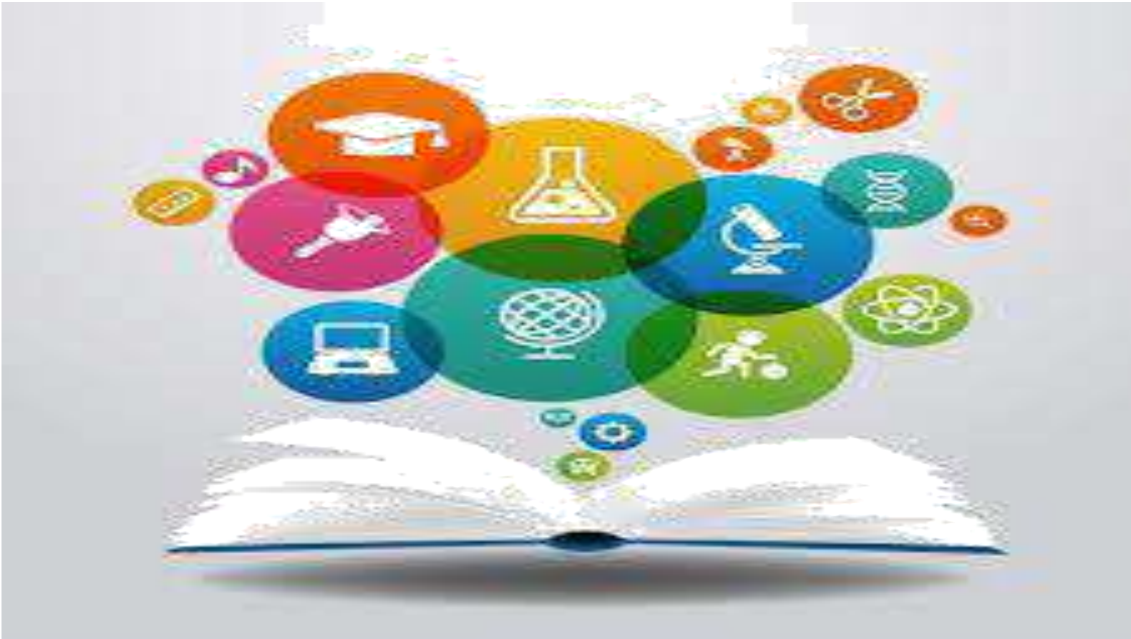
Ayyappan and Sakthivadivel (2012) found that compound growth rate of the private sector banks is comparatively higher than that of the public sector banks. The banks were grouped into two categories: i.e., Public Sector Banks Group (22 banks)

and Private Banks Group (15 banks). Their study predicted that at the current rate of growth the private sector banks can pose a challenge in the market place and may even overtake the public sector banks in the longer period of time. The study does not provide any idea regarding the growth of any individual or frontline public and private sector commercial banks but the growth picture at macro level.

A significant number of studies on performance of banks have already been undertaken. Though profitability and efficiency of the banks have become most fascinating area for study but with the view of growth in economy, the importance of financial performance in banking sector cannot be ignored. The comparative analysis of growth performance among two leading banks i.e. SBI and HDFC bank before and after the world economic crisis of 2008 at bank level is an area which has not yet explored.

The conclusive sum of this retrospective review of relevant literatures produced till date on the offered subject reveals wide room for the validity and originates of this work and reflects some crucial clues that affirm its viability, as may be marked here it. No study has incorporated the growth performance of two leading Banks under study in India. The comparative analysis of growth performance among SBI and frontline new private sector commercial banks as well as growth performance before and after the world economic crisis of 2008 at bank level is an area which has not yet explored. The present study will try to analyze and compare the growth of the largest public sector SBI and the new private sector bank HDFC.

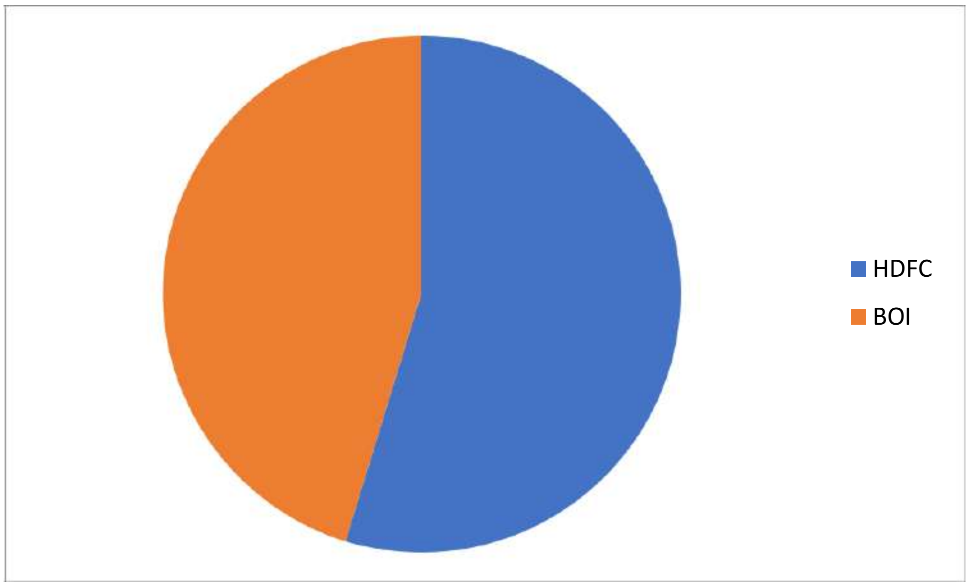
The Banking industry occupies a unique place in a nation’s economy. A well developed banking system is a necessary precondition for economic development in a modern economy. Keeping in view, the importance of banks in nation’s development, the general objective of the study is to evaluate the overall growth performance of two leading banks in India – SBI and HDFC in private and public sector over a period of 10 years (2005-06 to 2014-15). More specifically, the intention of the study is to



Data analysis & classification

Name of the bank

HDFC	23
BOI	19

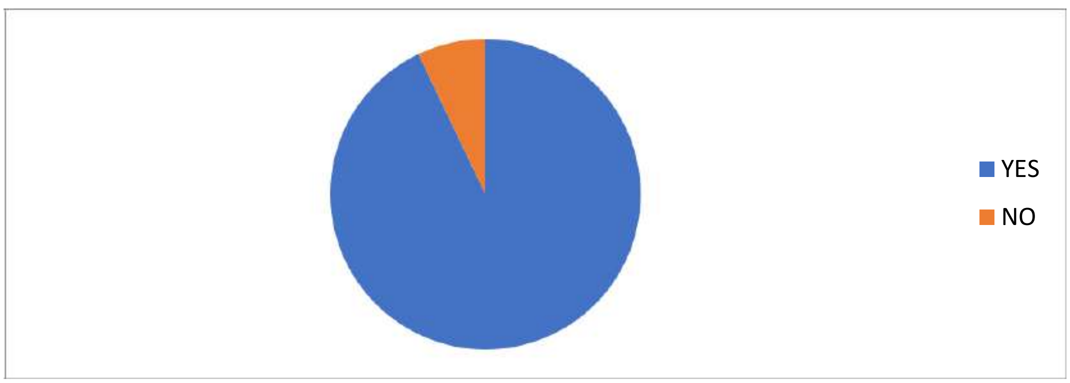


data interpretation

after the analysis we find there are most of the people are using HDFC bank (23) and less of people using BOI(19)

DO YOU THINK THAT YOURE BANK CATERS ALL YOURE BANKING NEEDS

YES	No
39	3



Data interpretation

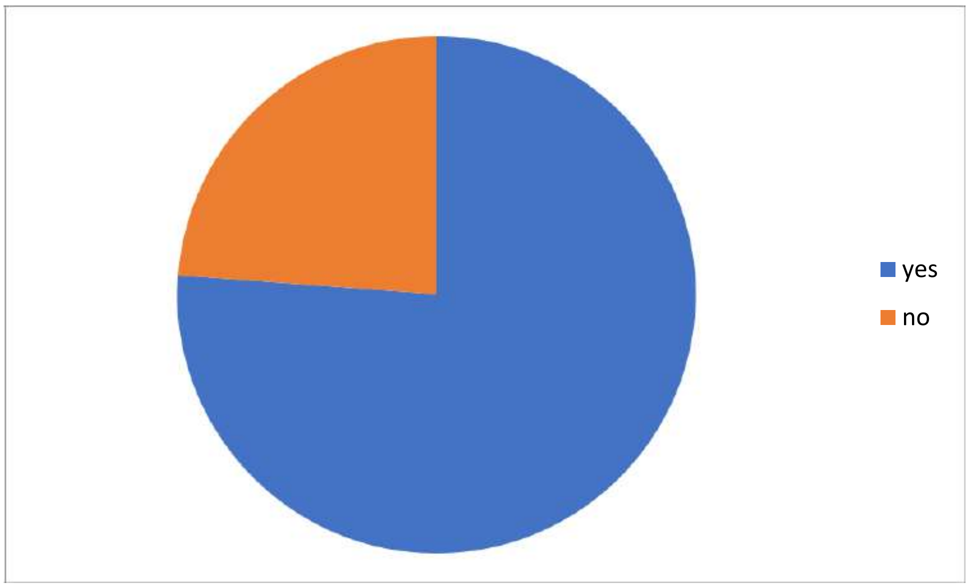
After the analysis we find the bank fulfilled all the banking needs which the customer needs around 95% banking fulfilled the needs and 5% not fulfilled

Do they charge unnecessarily for maintaining minimum balance in your account?

Yes76.2%

No 23.8%

Yes	No
76.2%	23.8%

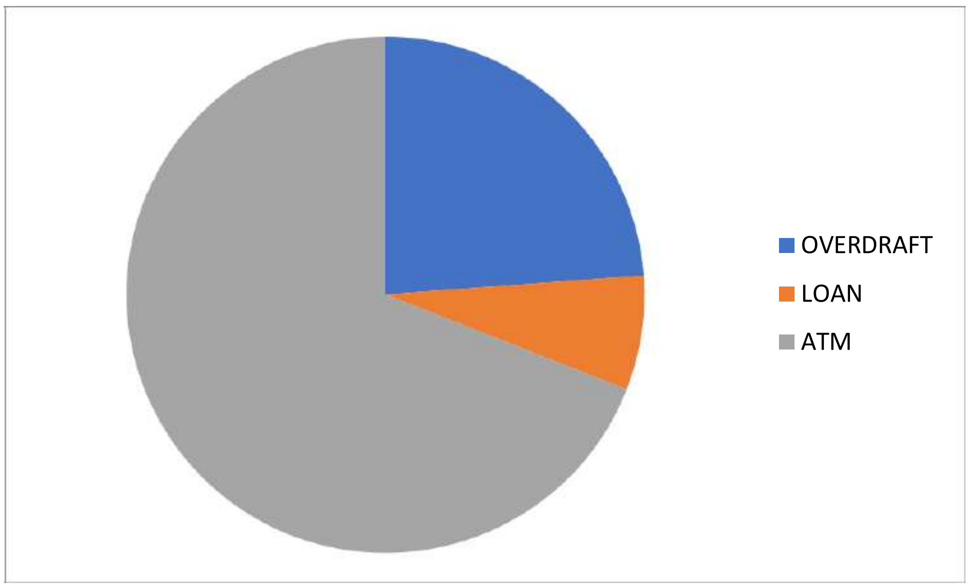


Data interpretation

Around 75% private and public bank charge minimum maintaining minimum balance in your account

WHICH OF THE FOLLOWING FACILITIES IS GIVEN MORE IMPORTANT IN YOURE BANK

Overdraft facilities	Loan facilities	Atm facilities
10	3	29



Data interpretation

After the analysis we find most of the bank provides ATM facilities and then overdraft facilities and then loan facilities also

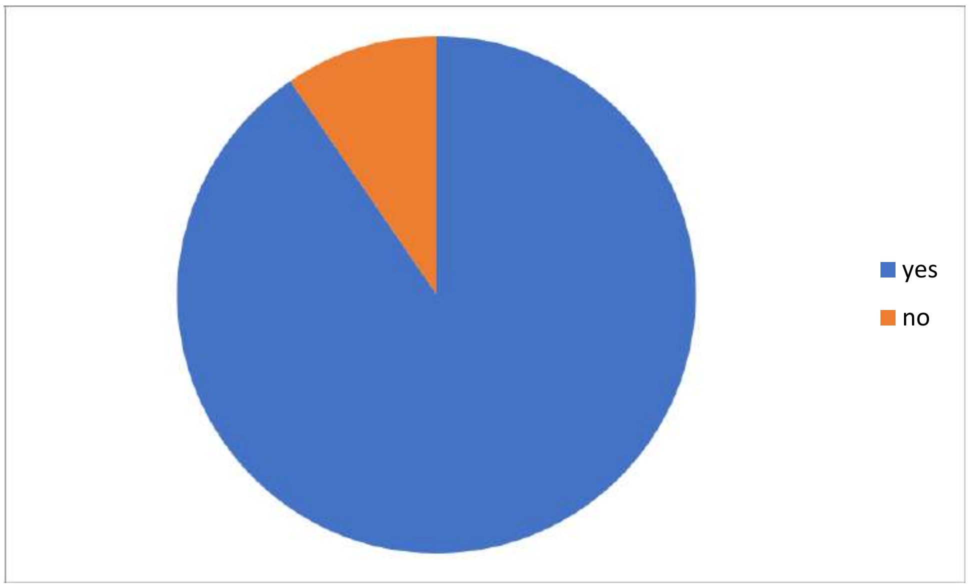
ATM FACILITIES: 70%

OVERDRAFT FACILITIES: 23%

LAN FACILITIES: 7%

DOES YOURE BANK HAVE CORE BANKING FACILITY FOR THE CUSTOMERS

Yes	no
38	4



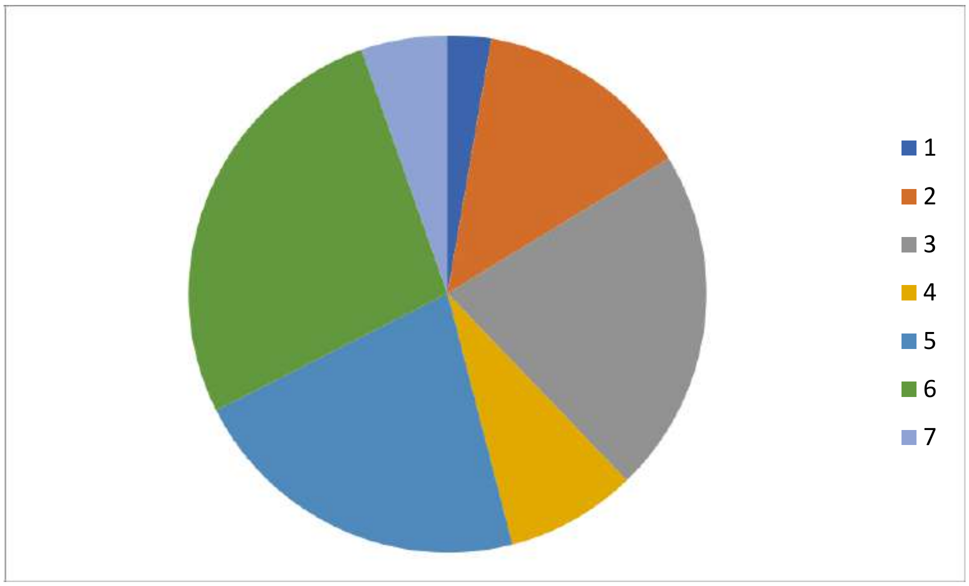
Data interpretation :

After the analysis we find the most of the public bank and private banks facilities core facilities in your banks

Around 90% core facilities and 10% noncore facilities

FOR THE PAST YEAR HOW MANY YEARS ARE YOU USING THE BANKS SERVICES

1	**3**	**3.5**	**4**	**6**	**7**	**5**	**4**	**8**	**9**
4	**6**	**8**	**4**	**4**	**8**	**5**	**4**	**3**	**2**
2	**2**	**5**	**3**	**8**	**5**	**3**	**7**	**9**	**8**
10	**4**	**5**	**6**	**7**	**3**	**2**	**8**	**5**	**4**
2	**4**								



Data interpretation

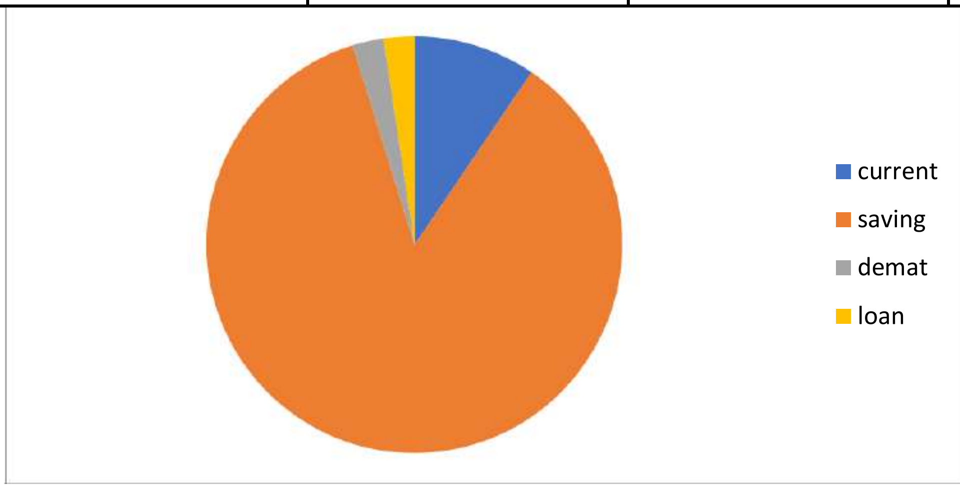
After the analysis we find most of the bank account holders using service of bank till(1) year ,(2) year (3)year,(4) year ,(5) years ,(6) year ,(7) year,

1 year account holder use 3%, 2 year account holder use 12%,3 year account holder use 25%,4 year account holder using 5%,5 year account holder using 25%

6year account holding using 25% 7 year account holder using 5%

WHAT KIND OF ACCOUNT DO YOU MAINTAIN IN THIS BANK

Current a/c	Saving a/c	Demat a/c	Loan a/c
4	36	1	1



Data interpretation

After the analysis we find in this diagram most of the people have open current a/c ,saving a/c,demat a/c,loan a/c

Current a/c is =10%

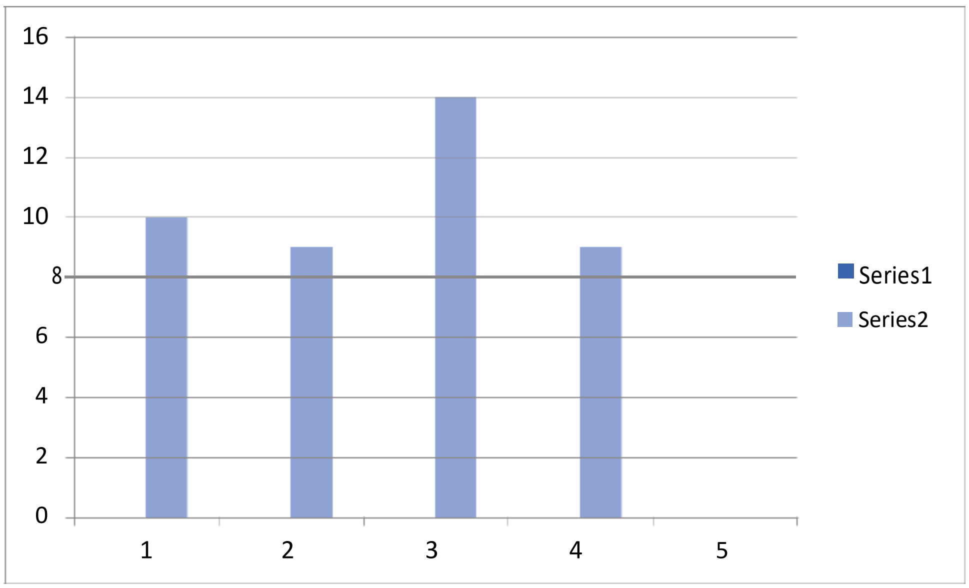
Saving a/c = 86%

Demat a/c =2%

Loan a/c =2%

WHEN YOU THINK OF YOURE BANK ,WHAT COMES FIRST IN YOURE MIND

Personalized banking	Wide branch network	Customer services	Computerized banking
10	9	14	9



Data interpretation:

In this diagram the personalized banking services =10

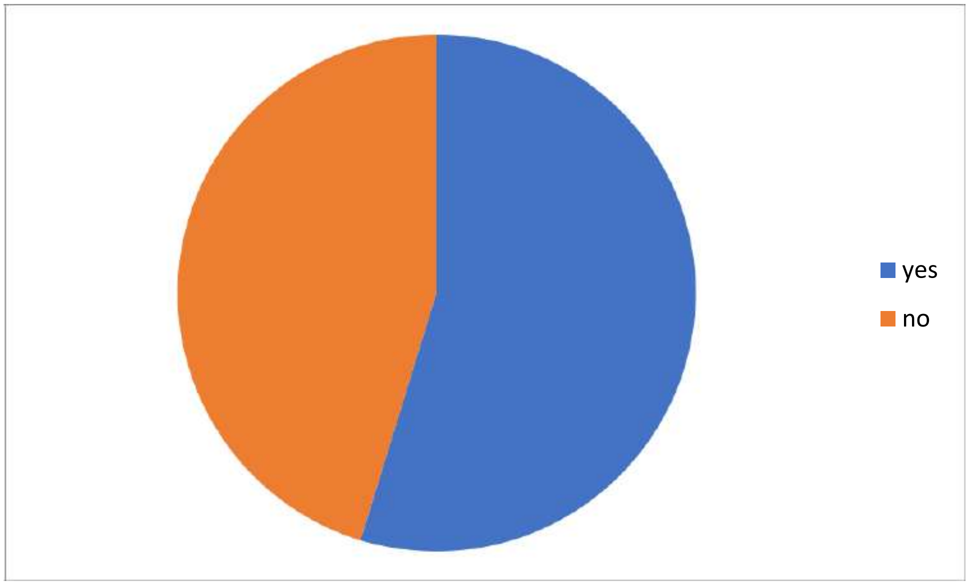
Wide branch network =9

Customer services =14

Computerized banking =9

DO YOU USE THE SERVICE OF ALTERNATIVE BANK

Yes	No
23	19



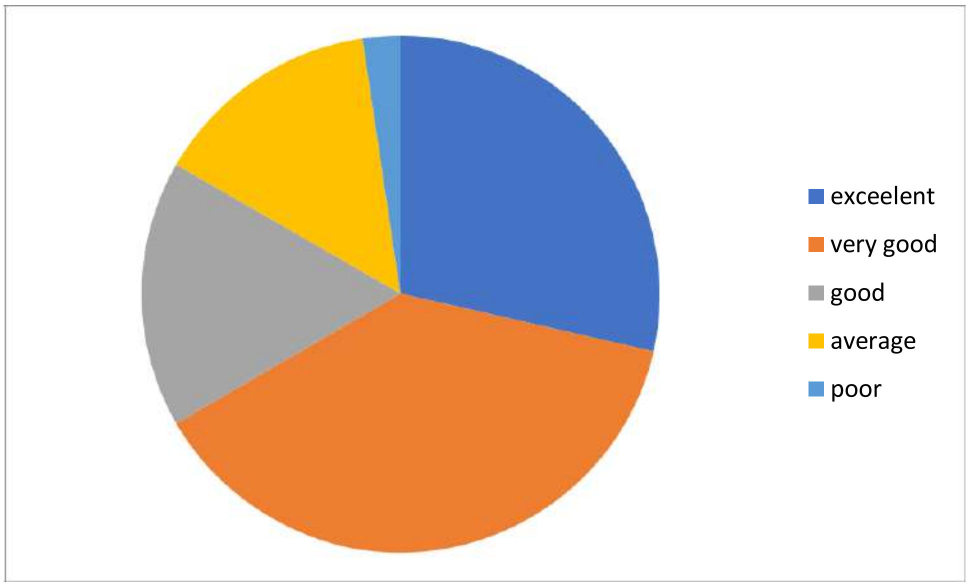
Data interpretation

In this diagram most of the people using service of alternative bank the percentage will be 55%

Non using service of alternative bank =45%

WHAT DO YOU FEEL ABOUT YOURE SERVICE QUALITY OF YOURE BANK

Excellent	Very good	Good	Average	Poor
12	16	7	6	1



Data interpretation

In this diagram the most of the people are satisfy and non satisfy

Excellent people =27%

Very good =39%

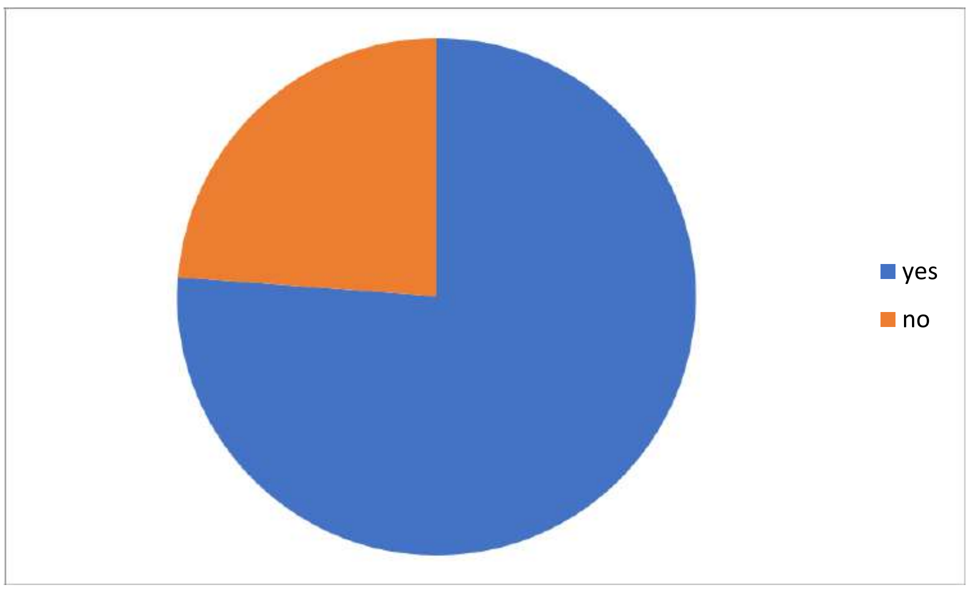
Good=17%

Average=15%

Poor=2%

WOULD YOU RECOMMEND THIS BANK TO YOURE FRIEND, RELATIVES, ASSOCIATION

Yes	No
32	10



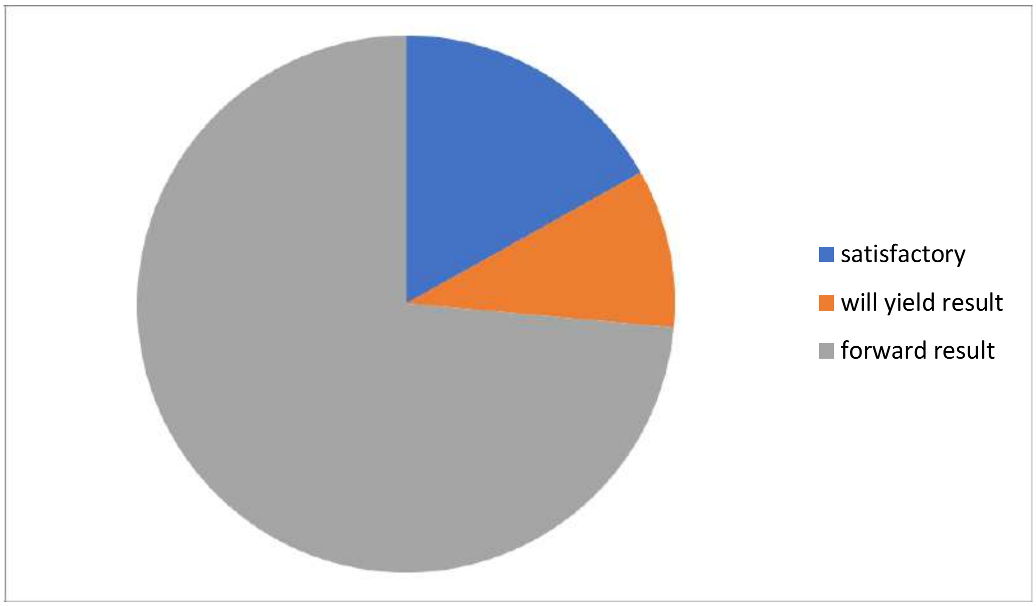
Data interpretation

In this diagram the people are satisfy tell this bank to your friend, realtives, association

Yes: 76% no: 34%

YOURE OVER ALL OPINION about this survey

Satisfactory	Will yield result	Forward result
16.7%	9.5%	73%



Data interpretation

In this diagram most of the people are

Satisfy =16.7%

Will yield result =9.5%

Forward result =73%

Finding

6) after the analysis we find out most of the people have private bank account and less of have public bank account (HDFC bank -23,BOI -19)
7) all the banking sector facilities banking needs to the customer (yes-39 no-3)
8) Most of the bank facilitated maintaining minimum balance in your account (yes-76.2% no-23.8%)
9) provide different facilitated in your banks (O/D-10,LOAN-3,ATM facialities-29)
10) provide core banking facility (yes-38 no-4)
11) The bank provides different account like –current a/c-4, saving a/c -36; demat a/c-1, loan a/c -1.
12) also bank have different image in the minds of consumer like : some have personalized banking some have good customer services and some have computerized banking also they have wide rench of network and
13) there are bank who maintaining there service quality
14) a ending my topic we find most of the people are satisfy,will yield result and forward result

conclusion :

The financial performance of selected public sector and private sector banks analysis using different parameters. The selected public sector banks that are Bank of india . And Private sector banks HDFC bank. During the study, it is found that earning capacity of BOI is better than HDFC. In private sector banks, earning capacity of HDFC bank is better than BANK OF INDIA. Return on assets ratio of BOI and HDFC bank is higher respectively in public sector bank and private sector bank. indicated that it has utilized well their core funds by lending and investing funds in comparisons to other PSB but on contrary HDFC bank ratio indicates that it has utilized their core funds efficiently and more than BOI. But ratio of HDFC bank (97.266) also indicates that bank does not have enough fund in hand for contingencies. It was found that private sector banks were better utilized the available resources such as assets, deposits, advances, and investments. It was also observed in the study that public sector banks have not been utilized their resources optimally. Hence it is necessary for public sector banks to pay more attention on improve their productivity/efficiency of employee by training, incentive and proper management.

SUGGESTIONS

B a s e d o n t h e study conducted, there is some of the suggestion given by the customers of how the modern banking should be. These are the comment given by them about the improvement of the banking sector in India.

Bank should obey the RBI norms and provide facilities per there norms which are not being followed by the banks. While the customer must be given prompt services and the bank officers should not have any fear on mind to provide the facilities as per RBI norms to the units going sick.

Banks should increase the rate of saving account

Bank should provide loan at the lower interest rate and education on loans should be given with ease without much documentation. All the banks must provide loans against shares.

(3) Fair dealing with the customers. More contribution from the employee for the bank .The staff should be co-operative, friendly and must be capable of understanding the problems of customers

(4) Internet banking facility must be made available in all the banks.

(5) prompt deadline with permanent customers and speedy trransactionwithout harassing the customers

(6) Each section of every bank should be computerized even in rural areas also.

(7) Real time gross settlement can play a very important role.

(8) More ATM coverage should be provided for the convenience customers.

(9) No limit on cash withdrawals on ATM cards.

(10) The bank should bring out new schemes at time-to-time so that more people can be attracted. Even some gifts and prizes may be offered to the customers for their retention.

(11) 24 hours banking should be induced soas to facilitate the customers who may not have a free time in the daytime. It will help in facing the competition more effectively.

(12) The charges for saving account opening are high, so they should also be reduced.

(13) Customers generally complain that full knowledge is not granted to them. Thus the bank should properly disclose the features of the product and services to the customers. Moreover door to door services can also be introduced by bank.

(14) The need of the customers should properly be understood so that customer feels satisfied. The relationship value should be maintained.

(15) The branch should promote cooperation and co ordination among employees which help them in efficient working.

(16) Maintenance of proper hierarchy should be done. A good hierarchy set up can ensure better results within the bank.

Recommendation

Bank of India recommended measures to improve public sector banks' corporate governance, including significantly increasing the autonomy of these banks' boards. These measures, if implemented, would be credit positive for public-sector banks because they would address a key credit weakness.

Poor corporate governance, characterized by poor board supervision and excessive government interference, is a structural credit weakness of Indian public-sector banks. Government interference has meant that policy objectives, rather than commercial factors, have dictated some business decisions at public-sector banks. Moreover, the quality of the top management at these banks has been hampered by a non-transparent appointment process, relatively short tenures and a lack of accountability. The effects of this weak governance have become apparent as India's economy has weakened, with public-sector banks' performance lagging that of private-sector banks in terms of asset quality and profitability.

Bibliography

(3) A.V. Aruna Kumari (2002), "Economic Reforms and Performance of Indian Banking: A Cross Structural Analysis", Indian Economic Panorama, A Quarterly Journal of Agriculture, Industry, Trade and Commerce, Special Banking Issue, pp.19-21.

(4) A.K. Trivedi (2002), "Economic Reforms and Banking Scenario: An Analysis", Indian Economic Panorama, A Quarterly Journal of Agriculture, Industry, Trade and Commerce, Special Banking Issue, pp.6-8

(5) Chandrasekhar, C.P. 2009. How sound is Indian banking. The Economic & Political Weekly. May, pp. 8

(6) Dr. Vibha Jain: Non-Performing Assets in commercial Banks: Regal Publication, New Delhi,1st Edition 2007p p78-79

(7) Hallinan, Joseph T. (2003), "Bigger Banks. Better Deals?", Wall Street Journal - Eastern Edition, Vol. 242, Issue 84, pp.D1-D3

Webliography

www.shobhagaya.net

www.researchgate.net

www.scribbed.com

www.HDFCbank.com

www.BOI.com

QUESTIONNAIRE

NAME :
NAME OF YOURE BANK :
DO YOU THINK THAT YOURE BANKS CATERES ALL YOURE BANKING NEEDS?
(A)YES
(B) NO

(4) FOR THE PAST YEAR HOW MANY YEARS ARE YOU USING THE

THA BANK ACCOUNT?

5.what kind of account do you maintain in this bank ?

5. current

(b)saving

(c)demat

(e)loan

7. which of the following facilities is given more important in youre bank ?

(a)loan facilities

(b)overdraft facilities

(e)ATM facilities

7.does youre bank have core banking facilities for the

customers? (a)yes

(b)no

8.when you think of youre bank, what comes first in youre mind

? (a)personalized services

(b)wide branch network

(c)customer service

(d)computerized banking

9.do they charge unnecessarily for the maintaining minimum balance in your account?

(a)yes

(b)no

10.do you think youre bank offers competitive interest

rate? (a)yes

(b)no

11.do you use the service of alternative bank?

(a)yes

(b)no

12.would you recommended this bank to youre friends, relatives,associates?

(a)yes

(b)no

13.youre overall opinion about this survey?

(a)satisfactory

(b)wil yield result

(c)looking forward for result

A PROJECT REPORT ON

"A STUDY ON MERGERS & ACQUISITIONS AUTOMOBILE SECTOR "

SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

UMESH GIRJESH GUPTA

SEAT NUMBER : 1162780

UNDER THE GUIDANCE OF

ASST. PROF.ROSHELLE SALINE

BGPS'MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

ACADEMIC YEAR:2019 – 2020

A PROJECT REPORT ON

"A STUDY ON MERGERS & ACQUISITION AUTOMOTIVE SECTOR "

SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

UMESH GIRJESH GUPTA

SEAT NUMBER : 1162780

UNDER THE GUIDANCE OF

ASST. PROF.ROSHELLE SALINE

BGPS'MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

ACADEMIC YEAR:2019 – 2020

DECLARATION

I the undersigned **MR.UMESH GIRJESH GUPTA** the student of T.Y.B.M.S. Semester hereby declare that the work embodied in this project work **"A STUDY ON MERGERS & ACQUISITIONS AUTOMOBILE SECTOR",** forms my own contribution to the research work carried out under the guidance of **ASST.PROF.ROSHELLE SALINE.**

Is a result of my own research work and has not been previously submitted to any other university for any other degree/ diploma to this or any other university.

Wherever references has been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Umesh.

Place: Mumbai   UMESH GIRJESH GUPTA

Date of Submission :

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI: - 400037

<u>CERTIFICATE</u>

This is to certify that **MR**. **UMESH GIRJESH GUPTA** has worked and duly completed his project work for the degree of bachelor of management studies under the faculty of commerce in the subject of and his project is entitled, **"A STUDY ON MERGERS & ACQUISITIONS AUTOMOBILE SECTOR",** under the guidance of **ASST. PROF. ROSHELLE SALINE.**

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any degree and diploma of any university .

It is his own work and facts represented by his personal findings and investigations.

Place: Mumbai Dated: Submission Date

Mrs. Draksha Khan Mam ASST. PROF. ROSHELLE SALINE

BMS Course Coordinator Internal Project Guide

Principal External Examiner

Signature & Date

ACKNOWLEDGMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project. I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal, Dr. Subhash Vadgule** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Course Co-ordinator Prof. Draksha khan**, for their moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Asst. Prof.ROSHELLE SALINE** whose guidance and care made the project successful. I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my **Parents and Peers** who supported me throughout my project.

UMESH GIRJESH GUPTA

EXECUTIVE SUMMARY

The early days of the auto industry were similar to the Internet early years. Both had thousands of start-ups that didn't last more than a few years. And many start-ups that did last weren't car companies to begin with. From 1900 to 1925 over 3,300organizations were formed to produce automobiles in the United States. In 1910 alone400 new start-ups entered the industry. Most attempts lasted less than two years. While car sales exploded (from 1910 to 2010 US sales rose from 200,000 to 11.5 million cars) the strongest entrepreneurs bought out rivals and combined forces. For the auto industry, the 1920s and 30s were key decades. During this time the merging and folding of firms accelerated while car sales greatly increased.

Mergers and acquisitions in the global automotive supplier sector are occurring at an unprecedented level in 2015, according to the Strategy& seventh annual "Consolidation in the Global Automotive Supply Industry" report. Based on data from the first six months of 2015, Strategy& anticipates that deal value will top US$48 billion for the full year, a 340 percent increase over 2014. What is particularly striking about the current trend is the rise in deal value. The figures indicate a slight decrease in the overall number of deals for the year, but a vast increase in the number of megadeals.

The gains in deal value are themselves the payoff from a host of positive factors in the supplier sector: several years of healthy profitability; technological advancements in the areas of fuel efficiency, lightweight materials, connected cars, and autonomous driving; and increased private equity interest.

The study's findings also proved that it pays for automotive suppliers to be acquisitive: Strategy& analyzed the top consolidators over five years, from 2009 to 2013, and found that more than 70 percent of top consolidators outperformed their peer group in EBITDA growth. Moreover, five of the 10 top consolidators grew EBITDA margins by more than 50 percent.

Based on this analysis, we believe that the M&A boom in the supplier industry still has room to grow, and there are plenty of opportunities for significant returns on investments.

Contents of Specialization Project

1. INTRODUCTION & RESEARCH METHODOLOGY

1.1 GENRAL INTRODUCTION

The global automotive industry is in a rapid state of change. An evolution of products and processes, people and places, software and services. The industry is likely to experience more change in the next decade than it has in the previous 50 years. Digitalization and innovation will drive this change. So too will relationships, whether they be with consumers or strategic partners. Success in this new age of automotive will rely heavily on the ability to adapt and adjust, quickly. To access the products, services and skillsets of tomorrow's automotive industry today.

While organic growth remains important, automotive companies continue to utilize M&A as a strategic tool to access the critical talent, intellectual property and innovation necessary to prosper in the reshaping automotive landscape. Smaller, smarter deals are likely to drive transaction activities.

Traditional deal challenges remain, but many others have emerged in this new environment. As sector convergence increases, the integration of assets outside a company's traditional core is far less straightforward, requiring customer centric solutions. Additionally, the rise of nationalist politics adds a new layer of complexity to cross-border investment strategies and deal assessments. Despite the challenges, automotive companies fully understand that improving their competitive edge requires a sharp focus on acquiring innovative assets that best position them for success in the new automotive ecosystem.

The 1950s and 1960s were considered the golden era of the automobile, led by Ford, General Motors and Chrysler. Progress in industrialization led to the growth and production of the Japanese and German automotive markets until by the early 1980s Japan had become the world leader in US markets. In the 1990s, the world automobile industry experienced an unprecedented scale of change in the context of economic globalization. Late in the decade, the automobile industry witnessed problems of overcapacity that necessitated M&A and strategic alliances.

As we stand here in early 2019, we are further away from the all-time high in valuations and deal activity that we witnessed in 2015; but despite signs that the extended expansion cycle for the industry may be plateauing, automotive appears poised to remain a leading sector for M&A activity through 2017. Prognostics for macroeconomic factors are mixed. We have now seen two interest rate hikes by the Federal Reserve, which all else being equal reduces the amount of debt financing for potential buyers in a particular deal. However, so long as the generally positive outlook for global economic growth is realized (driven in part by a strengthening U.S. economy and renewed optimism), we hope to see that any downturn in deal activity for 2017 to be modest at worst. Opportunities in hot sectors such as connected and autonomous driving electric vehicle and lightweight material technologies, and generally throughout the component supplier market, should continue to entice buyers to remain active in the market so as not to be left standing on the fences. However, the days of a continuing upward trajectory of deal multiples across the entire industry appear to be over, at least for the near term.

1.2 FORMATION OF PROBLEM

There has been a surge in the mergers and acquisitions (M&A) activity in the motor vehicle industry since 1995 due to many factors such as technological factors, cost considerations, excess capacity, political and regulatory factors. This research examines the recent trends and drivers of mergers and acquisitions (M&A) in the automobile industry.

Additionally, the research also explores the relative impact of such a consolidation on the motor vehicle industry as a whole and the future of the industry post such consolidation activities.

1.3 OBJECTIVES OF STUDY

- To study the importance of mergers and acquisitions in automobile industry.
- To study the growth and trend of automotive industry
- To focus on what challenges today’s automotive industries, face while doing mergers and acquisitions, driving forces, the advantages and disadvantages of mergers and acquisitions and explores relevant cases.

- To know what companies should do in this global environment.

1.4 SCOPE OF STUDY:

The global automotive industry including suppliers is an oligopoly with a handful of players dominating the market. Though the number of players is limited and access is restricted to a select few, the industry acts as a linchpin to modern economics and commerce. It is important to note that the spectrum of the game has been changed by the Global Financial Crises. Much has been said about the mergers and acquisitions industry and its impact globally, however comparatively the field of research on mergers and acquisitions in automotive sector has been quite limited.

1.5 METHODOLOGY:

Secondary data is helpful in designing subsequent primary research and, as well, can provide a baseline with which to compare your primary data collection results.
Therefore, it is always wise to begin any research activity with a review of the secondary data.
The data has been collected from the secondary source which is as follows:

- Websites
- Books
- Research Papers
- Journals

2. LITERATURE REVIEW

1. Niranjan Tomar briefs the chronological growth of Indian automobile industry in the following way, "With the invention of the wheel in 4000 BC, man's journey on the road of mechanized transport had begun. Since then he continually sought to devise an automated, labor saving machine to replace the horse Innumerable attempts reached conclusion in the early 1760s with the building of the first steam driven tractor by a French Captain, Nicolas Jacob Cugnot. The cars in this period were more like the cars on our roads today, with cars came the era of speed.

2. Having described the brief history of automobile industry of India Hans-Michael Huber, MD, Daimler Chrysler, India says, "Until the early 1990s, the automotive sector in India was highly protected. This was in the form of steep import tariffs and measures that restricted the participation of foreign companies. Hindustan Motors Ltd. (HML) and Premier Automobile Ltd. (PAL) that were set up in 1940's dominated the vehicle market and industry.

3. Kerin, Roger A. & Peterson, R.A.5 utter about the prospective of automobile sector of the country after entry of foreign players in this sector, "Until the mid-1990s, automobile industry in India consisted of just a handful of local companies with small capacities and obsolete technologies. Nevertheless, after the sector was thrown open to foreign direct investment in 1996, some of the global majors moved in and, by 2002, Hyundai, Honda, Toyota, General Motors, Ford and Mitsubishi set up their manufacturing bases.

4. By studying hospital mergers in USA, Calvert and Maki (2014) opined that consolidation via mergers generated improvements for both patients and communities. Post-merger, value is created through cost efficiency, better access and improved quality.

5. Das and Kapil (2015) conducted an empirical research studying 372 Indian technology firms during 2001-2011 and analyzed the influence of firm-specific factors on M&A decisions of the firms. Gaining access to and control of technology assets, play an important role in influencing acquisition decisions of high-tech firms in emerging economies. Their results showed that financially strong, low-debt firms with high market capitalization were the typical acquirers in this segment and they tend to be serial acquirer too.

6. Lubatkin (1983) analyzed the findings of various studies that have investigated either directly or indirectly the question, "Do mergers provide real benefits to the acquiring firms?", which resulted in the suggestion that acquiring firms might benefit from merging because of technical, monetary and diversification synergies.

7. Weston and Mansinghka (1971) carried out an analysis on "Tests of the Efficiency Performance of Conglomerate Firms" and studied the pre-and post-merger performance of conglomerate firms, and found that their earning rates significantly underperformed in those control sample group, but after 10 years, there were no significant differences observed in performance between the two groups. The development in earnings performance of the conglomerate firms was explained as evidence for successful achievement of defensive diversification.

8. Beena, S (2006) -This paper tries to address the extent, nature and impact of the recent surge in consolidation strategies especially in the form of mergers and acquisitions followed by the firms in the Indian automobile industry. The study reaches the conclusion that the consolidation strategies followed by the firms enabled them to cut down the wasteful expenses to a greater extent and which resulted in better performance of the merging firms compared to the non-merging firms in this industry.

3. BACKGROUND OF MERGER & ACQUISITIONS IN INDIA

3.1 HISTORY

Mergers and Acquisitions imply alliance of two or more company's future. Where a merger leads to formation of a new company, acquisition leads to purchase of a company by other and no new company is formed.

India in recent past has seen great potential in case of Merger and Acquisition (M&A) deals. It is being played vigorously in many industrial sectors of the economy. Many Indian companies have been growing the inorganic way to gain access to new markets and many foreign companies are targeting Indian companies for their growth and expansion. It has been spreading far and wide through various verticals on all business platforms.

The volume of M&A deals has been trending upwards particularly in the fields of pharmaceuticals, FMCG, finance, telecom, automotive and metals. Various factors which lead to this robust growth of mergers and acquisitions in India were liberalization, favorable government policies, economic reforms, need for investment, and dynamic attitude of Indian corporations. Almost all sectors have been opened up for the foreign investors in different degrees which has attracted this market and enabled industries to grow.

3.2 REASONS FOR MERGERS AND ACQUISITIONS

Today's business world is of growing economy and globalization, so most of the companies are struggling to achieve the optimal market share possible on both market level i.e. Domestic and International market. Day by day business person works to achieve a most well-known goal i.e. "being the best by what you perform as well as getting there as quickly as possible". So firms work effortlessly to beat their rivals they assume various ways to try and do thus. Some of their ways might embody competitive within the market of their core competency. Therefore, it insuring that they need the best knowledge and skills to possess a fighting likelihood against their rivals in that business.

In 21st century businesses are the game of growth. Every business wants the optimum market share (growth) over their competitors, so companies are trying to get optimum growth by using the most common shortcut i.e. Merger and Acquisition (M&A). The growth main motive is financial stability of a business and also the shareholder’s wealth maximization and main coalition's personal motivations. Mergers and acquisitions (M&A) provides a business with a potentially bigger market share and it opens the business up to a more diversified market. In these days it is the most commonly use methods for the growth of companies. Merger and Acquisition (M&A) basically makes a business bigger, increase its production and gives it more financial strength to become stronger against their competitor on the same market. Mergers and acquisitions have obtained quality throughout the world within the current economic conditions attributable to globalization, advancements of new technology and augmented competitive business world. In the last decade, M&A are the dominant means of organization's globalization. Merger particularly could be a growing development that has become an area of the recent business conditions and it's apparent to possess affected each nation and trade.

3.3 Why Merge?

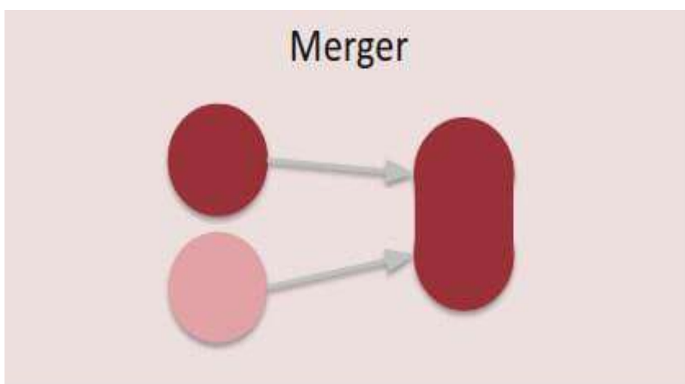
The various reasons for which the Companies choose to merge together could be:

- The combined entity would be larger, and have subsequent larger resources for marketing, product growth, and procuring finance. This could help them better compete and position themselves in the marketplace.

- The joint entity could merge similar operations to achieve reduction in cost. Corporate and administrative functions, such as human resources and marketing, are often targets for combinations. They may also combine the production areas if the companies produce similar products and reduce costs by having fewer plants or facilities in operation.

- The combined entity could have less competition in the marketplace. If the products of the two entities are competing for customers, they might combine their offerings and utilize resources for improving the product, rather than marketing against each other.

- The combined entity might have synergy in operations. Synergy is when combined operations show lower costs or higher profits than would be expected by just adding their financial information together on paper. This could be due to economies of scale, where costs are lower due to higher volume of production, or due to vertical integration, where greater control over the manufacturing process is attained due to owning more steps in the production process.



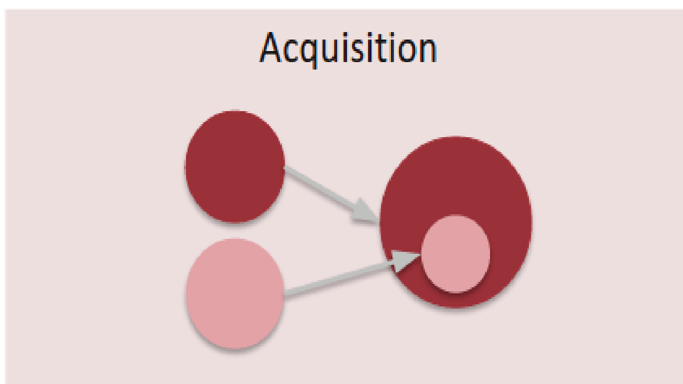
3.4 Why Acquire?

Acquisitions are undertaken for strategic reasons. For example:

- A company might acquire other company to obtain a specific product. It could be relatively cheap to purchase a company offering a product you would like to sell than structuring the product on your own. For instance, Software companies often acquire smaller companies that offer extensions to their product line if they become popular with customers, so that they can add the functionality to their primary offering.

- A company may acquire another company to augment its size. A larger company may have more visibility in the marketplace as well as better access to credit and other resources.

- A business may acquire another business to get control over a critical resource. For example, a jewelry company acquires a gold mine to ensure it has access to gold without market price fluctuations.



3.5 HISTORY OF MERGER AND ACQUISITIONS IN INDIA

The post-world war period was regarded as an era of M&As. Large number of M&A's occurred in industries like jute, cotton textiles, sugar, banking & insurance, electricity and tea plantation.

However, after independence, during the initial years, very few corporations came together and when they did it was a friendly negotiated deal. The reason behind less number of companied involved in mergers and acquisitions were due to the provisions of MRTP Act,1969 wherein such a firm had to follow a pressurized procedure to get approval for the same which acted as a deterrent.

Although this doesn't mean that mergers and acquisitions in India were uncommon during this controlled system. In fact, there were cases where the government encouraged mergers to revive the sick units. Additionally, the creation of Life Insurance Corporation (LIC) and nationalization of life insurance business resulted in takeover of 243 insurance companies in the year 1956.

The concept of mergers and acquisitions in India was not very popular until the year 1988. This year saw an unfriendly takeover by Swaraj Paul to overtake DCM ltd. which later had turned out to be ineffective.

After the economic reforms that took place in the 1991, there were huge challenges in front of Indian industries both nationally as well as internationally. The intense competition compelled the Indian companies to opt for M&A's which later on became a vital option for them to expand horizontally and vertically. Indian corporate enterprises started refocusing in the lines of core competence, market share, global competitiveness and consolidation.

The early nineties saw M&A transactions led by Indian IT and pharmaceutical firms primarily to place themselves near to their major clients in other developed economies and also break into new markets for expansion.

In this backdrop, Indian corporate enterprises undertook restructuring exercises primarily through M&A's to create a formidable presence and expand in their core areas of interest. Since then there has been no looking back and India is being considered one of the top countries entering merger and acquisitions. However, the complications involved in the acquisition process has also increased caused by evolving legal frameworks, funding concerns and competition norms which pose a constraint for the deal to be successful.

3.6 DRIVERS OF MERGER AND ACQUISITIONS IN INDIA

- **Right to entry**: Acquisitions that take place abroad permit Indian companies to gain access to developed markets across the globe.

- **Technology transfer**: This is one of the main advantages and drivers that urge companies to get into M&A deals. Many times corporations require technologies to manufacture particular product or a service which is not available in India. In such situations by acquiring/collaborating companies abroad they get access to the technologies.

- **New Product Mix**: Many times it is not profitable for companies to manufacture products themselves either due to cost constraints or requirement of huge investments. In such a scenario alliance with another company can give them the right to sell and diversify their product range.

- **Hedging Country Risks**: Merger and Acquisitions are also attempted to reduce the reliance on the Indian markets and escape the local business cycles.

3.7 CHALLENGES TO MERGERS AND ACQUISITIONS

With the increase in number of M&A deals in India, the legal environment is increasingly becoming more and more refined. M&A forms a major part of the economic transactions that take place in the Indian economy. There are a few challenges with mergers and acquisitions in India which have been discussed below;

- **Regulatory Ambiguity**: M&A laws and regulations are still developing and trying to catch up with the global M&A scenario. However, because of these reasons the interpretation of these laws sometimes goes for a toss since there is ambiguity in understanding them.

  Several regulators interpreting the same concept differently increase confusion in the minds of foreign investors. This adversely affects the deal certainty which needs to be resolved if the Indian system wants to attract investments from foreign economies.

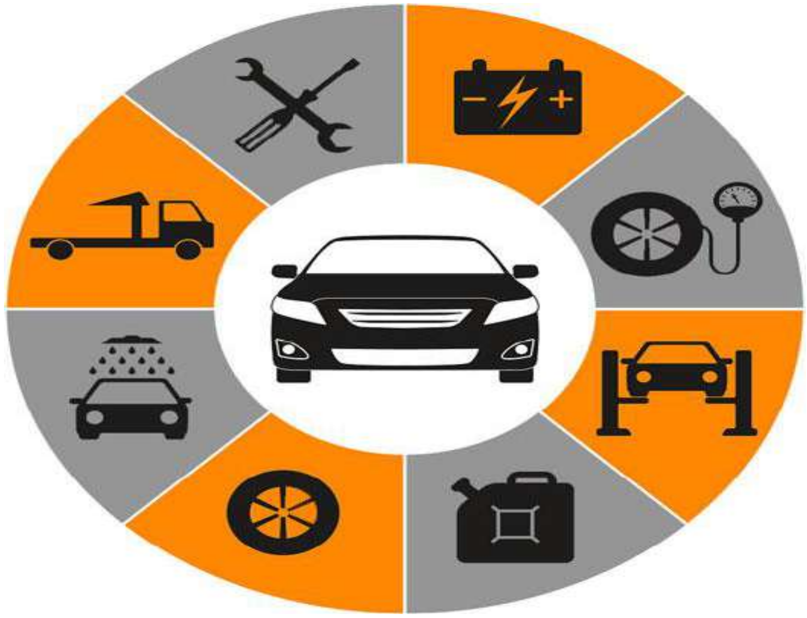
- **Legal Developments**: There have been consistently new legal developments such as the Competition Act, 2002, the restored SEBI Takeover Regulations in 2011 and also the notification of limited sections of the new Companies Act, 2013, has led to issues in India relating to their interpretations and effect on the deals valuations and process.

- **Shareholder Involvement**: Institutional investors in the minority position have become active in observing the investee companies. Proxy advisory companies are closely scrutinizing the related party transactions, appointment of several executives and their remuneration. There are cases where the approval of minority shareholders is required. The powers to the minority shareholders have been revamped, one of them includes to sue company against oppression and mismanagement.

  These are some of the issues that pose a challenge towards the growth of mergers and acquisitions in India which need considerate attention from the government to make our market attractive for foreign investment.

On a positive note Confederation of Indian Industry (CII), the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) – the three main regulators of the mergers and acquisition activities – have been striving hard to further liberalize the norms that have been one of the biggest contributors to the country's industrial expansion.

4. AUTOMOBILE INDUSTRY OVERVIEW



Since the first motor vehicles were developed more than 100 years ago, the industry has been at the forefront of innovation and technological change. New super-lightweight body materials, battery electric vehicles and wireless electronic connectivity are just some of the technologies that will continue to shape the industry in coming years. The industry has a long and proud tradition of apprenticeship training and this has resulted in the development of a strong industry capability and large pool of highly trained personnel.

India was the sixth largest motor vehicle/car manufacturer in the world in 2013. Indian auto manufacturers produced a record 20.4 million motor vehicles in 2011-12 (March-April). 3.124 million passenger vehicles rolled out from Indian auto plants in 2011-12. India is the largest manufacturer of three-wheelers (8,78 ,000 in 2011- 12) and the eighth largest commercial vehicle (9,12 ,000 in 2011-12) while two wheeler production reached 15.45 million units. India is the largest tractor manufacturing country (around 1/3 of global output) with a total estimated production of 605,000 units in 2011-12. Construction vehicle production was approx. 48 000 in 2010-11. 2.55 million Passengers cars were sold in India in 2013.

India is the second largest motorcycle (6.54 million produced in 2007-08) and the fourth largest commercial vehicle manufacturer in the world. Auto exports amounted to almost USD 2.3 billion in the year 2005-06. Over 13 million people work directly or indirectly in the auto industry. Indian car exports amounted to 5,50,000 units in 2013-14. Hyundai India was the largest exporter of cars at 2,33 ,000 units followed by Nissan (116 000 cars), Maruti Suzuki (1,00,000 cars) and Toyota Kirloskar (27000 cars). Motorcycle exports amounted to 1.98 million units along with 94,000 scooters.

The total turnover of the Indian automotive component industry was estimated at USD 35 billion in 2013-14. Auto ancillary exports fetched USD 10.2 billion in the same year while the total turnover of India's vehicle tyre industry amounted to an estimated Rs 450 billion in 2013-14. The total number of registered motor vehicles on Indian roads reached 160 million in 2012 of which over 21.5 million were cars, taxis and jeeps.

Established auto manufacturers and new entrants in the Indian auto market are expanding their production capacities on a large scale. Companies undergoing expansion include Maruti-Suzuki, General Motors (GM), Tata Motors, VolksWagon(VW) Group, Toyota, Honda and Hyundai. The Renault-Nissan Alliance's maiden auto plant near Chennai commenced its production in 2010. A second plant is planned. New auto makers planning to enter the Indian market include Isuzu, Jeep and possibly Mazda.

The Indian automobile industry seems to come a long way since the first car that was manufactured in Mumbai in 1898. The automobile sector today is one of the key sectors of the country contributing majorly to the economy of India. The automobile industry is one of India’s most vibrant and growing industries. This industry accounts for 22 percent of the country's manufacturing Gross Domestic Product (GDP). The auto sector is one of the biggest job creators, both directly and indirectly. It is estimated that every job created in an auto company leads to three to five indirect ancillary jobs.

India's domestic market and its growth potential have been a big attraction for many global automakers. India is presently the world's third largest exporter of two wheelers after China and Japan. Two-wheeler sales are projected to rise from 15.9 million in FY 2013 to 34 million by FY 2020. The segment registered a growth of 7.31 percent in FY 2014.

Furthermore, passenger vehicle sales are expected to increase to 8.6 million in FY 2021 from 3.2 million in FY 2013. According to a report by Standard Chartered Bank, India is likely to overtake Thailand in global auto-export market share by the year 2020. Strong growth in demand due to rising income, growing middle class, and a young population is likely to propel India among the world's top five auto manufacturers by 2015. Automobile export volumes increased at a Compound Annual Growth Rate (CAGR) of 19.1 percent during FY 2005-2013, out of which two-wheelers accounted for the largest share in exports at 67 percent in FY 2013.

The automobiles sector is compartmentalized in four different sectors which are as follows:

- Two-wheelers which comprise of mopeds, scooters, motorcycles and electric two-wheelers
- Passenger Vehicles which include passenger cars, utility vehicles and multipurpose vehicles
- Commercial Vehicles that are light and medium-heavy vehicles
- Three Wheelers that are passenger carriers and goods carriers.

The automobile industry is one of the key drivers that boost the economic growth of the country. Since the de-licensing of the sector in 1991 and the subsequent opening up of 100 percent Foreign Direct Investment (FDI) through automatic route, Indian automobile sector has come a long way. Today, almost every global auto major has set up facilities in India.

It directly and indirectly provides employment to over 10 million people in the country. According to the Confederation of Indian Industry, the automobile sector currently employs over 80 lakh people. An extension in production in the automobile industry is forecasted, it is likely to rise to Rs. 6,00,000 crores by 2016.

India is the world's second fastest growing auto market and boasts of the sixth largest automobile industry after China, the US, Germany, Japan and Brazil. According to Vikas Sehgal, Global Head of automotive industry, Rothschild, the Indian automobile market, which includes cars, trucks and auto parts, is pegged at 3.5 million units by the end of 2011-12. Rothschild is a UK-based global financial advisory firm. India's car market is evolving at a great pace. A car is not only a utility, but also represents aspirations and image of its owner. Hence, auto giants across the globe are leaving no stone unturned to attract Indian consumers by offering luxury, value, utility and convenience in their products.

The automobile industry came of age with Henry Ford in 1914 for the bulk production of cars. This led to the development of the industry and is first began in the assembly lines of his car factory. The several methods adopted by the Ford, made the new invention popular amongst the rich as well as the masses. According to history, automobile industry of US, dominated the automobile market around the globe with no notable competitors. However, after the end of the Second World War in 1945, the automobile industry of other technologically advanced nations such as Japan and certain European nations gained momentum and within a very short period, beginning in the early 1980s, the US auto industry was flooded with foreign automobile companies, especially those of Japan and Germany. The current trend of the global automobile industry reviews that in developed countries the automobile industry is stagnating as a result of the drooping car markets, whereas the automobile industry in developing nations such as India & Brazil, have been consistently registering higher growth rates every passing year for their flourishing domestic automobile markets.

The Indian automobile industry has a well-established name globally being the second largest two wheeler market in the world, fourth largest commercial vehicle market in the world, and eleventh largest passenger car market in the world and expected to become the third largest automobile market in the world only behind USA and China. The Indian automobile industry proved to be in good shape in the last year even after the economic downturn. This was majorly due to the fact of renewed interest shown by global automobile players like Nissan Motors which consider India to be a potential market.

As far as authorized dealer networks and service stations are concerned Maruti Suzuki is the most widespread. The other automobile companies are also showing rapid progression in this field. Austria based motorcycle manufacturer KTM, the established makers of Harley Davidson from the US and Mahindra & Mahindra have set up manufacturing bases in India. Furthermore, according to internal projections by Mercedes Benz Cars, India is set to become Mercedes Benz's fastest-growing market worldwide ahead of China, the US and Europe.

As per the data published by Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce, Government of India, the cumulative FDI inflows into the Indian automobile industry during April 2000 to October 2013 was noted to be US$ 9,079 million, which amounted to 4% of the total FDI inflows in terms of US $. The production of compact superbikes is also expected to take place in India. The country has a mass production base of 16 million two-wheelers and the several global as well as Indian bike makers are looking forward to use it as an advantage in order to roll out sports bikes in the 250 cc capacity.

The world standing for the Indian automobile sector, as per the Confederation of the Indian industry is as follows:

- Largest three-wheeler market
- Second largest two-wheeler market
- Tenth largest passenger car market
- Fourth largest tractor market
- Fifth largest commercial vehicle market
- Fifth largest bus and truck segment

However, the year 2013-2014 has seen a decline in the industry's otherwise smooth-running growth. High inflation, soaring interest rates, low consumer sentiment and rising fuel prices along with economic slowdown are the major reason for the downturn of the industry.

Except for the two-wheelers, all other segments in the industry have been weakening. There is a negative impact on the automakers and dealers who offered high discounts in order to push sales. To match the decline in demand, automakers have resorted to production cuts and lay-offs, due to which capacity utilization for most automakers remains at a dismal level.

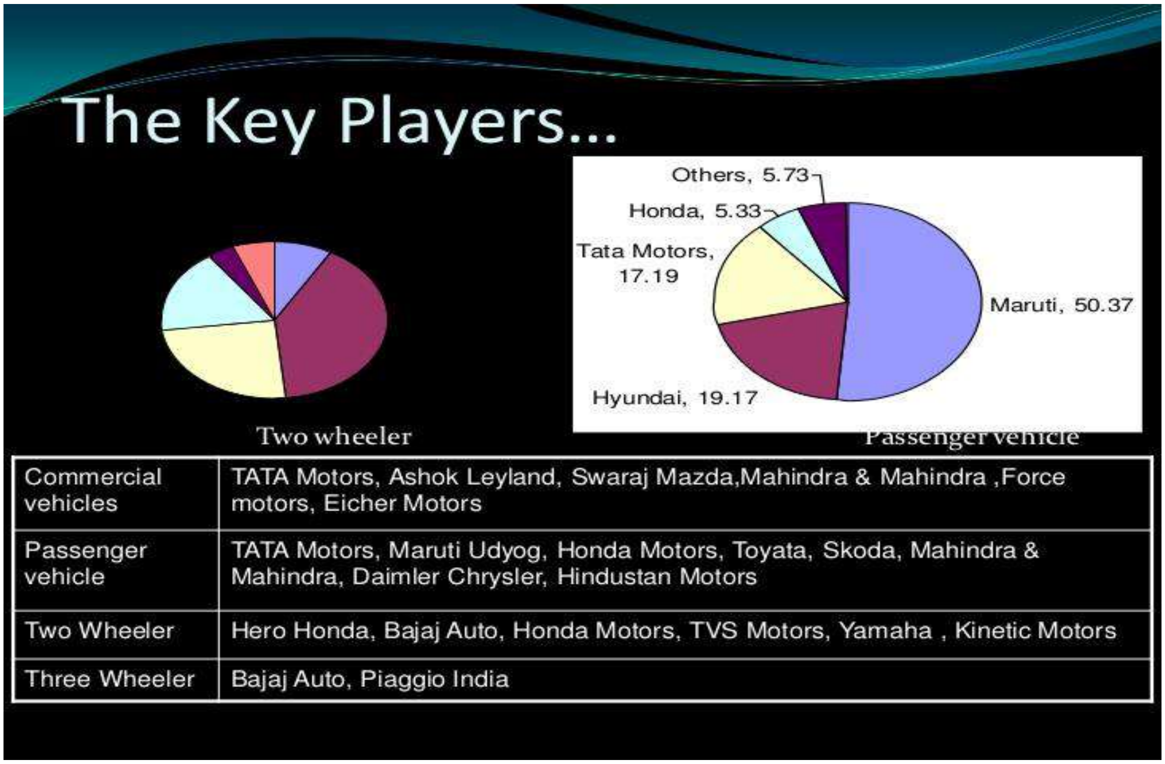
Alternative fuel has the potential to provide for the country's energy demand in the auto sector as the CNG distribution network in India is expected to rise to 250 cities in 2018. Also, the luxury car market could register high growth and is expected to reach 1,50,000 units by 2020.

The growth of the Indian middleclass along with the growth of the economy over the last few years has resulted in a host of global auto giants setting their foot inside the Indian Territory. Moreover, India also provides trained manpower at competitive costs making the country a manufacturing hub for many foreign automobile companies. India proves to be a potential market as compared to most of the other countries which are witnessing stagnation as far as automobile industry growth is concerned.

Despite the comprehensive market being under extreme burden, the luxury car market has observed a robust double-digit hike during the year 2013-2014, as a result of rewarding new launches at compelling lower price points. Further, with the measured increases in the price of diesel, the overall market continues to shift towards petrol-fueled cars. This has led to the growth in sales of the 'Mini' segment of the PV market by of 5.5%.

5. KEY PLAYERS IN INDIAN AUTO MOBILE INDUSTRY

5.1 INTRODUCTION



Automobile industry is booming in this century. India is one of the key players in the international automobile market. One of the fastest growing sectors in India is the automobile industry. High demand for cars, two wheelers and other vehicles has driven the growth of the automobile sector. The list below gives the name of the best automobile companies in India. Bajaj Auto Ltd: It is market leader among the automobile companies in India. The Bajaj Group's flagship company is Bajaj Auto. It is the fourth largest two-wheeler and four-wheeler manufacturer in the world.

The Bajaj Brand is renowned in countries like US, Europe, Latin America etc. It is also among the top Ten Indian Companies in market capitalization. The company has products in the segments like scooters, mopeds, motorcycles, three wheelers. Tata Motors: Initially known as TELCO, Tata Motors is the largest manufacturer of commercial vehicle in India and also the largest private sector company. The company produces light commercial vehicles, passenger cars, commercial vehicles and multi-utility vehicles. The most popular vehicles are Indica, Safari, Estate, Sierra etc.

The latest innovation of the Tata Motors is the Nano car which is called the people's car. This one lakh car has created a revolution in the history of the automobile industry across the world. Ford Motor Company: This company entered the Indian automobile industry by a tie up with Mahindra Motors to manufacture the awesome Ford Escort. The company's models made for India are manufactured keeping in mind the Indian conditions. The company has sold about more than 260,000,000 vehicles across the globe. The eminent brands of the company are Jaguar, Mercury, Ford, Lincoln.

The company also ranks among the best five industrial corporations in the globe and is found in about 200 countries. Hero Honda Motors Ltd: The company is the result of the amalgamation between Japanese Honda Motors Company and India's Hero Honda Group in 1993. This is the single largest two-wheeler company of India. Hero Honda Motors Ltd is the market leader for being the largest Indian motorcycle company for selling CBZ and also the most fuel efficient one. Mahindra & Mahindra Limited: This Indian automobile company is a subsidiary of Mahindra Group. The company specializes in vehicles for the general purpose utility.

It ranks tenth among the largest private sector companies in India. The company has four divisions-tractor, automotive, inter trade and MSL. It has about 33 sales offices and the network support is about 500 dealers across India. Maruti Suzuki India Ltd.: It is the company which has ushered revolution in the industry of Indian cars. The Company is the result of the alliance of Japan's Suzuki and Maruti. Maruti Suzuki car is for the average Indian. It is the first Indian company which manufactured about one million vehicles. The motto of the largest Automobile Company of India was to offer low cost and fuel efficient vehicles.

The company produces Zen, Maruti 800, Maruti Esteem, Maruti Omni etc. Hyundai Motor India Ltd: The company is a sub division of the Hyundai Motors Company, a South Korean multinational. The South Korean top manufacturer of automobile has captured the Indian market through this sub division. The company has more than 70 dealer workshops. Hyundai Santro is giving competition to others. This car is designed in India near Chennai. Hindustan Motors: The leading manufacturer of Electric Motors in India is Hindustan Motors. The first Car Company of India to start the manufacturing process of cars in India in the year 1942 is Hindustan Motors.

The company has a strong network of 115 dealers and 60 Parts Dealers and 4 regional offices. The new model, Ambassador Nova was launched by this company. Ashok Leyland. It is the second largest key player among the commercial vehicles in India. The company manufactures Vestible buses, Haulage vehicles,18-82 seater single and double decker buses etc. The six manufacturing units of the company can produce 77,000 vehicles at a time. General Motors India Private Limited: It is an interesting thing to note that there is a 50:50 partnership between General Motors and SAIC.

According to sources, General Motors India Private Limited is the fifth largest automobile company in India after Maruti Suzuki, Hyundai, Tata Motors and Mahindra. This company has launched vehicle manufacturing plants in Halol, Gujarat and Talegaon Dabhade, Maharashtra. The company has its headquarter in Gurgaon and Halol. Toyota Kirloskar Motor Private Limited: The main aim of the company is INNOVATION. The continuous efforts of the company have made it very popular in the automobile sector. The company is working with the aim of becoming 'the most admired company in the country'.

5.2 FACTORS DETERMINING THE GROWTH OF THE INDUSTRY:

Following are the factors determining the growth of the Indian automobile industry:

- Fuel economy and demand for greater fuel efficiency is a major factor that affects consumer purchase decision that will bring leading companies across two-wheeler and four-wheeler segment to focus on delivering performance oriented products

- Sturdy legal and banking infrastructure

- Increased affordability, heightened demand in the small car segment and the surging income of the Indian population
- India is the third largest investor base in the world
- The Government technology modernization fund is concentrating on establishing India as an auto-manufacturing hub.
- Availability of inexpensive skilled workers
- Industry is perusing to elevate sales by knocking on doors of women, youth, rural and luxury segments
- Market segmentation and product innovation
- Largest three-wheeler market
- Second largest two-wheeler market
- Tenth largest passenger car market
- Fourth largest tractor market
- Fifth largest commercial vehicle market
- Fifth largest bus and truck segment

However, the year 2015-2016 has seen a decline in the industry's high inflation, soaring interest rates, low consumer sentiment and rising fuel prices along with economic slowdown are the major reason for the downturn of the industry. But end of the year 2014, it became recover market by reducing the price of fuel, etc.

5.3 INVESTMENTS

To match production with demand, many auto makers have started to invest heavily in various segments in the industry in the last few months. Some of the major investments and developments in the automobile sector in India are as follows:

- Ashok Leyland plans to invest Rs 450–500 crores (US$ 73.54–81.71 million) in India, by way of capital expenditure (capex) and investment during FY 2015. The company is required to manage Rs 6,000 crore (US$ 980.56 million) of assets in seven locations across the world, for which maintenance capex is needed.

- Honda Motors plans to set up the world's largest scooter plant in Gujarat to roll out 1.2 million units annually and achieve leadership position in the Indian two-wheeler market. The company plans to spend around Rs. 1,100 crore (US$ 179.76 million) on the new plant in Ahmedabad, and expand its range with a few more offerings.

- Yamaha Motor Co has restructured its business in India. Now, Yamaha Motor India (YMI) will take care of its India operations. “The restructuring is part of Yamaha’s mid-term plan aimed at improving organizational efficiency,” as per Mr. Hiroyuki Suzuki, Chief Executive and Managing Director. YMI would be responsible for corporate planning and strategy, business planning and business expansion, quality control, and regional control of Yamaha India Business.

- Tata Motors plans to use the 'hub-and-spoke' model in which India will be the key manufacturing base while it will have mini-hubs in overseas markets. The company also plans to set up mini hubs in potential markets like Africa, Middle-East and South East Asia.

- Hero Cycles through its unit OPM Global has acquired a majority stake in German bicycle company Mitteldeutsche Fahrradwerke AG (MIFA) for €15 million (US$ 19.11 million). The company plans to invest an additional €4 million (US$ 5.09 million) as capital expenses in restructuring the acquired company.

5.4 MARKET SIZE:

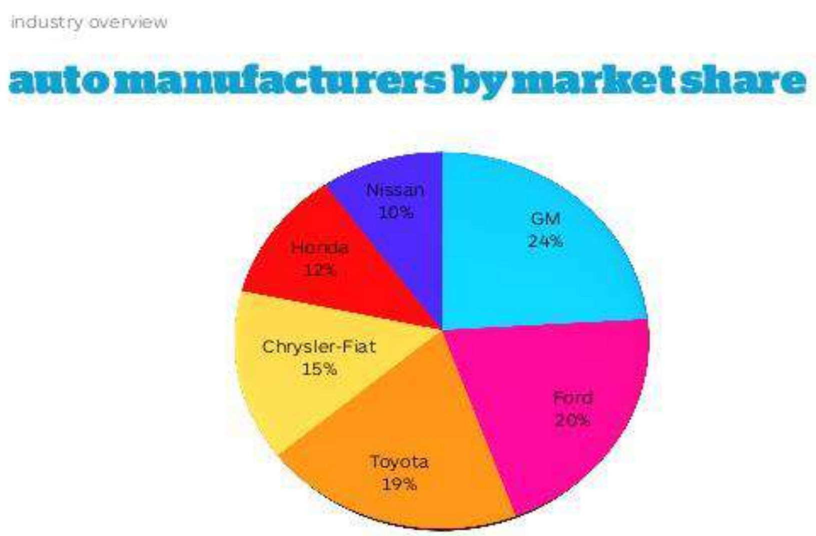


figure 1. "Auto Sales - Markets Data Center - WSJ.com." WSJ.com. N.p., 04 Sept. 2013. Web

The Indian auto sector will see a rise in demand which is expected to bring in major growth. An auto dealer survey by firm UBS suggested that the Indian auto industry, riding on trends like the upcoming festival season and decline in fuel price, will observe a 12 percent growth in FY 2015. The cumulative Foreign Direct Investment (FDI) inflows into the Indian automobile industry during the period April 2000 – August 2014 was recorded at US$ 10,119.68 million, as per data by Department of Industrial Policy and Promotion (DIPP). Data from industry body Society of Indian Automobile Manufacturers (SIAM) showed that 137,873 passenger cars were sold in July 2014 compared to 131,257 units during the corresponding month of 2013.

Among the auto makers, Maruti Suzuki, Hyundai Motor India and Honda Cars India emerged the top three gainers with sales growth of 15.45 percent, 12 percent and 11 percent, respectively. The three-wheeler segment posted a 24 percent growth to 51,461 units on the back of increased demands from the urban market. Total sales across different vehicle segments grew 12 percent year on year (y-o-y) to 15,86,123 units. Scooter sales have jumped by 29 percent in the ongoing fiscal, and now form 27 percent of the total two-wheeler market from just 8 per cent a decade back. The ever-rising demand for scooters, which has far outstripped supply has prompted Honda to set up its first dedicated scooter plant in Ahmedabad. Tractor sales in the country are expected to grow at a compound annual growth rate (CAGR) of 8–9 percent in the next five years making India a high-potential market for many international brands.

GOVERNMENT INITIATIVES:

SIAM and the Automotive Component Manufacturers Association of India (ACMA) are two apex bodies appointed by the Government of India to work for the development of the automobile industry in India. The government aims to develop India as a global manufacturing as well as a research and development (R&D) hub. It has set up National Automotive Testing and R&D Infrastructure Project (NATRIP) centers as well as a National Automotive Board to act as facilitator between the government and the industry.

The Government of India encourages foreign investment in the automobile sector and allows 100 percent FDI under the automatic route. To boost manufacturing, the government had lowered excise duty on small cars, motorcycles, scooters and commercial vehicles to eight per cent from 12 per cent, on sports utility vehicles to 24 percent from 30 percent, on mid-segment cars to 20 percent from 24 percent and on large-segment cars to 24 percent from 27 percent.

The government’s decision to resolve VAT disputes has also resulted in the top Indian auto makers namely, Volkswagen, Bajaj Auto, Mahindra & Mahindra and Tata Motors announcing an investment of around Rs 11,500 crores (US$ 1.87 billion) in Maharashtra.

The Automobile Mission Plan for the period 2006–2016, designed by the government is aimed at accelerating and sustaining growth in this sector. Also, the well-established Regulatory Framework under the Ministry of Shipping, Road Transport and Highways, plays a part in providing a boost to this sector.

The Government of India-appointed SIAM and Automotive Components Manufacturers Association (ACMA) are responsible in working for the development of the Indian automobile industry. Also, ACMA's active involvement in trade promotion, upgrade in technology, quality enhancement and collection and dissemination of information has made the body a vital catalyst for the industry's development.

The Indian government encourages foreign investment in the automobile sector and allows 100 percent FDI under the automatic route. It is a fully de-licensed industry and free imports of automotive components are allowed. Moreover, the government has not laid down any minimum investment criteria for the automobile industry and has formulated the Automotive Mission Plan for the period 2006-2016 which aims to accelerate and sustain growth in this sector. The plan also aims to double the contribution of the automotive sector to the country's GDP by taking its turnover to US$ 145 billion and providing additional employment to 25 million people by 2016.
Some of the recent initiatives taken by the Government of India are -

- The Government of Karnataka is going to obtain electric vehicles under FAME Scheme and set up charging infrastructure across Bengaluru, according to Mr. R V Deshpande, Minister for Large and Medium Industries of Karnataka.

- The Ministry of Heavy Industries, Government of India has shortlisted 11 cities in the country for introduction of electric vehicles (EVs) in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India) scheme.

- Energy Efficiency Services Limited (EESL), under Ministry for Power and New and Renewable Energy, Government of India, is planning to procure 10,000 e-vehicles via demand aggregation, and has already awarded contracts to Tata Motors Ltd for 250 e-cars and to Mahindra and Mahindra for 150 e-cars.

- The government is planning to set up a committee to develop an institutional framework on large-scale adoption of electric vehicles in India as a viable clean energy mode, especially for shared mass transport, to help bring down pollution level in major cities.

6. M&A IN THE AUTOMOTIVE SECTOR

DRIVING FORCES BEHIND MERGERS AND ACQUISITIONS IN THE AUTOMOBILE SECTOR

Mergers and acquisitions (M&A) in the motor vehicle industry has been a dynamic event that is both popular and controversial. It has been traditionally recognized three main motivations that lead to M&A activities namely synergy, agency and hubris. Synergy refers to the positive effect of the combined forces of two or more entities result in greater benefits than individual effects.

Even though we may presume that synergies in an organization advocate that M&As occur because of the probable economic gains, there is also a theory of agency that imply that there are motivations for such M&A activities that also occur because of the desire of the acquiring entities to maximize their personal benefits and thus motives action at the expense of the acquiring firm shareholders, leading to negative overall wealth effects. Furthermore, the concept of hubris in M&A refers to the activities that occur because of erroneous valuation techniques for the potential target companies. There have been many theories regarding the reasons that drive these activities in the automobile industry. Many have hypothesized that it is mainly shareholder value creation that drives mergers and acquisitions in the automobile industry. The automobile industry has come a long way since 1990 and there have been constant changes in the dynamic environment such as technology, changing capital markets and favorable regulatory framework. Such changes present both opportunities and risks that need to be managed by the companies.

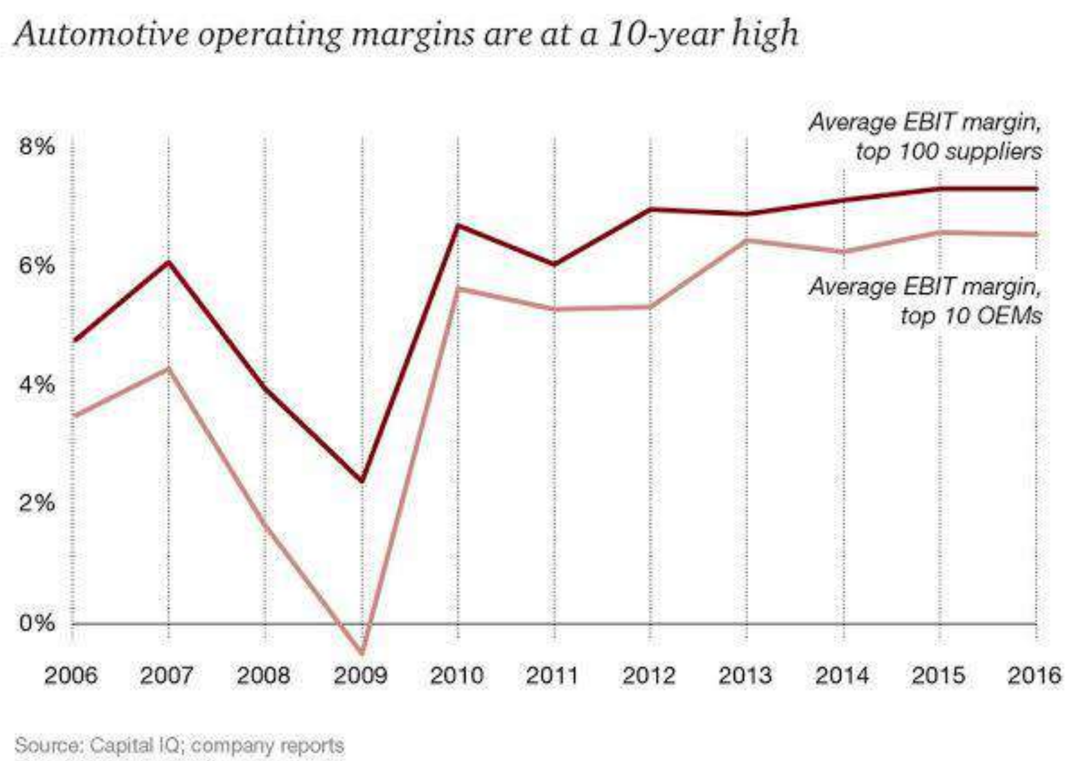
According to The United Nations Conference on Trade and Development (UNCTAD, formerly the U.N. Centre for Transnational Corporations) in their latest world development report highlighted the main drivers are both at the micro and macro level. Many new research studies have also been undertaken to understand the M&A drivers since the motives and characteristics may change over time. The major M&A activities have been observed to occur in spurts, with periodic increases in M&A activity when there was a surge in the stock market. Apart from correlations to the stock market, there are correlations with economic recessions and booms can affect the level of global M&A activity and its regional focus. Another important trend in the industry is the emergence of cross-border M&A. Factors such as competition; market structure and growth potential provide a conducive environment for cross-border mergers. When the economy is going through a lull period of slow growth, robust competition and over-capacity, this is a situation wherein M&As activities are more preferable to Greenfield investments. This situation was seen in the automobile industry wherein there were sudden spurts of M&A activity between 2008-2009. The biggest driver for increased automotive transactions in the recent times has been the strategic value that M&A include –expanding geographic footprint, capturing maximum market share, broadening the customer base, constant technology upgrades; and increasing exposure to untapped markets or growth-oriented market trends such as reduced vehicle emissions, green production. It puts forward many reasons for the reason companies resort to M&As. One of the main factor considered identified seven main motivations, including industry specific requirements, scale requirements due to globalization, speed and cost consideration of growth, product and service range expansion, risk reduction and diversification, and leveraging of core competencies and technological changes, that all inherit some synergistic benefits.

The other two theories are agency and hubris. The agency theory states that the acquiring firm managers will be allured to voluntarily overpay in order to amplify their own benefits at the expense of their company shareholders. It is a common practice that a manager's compensation scheme is based on the scale of the organization is in terms of market cap, geography and revenue. This usually induces managers to work on M&A valuations and activities with the sole purpose of increasing the scale of the company rather than maximizing the wealth of the shareholder.

Finally, the hubris theory suggests that many M&A activities occur due valuation errors by managers. Errors in valuation techniques lead managers to believe that engaging in particular M&A transactions would result in more value and believe they have the hubris to be able to spot such profitable opportunities and hence outperform the other management teams in the organisation. This approach invariable leads to wrong decisions taken by the managers who are evaluating the proposals and even overpayment for a transaction, assuming that the synergies in this case are zero. Both the hubris and agency theories estimate more gains in the transaction and loss of the acquirer. However, they may be differentiated by the fact that hubris only results in a wealth transfer, leaving total gains unaffected, while agency results in value creation to the acquiring firm's management, reducing the total wealth increases from the transaction.

RECENT TRENDS IN AUTOMOTIVE MERGERS & ACQUISITIONS

The global auto industry is more challenged than many people realize. On the surface, performance is strong. Worldwide sales reached a record 88 million autos in 2016, up 4.8 percent from a year earlier, and profit margins for suppliers and auto makers (also known as original equipment manufacturers, or OEMs) are at a 10-year high. Nonetheless, viewed through the lens of two critical performance indicators, the industry is in serious trouble.

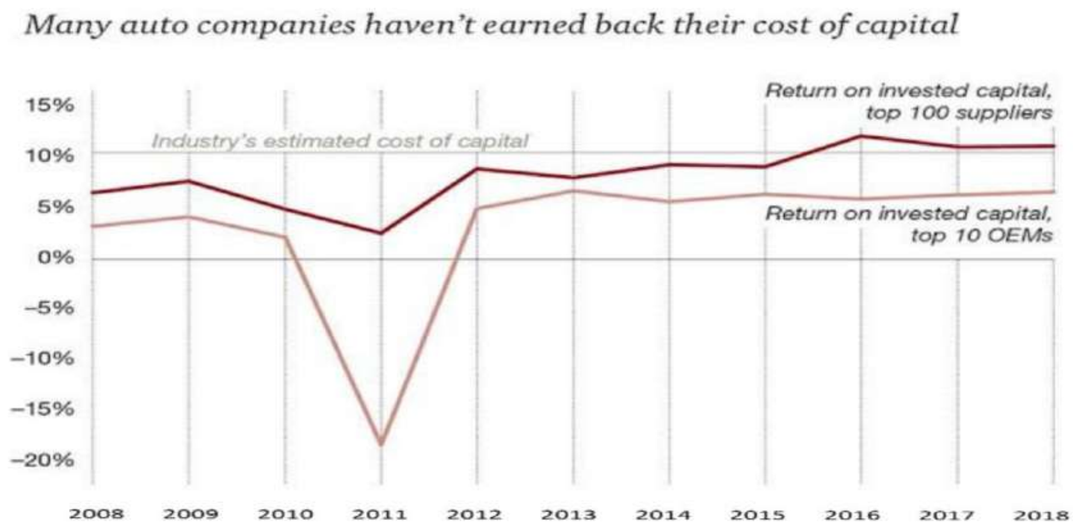


First, total shareholder return (TSR): Over the last five years, the annual rates of return that the S&P 500 and Dow Jones Industrial Average achieved for investors (including dividends) were 14.8 percent and 10.1 percent, respectively. In that period, average auto maker TSR was only 5.5 percent. Second, return on invested capital: In 2016, the top 10 OEMs returned an anemic 4 percent, about half of the industry's cost of capital. The leading 100 suppliers have done a little better, just beating their costs of capital to enjoy a small positive return, after many years of negative net returns.

These numbers almost outweigh the positive sales and earnings results. They paint a picture of a sector that is a less attractive or less lucrative place to invest than other industries. This assessment suggests that there will be relatively few winners in the auto industry during the next five years and beyond. Those that do stand out will be the companies that harness their limited capital resources in creative ways, to navigate a still-unfolding and unfamiliar landscape.

To be sure, rates of return on capital have been a problem endemic to the auto industry for years, which is one reason for the many bankruptcies — or near liquidations — among OEMs and suppliers, particularly in the past decade or so. Surviving automotive companies have famously bent over backward to save pennies on every car or component they make. However, the situation is becoming more dire. The cost of capital is unlikely to come down from its already low inflation-adjusted levels, and new capital outlays are rising for advances in, among other areas, connected car and autonomous driving technology.

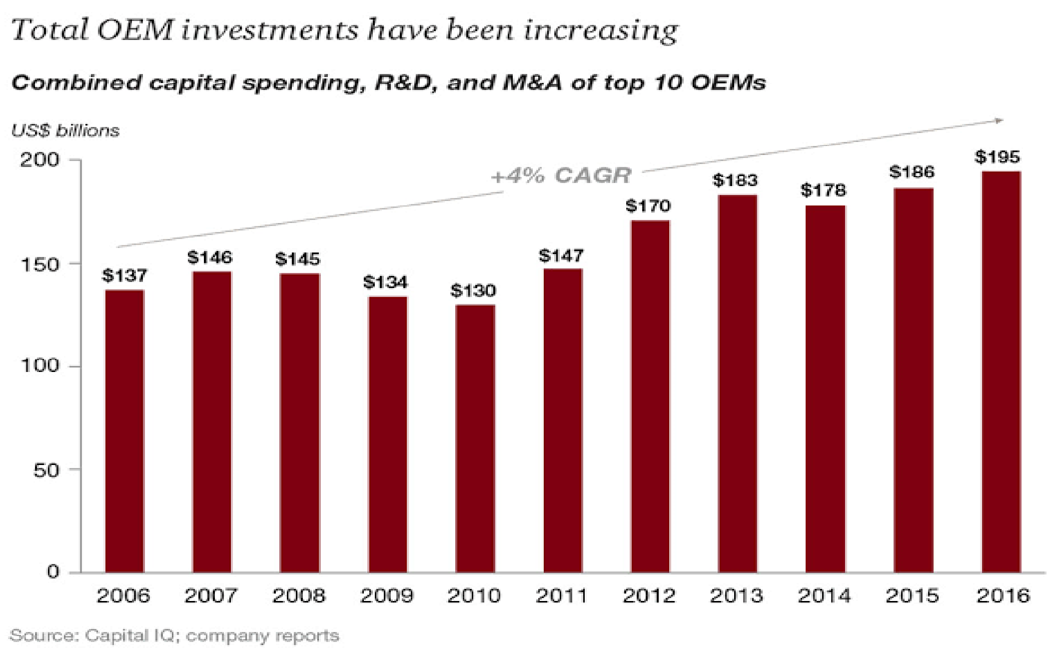
Indeed, what is particularly notable about the current wave of innovation in automobiles is not so much the speed with which it has emerged as the breadth of the innovation — how much it is altering the basic contours and features of the traditional automobile and amplifying the difficulty and cost of manufacturing cars. Ubiquitous electronics, a variety of digital services, and novel powertrains and connectivity systems are hastening the need for expensive new parts, components, and functions. For OEMs, the price tag is high — as much as 20 percent greater than the cost of the previous generation of automobiles.



Consider the car's interior, until recently a relatively stable component in terms of engineering and value to the automobile. Now, interior surfaces are potential real estate for ambitious enhancements of safety or entertainment. New technologies such as 3D laminated glass, haptic sensors, and augmented reality heads-up displays — which offer drivers alerts, safety aids, and warnings on invisible screens embedded in the windshield — have entered the vocabulary of traditional suppliers. Large navigation and entertainment display screens in the dashboard offer Web-based information and media as well as data arrays picked up from networked roads and other cars. The autonomous car will further up the ante, and soon. It will change the "living space" dimension of automotive interiors. The front seat may be reoriented to face the back seat, so passengers can converse as they would in their living rooms while the car cruises to a destination. Or seats could face a windshield that's become a large movie screen. Little wonder, then, that vehicle electronics could account for up to 20 percent of a car's value in the next two years, up from only about 13 percent in 2015.

Taken as a whole, innovation-related challenges are reshaping traditional auto industry structures and relationships — in particular, by threatening the existing distribution of profits and the boundaries between OEMs and Tier One or Tier Two suppliers, as well as between automotive and tech companies. Some suppliers will fold, as their business goes away completely, and others will struggle because changes in technology content will bring OEMs or non-automotive suppliers into their markets as new competitors. Decisions about investments and industry alliances that are being made now will determine the dominant positions of tomorrow.

The rising cost of safety and environmental regulations is also a concern for the industry. In the U.S., potential regulatory relaxation under the new administration has stirred at least some hope that higher costs associated with tightened emissions standards might arrive more slowly or even be avoided. However, there is a question whether a change in federal U.S. regulations would make a significant difference because individual U.S. states — and the whole of Europe — can continue to push for stricter standards. In addition, the regulatory requirements in other parts of the world are quickly catching up to those in the more regulated countries. For instance, China now has emissions standards for large cities similar to Europe's, with only a brief (one- or two-year) grace period for smaller cities. Moreover, the real environmental challenges that underlie these trends are not going away and will ultimately have to be confronted.



Considering these disparate pressures on costs, there is no easy formula that OEMs or suppliers can use to improve their return on capital. The solution will likely come from a combination of actions. Part of the answer lies in consolidation, which reduces industry capital requirements by eliminating competition and combining two manufacturing and design footprints into one. To a degree, these goals explain 2016's robust supplier M&A volume, continuing the trend of the previous year's record deal value. However, consolidation is not the only solution — and in fact not even an attractive solution for companies struggling to fund new innovations. Auto makers in particular will need to examine other strategic channels for relief. We believe that OEMs should consider three actions:

Share platforms and manufacturing. When the goal is to improve efficiency in capital outlays, a good place to start is with platform (or chassis) and powertrain investments. Now that each auto maker is designing and building its own engines, transmissions, and related equipment, the amount of duplication within the industry is extraordinary. This is especially wasteful because consumers rarely buy cars for the platform — instead, they focus on such attributes as styling, quality, and reliability. Many OEMs, of course, already "*repurpose*" platforms across brands and models. However, platform sharing *among* OEMs is rare. One of the few examples is Nissan's deal with Daimler to jointly develop the MFA platform, which is used on Nissan's Infiniti QX30 model and Mercedes' CLA and GLA models. In the U.S., GM and Ford are jointly designing a new 10-speed transmission (their second generation of transmission collaboration). In both cases, the companies expect cost savings, particularly in R&D and materials procurement.

If auto makers expanded their cooperative efforts, the industry would essentially be smart-sizing, the way the airplane manufacturing sector has over its long history. In the very beginning of aeronautics, the Wright Brothers and companies that grew in their wake made their own engines. Before long, a group of separate businesses emerged to produce engines, each of them competing to improve and advance the equipment. As aircraft engine technology advanced rapidly, jet engines became the dominant design — and having a spate of companies making the same part proved costly. The industry responded by consolidating, resulting in just a few independent aircraft engine manufacturers and a more efficient supply market.

The similarity to having many OEMs and suppliers producing virtually the same automobile transmissions is clear. An approach like the aircraft industry's may lead to potentially more valuable auto partnerships than platform sharing: namely, jointly manufacturing vehicles. This, too, is already happening in isolated cases. The difficulty of eking out profits from small cars long ago prompted Toyota and Groupe PSA to share production at a plant in Kolin, in the Czech Republic. Similarly, we have seen rebadging across brands in markets where sales volume is low. For instance, Renault, Nissan, and GM have been cooperating in manufacturing some light commercial vehicles, virtually identical products sold under three different brands.

By removing excess capacity and concentrating supply, these collaborative solutions offer some of the same benefits as industry consolidation — in particular, improvements in capital efficiency and capital returns.

Offload more development work to technology suppliers. Many automotive companies are highly involved in developing the new technologies their customers want — whether it is the human–machine interface for infotainment, autonomous features, or the components for electrification. OEMs need to identify which aspects of a vehicle's digital features they can hand off to tech industry partners that have more expertise in designing and producing digital components and software.

In these relationships with Silicon Valley, OEMs can retain a proprietary hold on interfaces as well as on connectivity and infotainment systems that distinguish them from competitors. Some early initiatives (such as BMW Ventures, a venture capital fund based in Silicon Valley, and Toyota Connected, a partnership with Microsoft) offer glimpses of how the auto–tech ecosystem might work.

Redesign distribution models. Upward of 15 percent of a car's cost typically goes to distribution. There is of course some variation by country and segment; for instance, fleet sales are less expensive than retail. However, the percentage is generally higher than it needs to be. Although OEMs are locked into dealer relationships in the U.S. and Europe by complex and often antediluvian rules, they should begin to explore and lobby for approaches that will reduce their costs by using more efficient channels to reach car buyers. These changes in the distribution system should ultimately aim to cut costs by minimizing the number and expense of retail outlets and using technology for better inventory control.

Savings could come from selling via Web channels. In the U.S., OEMs are barred from bypassing dealerships, a prohibition that electric carmaker Tesla is campaigning to eliminate. Rather than opposing Tesla, as some auto makers have, U.S. OEMs should view this potential change as an opportunity to innovate. OEMs are finding that as customers use the Internet to research car purchases, they do less shopping in person. Car buyers are now visiting between one and one-and-a-half dealers before buying a car, compared with visiting four or five a generation ago. Using analytics to assess this data for demographic and location trends, auto makers hope to gain savings from inventory and dealer facilities management. They can target customer preferences more effectively and place the appropriate mix of retail formats in the right areas.

Improving the dealer model would be a plus for OEMs and a relief for customers, who by and large want a haggle-free, simple experience — and can't seem to find one. That is why in the U.S., the auto sales program of warehouse club Costco, which represents consumers in negotiations with car dealers, has become popular. Costco assisted on almost half a million car purchases in 2015, comparable to the volume at some of the country's top dealership groups.

Broadly speaking, OEMs have more leeway than suppliers to implement aspects of this road map — largely because they are at the top of the food chain and in a better position to influence ground rules than those below them. Given these constraints, suppliers should focus on two areas. First, they should position themselves in a profitable part of the vehicle ecosystem. Whether the end product is differentiated or a commodity, suppliers need to be sure they have the best organizational and operational capabilities for their niche in the current and future industry structure. Second, they need to optimize their business model.

For suppliers of commodities, this involves a relentless focus on minimizing costs. For other suppliers that are able to differentiate their products or operations — through technology innovation, patents, an advantageous manufacturing footprint, or superior logistics and supply chains — the challenge is to build upon these assets by creatively upgrading them while enjoying the benefits of the price premium. In short, suppliers must recognize the world they inhabit and make sure that they can effectively navigate it.

IMPACT OF TECHNOLOGIES IN THE M&A OF AUTOMOBILE INDUSTRY

Perhaps the highest profile development in the automotive M&A market in the past few years has been increase of deal activity driven by emerging technologies in the smart cars, electric vehicles, connected and autonomous driving and ride sharing. Companies from the major automakers down through the supply chain, to technology and start-up companies traditionally outside of the automotive space, have raced to invest in, acquire and develop these technologies. General Motors made headlines with its recent $1 billion acquisition of autonomous vehicle developer Cruise Automation. More recently in March 2017, Intel announced its intention to buy Israeli-based Mobileye for a mere $15.3 billion! Automotive companies are using M&A as the fastest strategy for acquiring technology, and we can expect this trend to continue in 2017.

DEBATES IN THE FIELD OF M & A

Large number of studies focuses on the effect of internationalization on short-term value creation for acquirers, but yield mixed results. While some conclude that international diversification inform of cross-border transactions yield positive returns for acquirers, others argue that these effects are characteristic to certain industries and countries. For the automotive supply industry, do not find significant short-term return differences between national and cross border transactions for acquirers while transcontinental deals have a negative influence. The automotive industry is not largely affected in short term by national or international transactions. Transcontinental deals might have a negative impact.

In the long run, lack of integration and to sustain in a challenging environment becomes critical and usually leads to a negative return. Apart from the long run and short run analysis, there are discussions also on the environment factors that affects M&A. Some are of the opinion that M&A is applicable only when the economy is booming whilst some who believe it does benefit in a bearish economy as well. Some have concluded that it's a favourable deal when the markets are bad as they believe that the acquirer would have bargaining power and that cannot be the case of a bullish economy. Powerful and strong players would be readily available and would not be expensive too. Analysts are of the opinion that in such a market, the company can plan a long term growth strategy and achieve successful results when the economy recovers. Contrary to which, there are few other analysts who have observed and believe that in a slowed down and bullish market, entering in to an M&A might only worsen things and drop down the share price even further because the acquired company's share price would be at its lowest. The risk involved would be high and it might require more liquidity than using it for such a transaction.

THE LONG-TERM SUCCESS OF M&A IN THE AUTOMOBILE INDUSTRY:

This study is based on a sample of 230 takeover announcements from 1981-2007. It explains the significance of M&A, the success story over the years and the impact of globalization. Over the years, it's been seen that companies usually step in to mergers and acquisitions for wealth creation. The urge to produce better and improve over time, by producing more and more equipped and less expensive automobiles with specialized and expertise knowledge has led to growth and expansion of businesses through mergers and acquisitions.

In the short run, M&A have shown positive returns to the acquiring companies as the factors such as reaction of the share market, shareholders of the acquired companies, global synergy and the expected future returns have shown a positive impact. However, the same cannot apply to long run, as there have been companies who have incurred losses due to M & A's in the long run. The main question is whether the firms can sustain a merger or acquisition for too long, beyond the short term gain and can make it a good deal by balancing various factors like the methodological difficulties, cultural issues, understanding of the industry and firm segment market etc.

It is mainly based on understanding the differences & effects of geography, product range and transaction size and market reaction on M&A's in the long run. The analyses of the industry in long run are spread over three phases and dates back to 1970's. After making changes in the short comings of his model of approach, they came up with a character based matching approach based on factors like Risk, size, and market to book ratios. After the analysis, the model shows that there still was a negative return. The model has been refined over the years post 1990's the analysis and study of different observers using this model which is based on market value, ratios, size show that as compared to short term returns, the long term effect of a M&A is slightly negative. M&A's in automobile industry is complex and the competition is intense, as there is a wide range of products from high tech electrical equipment to tired and small parts and the diversified nature of the products and product lines leads to a negative impact on returns. However, if the transaction is a larger one, it might give a positive return in the long run.

As automobile industry can be termed as a production industry, the larger the transaction, and the better the economies of scale and stronger would be the impact of returns and are mostly positive. The study says that if the acquirer has been in the industry for too long and has integrated such multiple transactions, they gain experience and can leverage out the additional transactions and thus give a positive return on a M&A. As, we know, the strategies used in past and the analysis done for an M&A wasn't robust enough as was mainly based on statistical data like ratios and financial statements and ignored some of the main determinants for a M&A. They were mainly of conglomerate type of merger and only operations takeover was common and hence the culture of the two organizations involved didn't affect an M&A significantly. Gradually and eventually, with the globalization and integration of industries increasing, there was more scope of getting in to horizontal or related business types of mergers. However, though cultural compatibility played a significant role, the same was not considered in the analysis stage while deciding upon an M&A deal. One researcher confessed to "no knowledge of firms developing a comprehensive cultural fit audit as a component of due diligence." Organizational culture is a powerful source that can lead to a success or failure of a merger as culture involves all facets of an organization. The beliefs, expectations and way of doing things of an individual, team, group or an organization forms a part of the Culture and the same needs to be well integrated and compatible with another company's values and culture, while combing the two for a smooth and successful transaction. The automobile industry has a long history of horizontal mergers and acquisitions and the study says some of the successful M&A's are Chrysler-Jeep in 1987, Renault-Nissan in 1999, and Ford-Volvo in 1999. However, there have been some unsuccessful mergers as well like Ford Motor Company partnered with Jaguar. General Motors has been in partnership with Saab for 13 years and is also unlikely to recover its costs. VWs brand buying of Lamborghini, Bentley and Bugatti has yet to benefit stockholders. The automobile industry has a long history of successful and unsuccessful mergers. Most often, the reasons for failure have been due to the differences in understanding and adapting cultural barriers, nationalities and technologies.

7. MAJOR MERGER & ACQUISITION DEALS

Some of the major merger and acquisition deals by Indian companies in automobile industry are noted below:

DAILMER-BENZ & CHRYSLER AG

It explains the historic merger of Daimler-Benz & Chrysler AG in 1998 and the effect of cultural clashes in a M&A deal. The merger was deemed as the ‘merger of equals’.

In the mid-1990s, Chrysler Corporation was the most profitable automotive producer in the world. Buoyed by record light truck, van, and large sedan sales, revenues were at an all-time high. Chrysler had taken a risk in producing vehicles that captured the bold and pioneering American spirit when imports dominated the market – the Dodge Ram, the Jeep Grand Cherokee and the LH Sedan Series. In these vehicles Chrysler found an instant mass appeal, and its U.S. market share climbed to 23% in 1997. As revenues and market share rose, product development costs shrank to 2.8% of revenues - compared with 6% at Ford and 8% at General Motors. Chrysler's integrated design teams and noncompetitive relationships with suppliers kept costs down, while its marketing department scored success after success in gauging consumer tastes.

Chrysler had always fashioned itself the bold and risk-taking underdog. It had brought itself back from the brink of bankruptcy four times since the Second World War, and its boombust revenue flow pattern had earned it a "comeback kid" reputation. With $7.5 billion in cash on hand and a full range of bestselling products, Chrysler finally seemed ready in 1997 to weather the volatile American automotive business cycle on its own – without government bailouts or large-scale R&D cutbacks. Its wealth did not go unnoticed: Investor Kirk Kerkorian, a 13% shareholder, threatened to mount a takeover -- citing "the management's practice of cash hoarding" as his reason.

Daimler-Benz, meanwhile, was looking for a soul-mate. Despite a booming U.S. economy, its luxury vehicles had captured less than 1% of the American market. Its vehicle production method was particularly labor intensive - requiring nearly twice as many workers per unit produced over Toyota's Lexus division. It recognized that it could benefit from an economy of scale in this capital-intensive industry. With $2.8 billion in annual profits, remarkable efficiency, low design costs, and an extensive American dealership network, Chrysler appeared to be the perfect match.

On May 7th, 1998, Eaton announced that Chrysler would merge with Daimler-Benz. Thanks to a $37 billion stock-swap deal, the largest trans-Atlantic merger ever, Chrysler would not "do it alone" any longer. Daimler-Benz CEO Jürgen Schrempf hailed the union as "a merger of equals, a merger of growth, and a merger of unprecedented strength". The new company, with 442,000 employees and a market capitalization approaching $100 billion, would take advantage of synergy savings in retail sales, purchasing, distribution, product design, and research and development. When he rang the bell at the New York Stock Exchange to inaugurate trading of the new stock, DCX, Eaton predicted, "Within five years, we'll be among the Big Three automotive companies in the world".

In 2001, three years after a "merger of equals" with Daimler-Benz, the outlook is much bleaker. The financial data is sobering: Chrysler Group is on track to hemorrhage $3 billion this year, its U.S. market share has sunk to 14%, earnings have slid by 20%, and the once independent company has been fully subordinated to Stuttgart. Its key revenue generators – the minivan, the Jeep SUV, and the supercharged pickup truck – have all come under heavy competition from Toyota, Honda, General Motors and Ford. Chrysler continues to make few passenger cars of note, save the Neon and limited-release Viper and Prowler. DaimlerChrysler's market capitalization stands at $44 billion, roughly equal to the value of Daimler-Benz before the merger. Its stock has been banished from the S&P 500, and Chrysler Group's share value has declined by one-third relative to pre-merger values. Unlike the Mercedes-Benz and Smart Car Division, which posted an operating profit of EUR 830 million in Q3 2000, the Chrysler Group has been losing money at an alarming rate. In the same quarter, it lost $512 million. In 1998 Daimler bought Chrysler for $38 billion. In 2007 was Chrysler sold for $7.4 billion.

NISSAN RENAULT ALLIANCE

The study of the Nissan Renault alliance is an example of a strategic partnership between Japanese automaker Nissan and French automobile manufacturer Renault. Prior to the alliance, Nissan was facing huge operational issues leading to massive cuts in production and continued losses. Such inefficiencies affected their solvency and they had accumulated a substantial amount of debt (approximately US$200million).

Furthermore, the Japanese company was suffering from their Keirtesu partnerships. These Keirtesu partnerships were backed by the Japanese tradition of holding equity stakes in their partner companies. This led to a massive lock up of capital in many of Nissan's partner companies and an inability to free their investments when it was required to improve their operational and financial position.

Nissan had approximately US$4 billion invested in many of their partner companies and were not entitled to managerial benefits from these investments. Such a situation called on for urgent steps to be taken by the management of Nissan to encourage a turnaround. Rather than resorting to traditional forms of corporate restructuring, Nissan and Renault decided to engage in a cross-shareholding agreement. This sort of alliance was unique in the automobile industry during their times and such a consolidation model was later adopted by many automakers such as General Motors and PSA Peugeot Citroën, PSA Peugeot Citroën and Mitsubishi and Volkswagen and Suzuki.

Nissan looked through a number of options and in 1999 signed a cross-shareholding deal with Renault. Research proved that creating such a common platform for common organizational processes and synergy-based activities is the most conducive for knowledge transfer. Renault acquired 37 per cent of Nissan stock, (increased to 44 per cent in 2001) and Nissan also acquired 15 percent of Renault - while maintaining their individual brand names and independent corporate cultures, but agreed to share their knowledge of what they did best: for Renault they were very good in was design and management, for Nissan they were leaders in manufacturing and engineering.

In the Nissan- Renault alliance, Renault offered Nissan the much required financial support and global management skills, whereas Nissan contributed to Renault's manufacturing capabilities, since Nissan was world renowned for consistent world class manufacturing skills. We can assess the success of the alliance by delving into the performances of both the companies.

Since the agreement, Nissan has achieved a remarkable financial turnaround from the pre agreement financial mess they were in. Renault has used the technical expertise and knowhow of Nissan to strengthen its production and financial performance. Their combined vehicle sales increased from 4.9munits in 1999 to about 8.03m units in 2011. In 2011, they were the world's third largest automobile producing company.

TATA- JAGUAR LAND ROVER

The Tata acquisition of Jaguar Land Rover (JLR) from Ford Motors in 2008 is a good example of an acquisition that was perceived to be a bad deal and was criticized for its bad timing and questioned on its viability and sustainability of the deal. Following the acquisition by Tata, the demand in the global luxury market dipped as a result of the Global Financial Crisis (GFC) and Tata underwent losses.

This forced Tata to refinance its investment but now has recovered and is finally showing value by adding value to shareholders for Tata as well as from stakeholders of Jaguar Land rover in UK. Ford Bought Jaguar in 1990 and Land Rover from BMW in 2000. These acquisitions were made predominantly to penetrate into the luxury market.

Unfortunately, these acquisitions did not translate into higher sales. Following the acquisition, Jaguar was unable to generate profits and incurred up to US$ 600million per year under Ford mainly due to high manufacturing expenses. On the other hand, Land Rover was achieving good sales and profit levels. Ford was undergoing a very tough phase of losses due to the rising fuel prices, labor issues and the shrinking market demand for cars owing to the slump in the economy.

All these factors along with robust competition from its Asian counterparts lead to Ford posting an all-time lowest loss of US12.7 billion in 2006. These factors lead to Ford deciding to sell both Jaguar and Land Rover in 2007 because of the production of these two brands were connected. Tata group was India's largest commercial and vehicle producer. They were aiming at rapid growth and after acquisition of companies such as Corus Steel (Jaguar Land Rover's largest supplier) attempted to penetrate into luxury goods market with the City Rover model.

Once their launch failed, it was imperative for them to think of a strategy to create its identity in the luxury car space. Keeping in mind their struggling brand image and rising material costs, Tata went ahead with the JLR deal. Tata acquired JLR March 2008 for US$2.3 billion and following the crash of the market due to the GFC; Tata refinances the takeover with US$3bn of new long-term loans. Tata also received aid from the UK government in 2008 and a loan from the European Investment Bank in February 2010 to support the JLR operations. Tata paid Ford for the JLR deal an amount less than half of what Ford paid for both the companies. Ford Still had significant investments in Jaguar and Tata realized that it would need the support from Ford who was the primary car component suppliers to Jaguar and Land rover.

Tata went through many issues and accrued benefits too with this deal. Some of the problems Tata faced were – fall in share prices, increased debt due to high costs in UK, reduction in sales and difficulty in obtaining loans. Tata motors reported losses and suffered a slowdown in domestic sales as well. Though the company faced a lot of issues, there were many positives that came from this deal. This Acquisition relieved Ford of Jaguar – a loss-making unit and was helpful in improving their financial condition. Acquiring JLR provided Tata considerable revenue synergies, including giving Tata greater exposure and channels of international distribution, diverse range of products, up-to date customer service skills and access to the best engineering facilities.

Tata was able to reduce dependence on the Indian automobile industry as well as mature markers and focus on emerging markets. They got to the public eye and could work on their brand image. The deal did not go through friction from the employees as the deal was passed through the employees and trade unions and were The deal has been approved by the trade unions, which required Tata to commit to continuing operations at the JLR facilities till 2011 end. After the near- death experience in 2008, currently Tata and its JLR division are now profitable, aided by soaring sales by Jaguar and Land Rover, record profits by Tata and surging share prices.

PORSCHE VOLKSWAGEN MERGER

The German Dr. Ing. H. C. F. Porsche (Porsche) automobile manufacturer specializes in sports cars and a new line of all terrain vehicles. In the mid-2000s, Porsche was recognized as a leading global brand for its consistent quality and cultural icon status with models including the 911, the Boxster, and the Cayenne. The company achieved strong financial performance cementing Porsche's market dominance. Porsche's "operating profit increased from 1,204 million in 2002 to 1,832 million in 2006, representing a growth rate of 52.1%. The net profit of the company also increased to 1,368 million in 2006, an increase of 74.8% over 2005.

One of the central elements in Porsche's business model is its low manufacturing depth, which means that it does not have huge centralized production plants. Many building processes are outsourced while Porsche concentrates on its core competences of: development, engine production, quality control and sale of vehicles. This allows Porsche keep trim and agile in the luxury market.

Volkswagen AG is a manufacturer of passenger and commercial vehicles. The group markets its vehicles under the following brands: Volkswagen passenger cars, Audi, Skoda, SEAT, Bentley, Scania, and Volkswagen commercial vehicles. A strong brand portfolio enables Volkswagen provides a competitive advantage over its peers. Leading market position enhanced the brand image of the group and held investors' confidence. In 2007, the group increased the number of vehicles delivered to customers to â‚¬6.2 million, corresponding to a 9.8% share of the world passenger car market. However, rising raw material prices threaten margins of the group by increasing its operating costs

With the protection of Germany's 1960 "VW Law" that long shielded Volkswagen from takeover, no matter how poorly it performed. VW's 174,000 workers exerted huge influence over management through their Labor Union which focused on protecting jobs at the expense of efficiency. The German state, with its 20% share, typically "sided with labor over the years because they were reluctant to restructure VW's inefficient operations and eliminate jobs."

With governing bodies that cared more for jobs than future growth, VW became increasingly inefficient and entered the 21st century with "a bloated workforce, the highest manufacturing costs, and the shortest workweek [32 hours] in the global automotive industry."

Evidence of just how unruly VW had become erupted in a 2005 scandal, when evidence was revealed of millions of dollars in funds granted by management to bribe union leaders for their support. The funds were used to pay for pleasure trips, parties, and high-priced prostitutes. After being carried for many news cycles, "several managers have pleaded guilty to paying off labor officials and have been fined.

In the mid-2000s, VW was palpably vulnerable, but why a takeover bid? Why would the world's most profitable automaker sink billions into mass-market VW with its "debilitating cost structure, strong unions, and weak profits.

A closer look reveals that Porsche moved to take UW for their technology development and keep access to a production ally. In effect, though Porsche was financially stronger, it needed VW more than VW needed Porsche. Only about 20% of what makes a Porsche a Porsche-largely the engine and transmission-is made by Porsche workers. The rest is outsourced, mainly to VW. Porsche co-developed the Cayenne with Volkswagen, sharing parts, production, and development costs. The joint development and outsourced production helps fuel Porsche's profits by keeping its fixed costs and capital investments low. In addition, the planned integration of Porsche into Volkswagen and the associated, closer co-operation will realize significant synergies on both the income and the cost side. Both companies could focus on finding synergies for such items as electronic architectures and engineering work on future vehicle's circuitry platforms and common parts such as air conditioning.

For Volkswagen, the merger benefits are clear -- protection against a hostile takeover. It may also get a lift from Porsche's image and well-regarded management. VW needs the help. With profits of â,¬484 million on sales of â,¬55.4 billion in the first half of calendar 2005, VW's profit margin is less than 1%. Volkswagen has 15 times the annual revenue of Porsche-but Porsche's profit margins are seven times bigger than VW's.

FIAT-CHRYSLER PARTNERSHIP

When America's economic crisis reached its apex, domestic car manufacturers were at the forefront of struggling industries, and Chrysler was one of the hardest hit. In 2008 the automotive giant, along with fellow industry stalwart General Motors, received a $17.4-billion reprieve from the American Government to keep from closing its doors altogether.

Chrysler did lose a lot of respectability, and was ordered to cease and desist with any new product development until the company proved it could be a viable business. However, the loan from the government proved to still not be enough to get Chrysler back on its feet, and in 2009 the company filed for Chapter 11 bankruptcy.

Fiat faced its own organizational struggles in 2003-2004 before new CEO Sergio Marchionne led the Italian automotive manufacturer back to respectability. Still, after watching European car sales fall to a 17year low and needing a boost to his company's revenue, Marchionne saw the Chrysler situation as a way to get into the American market.

Chrysler's objectives in the partnership with Fiat were pretty simple: it needed a financial boost to maintain its place in the industry and new technology if it wanted to grow and advance.

After egregiously unsuccessful partnerships with Daimler-Benz and Cerberus Management Group and a multi-billion dollar loan from the American Government ended with Chrysler filing for bankruptcy, the company was in desperate need of a method to regain viability.

Although Chrysler received no money in the deal, it will emerge as a new, leaner group minus billions in debt, 789 underperforming dealerships, and burdensome labor costs, not to mention gaining Fiat's technology to build new environmentally friendly, fuel efficient, high-quality vehicles. Fiat's objective in the partnership was to provide a financial boost to its own company without accumulating additional debt.

Fiat, Italy's largest auto manufacturer, would like to expand its market to become a global competitor. Fiat CEO Sergio Marchionne believes that to compete with General Motors, Volkswagen, and Toyota, the merged Fiat-Chrysler will need to produce 5.5-6 million cars a year, compared to its current output of 4.1 million.

Fiat has the capital, new technologies to develop high-efficiency cars, and reverence from Ferrari and Maserati fans that will allow Chrysler to regain its place among top domestic auto manufacturers in the United States. Fiat will share with Chrysler its platforms and powertrain technology, including engines, transmissions, and fuel-saving technology. Through Fiat, Chrysler will also get better distribution of its products in Europe, India, Brazil and China.

Chrysler is the 3rd-largest U.S. auto company and is a trusted brand with the international appeal, customer base, and facilities that will allow Fiat to become a serious competitor in the global automotive manufacturing market. Chrysler was also in no position to be patient for an extended period of time. While its factories sat idled during the bankruptcy process, the automaker reportedly lost 100 million per day.

The partnership between Fiat and Chrysler, which is still an ongoing process, is being approached in phases. Initially Chrysler agreed to give Fiat a 35% holding in return for an influx of new engines and platforms, research and development, and help retooling its plants. This approach allowed both organizations to ease into the partnership, without either side immediately taking on too much debt or risk.

Looking to avoid the management mistakes that doomed Chrysler’s partnerships with Daimler and Cerberus, Fiat CEO Sergio Marchionne has made it clear that Fiat/Chrysler will run as one company. As Mr. Marchionne announced at a media briefing, “This management team spends their time traveling and making decisions, but this thing runs as one house. There is no question about who runs what; I run one company".

Fiat's decision to merge with Chrysler was an easy one from a business standpoint, but not so much from a legal, financial, and logistics aspect. Fiat now owns a 58.5% holding in Chrysler Group with the challenge being to lift its stake to 75%, at which point it will be able to use the American firm's cash flow to finance itself.

The obstacle is the United Automobile Workers union, which owns the other 41.5% of Chrysler. As of now, the two sides are locked in a legal battle over pricing, with Fiat offering $140 million for the remaining shares while the AUW values the contested holding at a minimum of $342 million.

Another consideration is how Fiat will pay for the shares once a price is determined. Fiat CEO Sergio Marchionne has stated that Fiat has the finances to purchase the remaining Chrysler stock, but the more Fiat is forced to pay, the more fresh equity it will need to raise to avoid a credit downgrade. Reports have said that Fiat is in talks with numerous banks to borrow as much as $10 billion, with the plan of purchasing the remaining Chrysler stock and refinancing the company's $6.1 billion in debt as well as its own $2.6 billion revolving credit line.

The Chrysler Group, the 3rd largest automobile manufacturer in the United States, is in dire financial trouble. The American economic crisis left Chrysler struggling to stay afloat and eventually needing a bailout loan from the government to keep from closing its doors completely. After unsuccessful partnerships with Daimler-Benz and the Cerberus Management Group, Chrysler eventually filed for Chapter 11 bankruptcy, with the stipulation that they would not be able to perform any organizational activities until they proved that they could be a viable institution.

Fiat Motors, Italy's largest automobile manufacturer, is looking for an inroad to the North American market that will allow it to compete on a global scale with General Motors and Volkswagen. The partnership between Fiat and Chrysler will allow both organizations to reach their objectives.

8. CASE STUDY: NISSAN AND RENAULT: A MEGA MERGER

RENAULT NISSAN MITSUBISHI

The **Renault–Nissan–Mitsubishi Alliance** is a Franco-Japanese strategic partnership between the automobile manufacturers Renault, based in Paris, France, Nissan, based in Yokohama, Japan, and Mitsubishi Motors, based in Tokyo, Japan, which together sell more than 1 in 10 cars worldwide. Originally known as the **Renault–Nissan Alliance**, Renault and Nissan became strategic partners in 1999, and have nearly 450,000 employees and control ten major brands: Renault, Nissan, Mitsubishi, Infiniti, Renault Samsung Motors, Dacia, Alpine, Datsun, Venucia, and Lada. The car group sold 8.3 million cars worldwide in 2013, behind Toyota, General Motors, and Volkswagen Group for total volume. The Alliance adopted its current name in September 2017, one year after Nissan acquired a controlling interest in Mitsubishi and subsequently making Mitsubishi an equal partner in the Alliance.

As of January 2018, the Alliance is the world's leading plug-in electric vehicle manufacturer, with global sales since 2010 of over 500,000 electric vehicles, including those manufactured by Mitsubishi, now part of the Alliance. The top selling vehicle of the Alliance EV line-up is the Nissan Leaf all-electric car. The Leaf is also the world's best-selling highway-capable plug-in electric car in history, with more than 300,000 units sold worldwide through January 2018.

The strategic alliance partnership between Renault, Nissan and Mitsubishi is not a merger or an acquisition. The three companies are joined together through a cross-sharing agreement. The structure was unique in the auto industry during the 1990s consolidation trend and later served as a model for General Motors and PSA Group, and Mitsubishi, as well as Volkswagen and Suzuki, though the latter combination failed. The Alliance itself has broadened its scope substantially, forming additional partnerships with automakers including Germany's Daimler, China's Dongfeng Motor, and Russia's AvtoVAZ.

THE ADVANTAGES AND DISADVANTAGES OF THE ALLIANCE

The “Alliance” between Renault and Nissan has made possible many joint projects such as the gasoline tank, the steering-wheel stabilization system, and also led to the creation of institutional entities for “strategic command and operational coordination” Since Renault and Nissan have successfully become partners in a new equity joint venture by combining their knowledge, they have reinforced their position as a worldwide leader automaker. For instance, common structures called Renault-Nissan Information Services (RNIS) and Renault-Nissan Purchasing Organization (RNPO) have finally changed their mutual expectations, the scope of their partnership, and the meaning of their union. Research demonstrated that the development of a joint platform is a means of setting up common organizational routines and synchronization mechanisms that make possible the effective transfer of knowledge.

One of the most significant advantages was the joint platform. Nissan planned two small cars with in depth studies and Renault three potential cars. However, their schedule wasn’t as intense as that of the Nissan vehicles, but were rather stretched and targeted for a higher level of performance in comparison with their Japanese counterparts. According to the functional task team, the wheel base which Nissan was building was not suitable to Renault’s level of expectations, probably because of their approach of different markets. Yet, additional research and development costs would have increased risk of failure of the joint project and weakened the alliance, so Renault's small and medium wheel base design was adopted instead. Of course, project managers should allow both firms to innovate and come to a common decision rather than relying on the authority of the main shareholder, Renault. Nevertheless, the delay in the first phase might have been deadly to Nissan. Within the organization, work was to be coordinated among distant teams, who had their own organizational systems, their own methods, scheduling and course of action. Merging teams was not an alternative. Both manufacturers wanted to maintain their autonomy and the alliance was still too unstable to sustain a rapid process of integration.

One of the projects that the common platform had to support was shared components without any deficiencies in functional performance or delays that could affect either Renault or Nissan. As a result, any shared component must meet the requirements of every platform's vehicles. This is one of the major challenges because from a design approach, the diverse vehicles were most likely to have conflicting requirements. For instance, the climate control system is generally expected to work continuously in Japan, with a relative low rate of air flow, whereas, in Europe, the cooling system is expected to work intermittently, but silently and at a relatively higher rate of flow. Moreover, the amount of space in which to install the system varied from model to model. In these conditions, it would have to reach the highest ratings in an extensive range of performance requirements to comply with this list of constraints essential for an innovative architecture.

Cultural diversity, linguistic obstacles and physical distance gap in collaborative projects often justify most issues. Although these factors have signified a significant role in the alliance, it is apparent that the constraints of the design program were the major barrier. As such, this obstacle led to three harmonization problems. Firstly, Renault and Nissan adopted a collaboration model based on the concept of delegation. In terms of delegation, functional requirements were not clear, complete and shared components must meet clear specifications to be certified by numerous protocols. Secondly, the specifications were complicated to convey because they were ambiguous. Consequently, the cooperative process is mainly focused on the evaluation of resources and understanding of concrete solutions. Furthermore, even if the Renault engineering team reaches a consensus on the efficient specifications with the Nissan engineering team, they will have divergence on the method implementation should be accomplished. It is logical to expect many minor issues in cooperative design processes that partners will inevitably deal with when planning design methods. But when it becomes a severe issue, both parties were disadvantaged. This is why they applied a double validation process to decide whether Nissan and Renault should continue their efforts toward a joint solution or end their collaboration on particular tasks. It is important to notice the ability of partners to come across a feasible solution when issues arise.

The alliance has provided advantages to both companies. They can progress into foreign markets faster and with lower costs because they don’t have to build new plants. Renault builds cars in Nissan’s Mexico plants and Nissan uses Renault’s Brazil plant and distribution networks. The sales network of both companies is harmonizing itself and each manufacturer benefits from the technical expertise and organizational know-how of its partner. Nissan and Renault are collaborating on building universal platforms, with shared components and where companies lead engine design in their area of expertise. For example, Renault specializes in diesel as well as in innovation and Nissan focuses on gasoline and the manufacturing process. They’ve increased their purchasing power because they buy supplies for twice as much cars (6 millions). Consequently, the alliance has boosted profitability, market capitalization and sales in 192 for both partners.

REASONS FOR AN ALLIANCE INSTEAD OF MERGER AND THE BENEFIT FROM SYNERGIES

The making of the alliance was motivated by the enthusiasm of Ghosn to develop potential synergies, where both firms maintain their operational freedom. The foundation of the alliance focuses on the need for the negotiation of a formal equity joint venture because Renault and Nissan must evaluate their partners’ equities, capabilities and willingness to cooperate before selecting the right hierarchy. Renault was willing to implement a common platform, which would generate significant economies in development costs, industrial equipment and purchasing. This strategy has been frequently adopted by automakers such as Daimler-Chrysler in the United States or Volkswagen and Skoda in Eastern Europe, as a means of bringing the engineering teams together and of sharing and developing knowledge. From an economic point of view, the alliance between Renault and Nissan can be perceived as a mean of integrating two companies in order to improve coordination and achieve cost reductions. Furthermore, even in case of integrating conflict, stimulating competition between Renault and Nissan, they would both reduce their costs by benefiting from economies of scale, and thus, increasing their bargaining power towards suppliers. It can be noticed that the engineering teams weren't merged, but worked independently from one another in the first years of the alliance in order to reduce management costs and avoid permanent commitments.

The teamwork is open-ended to preserve a sense of equality between the partners and encourage both sides to contribute in their own fashion. As a matter of fact, both Renault and Nissan were free to withdraw from the alliance at any moment should an irreconcilable divergence of interests arise. As a result, the removal of shared components from the span of the platform could be necessary when its development appeared too difficult or too hazardous because it isn't worth producing and developing a common component if expenses exceed projected benefits. Besides, since October 30, 2001, Renault owns 44% of Nissan, which owns 15% of the French firm similar to keiretsu cross-sharing operation. This strategy secures operational independence to both firms in the long run, allowing them to forecast cooperation strategy in the fields of expertise and resources required for successful co-development project. By conserving its autonomy and the Japanese-based corporate culture, Nissan successfully implemented a management decision-making process elaborated by Renault.

Carlos Ghosn gives a lesson of liberalism to explain his vision where two foreign firms build mutual respect and trust to pursue a common goal: "We ask every single team not to do anything for the sake of the other teams. Pursue your own interests, growth and profitability. Because you are doing this, you will seek synergies". This is the reason why Renault decided to build an alliance not a merger.

IMPORTANCE OF CORPORATE CULTURE

An important issue in the Nissan-Renault alliance relies in the management of two different cultures. In order for the combined share of ideas and strategic management to be effective, the employees of both companies must respect the identities of their fellow colleagues as well as their values. If this critical first step isn't met and members in a particular team act disrespectfully and selfishly towards their teammates, an organization is bound to self-destruct in a short time of period. This explains why when a French worker happens to interact with a Japanese co-worker, for example when Carlos Ghosn is communicating with a Japanese executive at Nissan, one does understand the cultural background of the other. This outcome results from Ghosn excessively investing in cross-cultural training programs, having over 1500 employees from Renault learn about the Japanese business culture and 400 Nissan employees study the French culture. This is a positive first step in order to create a successful alliance of two different cultures.

After mentioning the French and Japanese cultures, it's important to thoroughly understand their differences in order to view how Ghosn will go about them. To achieve this, it would be considered relevant to demonstrate how certain of "Hofstede's Cultural Theories" can apply to the case of Nissan and Renault. Firstly, Japanese societies are known to be more collectivist, and the contrary can be affirmed about French societies relying heavily on individualistic efforts from employees. As is, Nissan was previously working and abusing the concept of groupthink, where the decision process evolved around people who thought alike. Then Ghosn arrives and right away cuts 21,000 jobs, closes down five factories and terminates most of the relationships with the suppliers within the keiretsu procedures that almost caused a major cultural crisis in Japan thus possibly resulting in the failure of the alliance. Moreover, in the Japanese culture, a young employee is prohibited from managing a colleague who is older in terms of age as well as seniority. As such, when Ghosn arrived in the company and began restructuring the management process, his new system of promotion was based strictly on performance, no matter what the age of the employee. Consequently, this caused much confusion and frustration among the Japanese workers from Nissan and Ghosn was indirectly forced to implement a new "system of double hierarchy", merely a consideration of both cultures working together in the English language. Finally, many ex-employees of Nissan would argue that the company was in desperate need of re-structuring their apparently homogenous culture. It would help in explaining why he delayered the structure of the company by cutting 21,000 jobs mainly because of job redundancy causing one department to blame the other department for a problem that should be shared and analyzed by the company as a whole.

THE POSSIBILITY OF GM ENTERING THE ALLIANCE

To this moment, the alliance between Nissan and Renault has resulted in relative success thanks to the efforts and strategies of Carlos Ghosn. This success story raised significant interest on behalf of billionaire investor Kerk Kerkorian, who possesses 9.9% of GM's shares. Ever since late June of 2006, Kerkorian has been insisting GM's CEO Rick Wagoner to begin negotiations with Renault's top guy, Carlo Ghosn, to possibly create a three-way alliance with Nissan- Renault. This alliance would allow the companies as a whole to sell approximately 14.3 million cars and trucks annually, representing total revenues adding to $327 billion, which would definitely surpass the performance of archrival Toyota. Thus, the trio would be able to work more efficiently and realize cost savings and value creation reaching $10 billion. On the same aspect, the GM alliance would allow for huge economies of scale, including an increase in bargaining power over their suppliers because of their magnitude.

Unfortunately for Nissan-Renault, GM has a long history of failed alliances with automakers such as Isuzu, Fiat and Subaru's maker Fuji Heavy Industries. This, on top of the reported $10.6 billion loss last year doesn't inspire Ghosn. Moreover, some analysts estimate that the alliance would cost $3 billion in order for Nissan-Renault to have a 20% equity stake in GM, a large sum of money that could be invested in other production plants or could have been redistributed to their rightful shareholders. According to Ghosn, he would need anywhere from 34% to over 50% of control in order to fix GM. Finally, on top of being extremely time-consuming for Ghosn to operate a third carmaker, an important consideration for Ghosn is what to do with labor unions considered popular in the United-States with the United Auto Workers. Ghosn would find it particularly challenging to lay-off 21,000 unionized workers and closing plants down if restructuring was needed. The

American culture is quite different from the Japanese, and these types of actions would cause much more than a cultural crisis! In the end, GM ceased negotiations with the possible alliance because the company feared inferior profits compared to what Nissan-Renault would profit from the alliance and because this arrangement would prevent GM from pursuing other partnerships.

EVALUATION OF NISSAN BEFORE AND AFTER THE ALLIANCE

In 1999, following the alliance, Nissan needed Renault's cash to reduce its debt and Renault wanted to learn from Nissan's success in North America which is essential for Renault to expand in its market. The alliance's success depended on Nissan turning into a profitable company again. Nissan went through various changes to regain its profitability and competitiveness.

Before Nissan agreed to the alliance, it was in significant debt problem in 1999. The debt had amounted to $ 11.2 billion, and it prevented Nissan from making necessary investments in its aging product line. Nissan had cut back on investments in order to save money, although its products were too old to compete with others. However, the competitors' new products came out every five years. Though 'March' had had a few updates, this outdated product was competing for 25% of the Japanese market and for the similar portion of European market. The rest of the car lines weren't much different from March, and had similar problems. One of the reasons for its financial difficulty was its keiretsu partnerships. Japanese believed maintaining equity stakes in partner companies would promote loyalty and cooperation between the customer and the suppliers, and Nissan also invested in hundreds of different companies. The company had more than $4 billion invested in different companies on which the company did not have any managerial leverage. Moreover, in some cases, Nissan even invested in its competitors such as Fuji Heavy Industries. This large amount of money was locked up and could not be utilized for Nissan's own good.

Renault paid off Nissan's huge debt in return of 36.6% equity stake in the Japanese company. However, that didn't mean Nissan had regained its profitability. It had to go through massive changes in its system. First, Nissan had retrieved itself from the keiretsu.

People thought that the cross sharing of equities of both partners would harm the relationships between Nissan and their suppliers, but the relationships became even stronger. Suppliers didn't care what the company does with their shares as long as it was their customer.

They had clear distinction between customer and shareholder. In fact, Nissan's sell-off had increased the profitability of suppliers to whom they delivered price reductions. At the time, breaking up with keiretsu seemed radical, but now many other Japanese companies are following Nissan's lead. The personal management also had changed. As previously mentioned, Nissan now evaluates employees based on their performance in the company, not on how long they worked for the company. Moreover, following the alliance, nearly 14,000 employees were unemployed. This change contributed to maximizing the utilization of personnel. The overall changes were very successful. The operating profit had increased from $6.8 million to $2.4 billion, and operating margin had increased from 1.4% to 4.75%. They show Nissan's success in making use of its assets and success in alliance.

WORLDWIDE DOMESTIC CONDITIONS AFFECTING NISSAN-RENAULT

As entering a new market or trying to fit in the existing market, which strategy the firm should follow always varies with the host country's condition at that point. Nissan-Renault has been affected by conditions such as voluntary export restraints, tariffs of Europe, need of new light commercial vehicles in India, and European Commission's new rules. When Japanese automobile companies first entered the American market back in the 1970s, many of the American automobile companies were threatened by those Japanese low price and high quality cars. Therefore, the American government introduced voluntary export restraints to limit the number of cars coming into the United-States. The restraint increased 14% of the price of Japanese automobile. Hence, this led consumers to switch to American automobiles. As a solution, instead of trying to be recognized as low priced small cars, Japanese automobile companies, including Nissan, started to introduce luxury cars and trucks to the market and to build their plants on American soil. Therefore, voluntary export restraints eventually served to boost the demand for Japanese automobiles as well as to create new markets for the Japanese automobile companies: trucks and luxury vehicles.

Moreover, similar events happened when Nissan entered the European market. Because of the high export tariffs and the delivery costs to its European consumers, Nissan decided to also build their plants on European soil. The plant was completed in 1986 and since then, it has been one of the most productive plants in Europe. And it is predicted that by year 2007, Nissan's European soil is going to be producing about 400,000 cars per year.

When entering the Indian Market, Nissan-Renault has benefited from the instant elimination of competition. Because of the need for new light commercial vehicles in India, the Indian government has permitted Nissan to sell vehicles in their market. Therefore, because it was permitted and supported by the government itself, it was very easy and simple for Nissan to operate in India. Also, once Nissan established their quality and built their dealer networks in India, as a next step, they could move forward and compete with Telco in the Medium truck market. Of course Telco wanted to stop them by also entering the light commercial vehicles market. However, because the Indian government restricted Telco to produce automobiles heavier than 6 tons gross weight, Telco cannot do anything except wait until Nissan becomes bigger and compete with them.

The domestic conditions that have been affecting the Nissan-Renault not only helped them grow but also caused them difficulties to operate. The European Commission's new rule on car sales has encouraged car dealers to sell various names of companies to reduce the "dominance of national champions". The law has also made it easier for the car companies that have smaller market shares in Europe. Therefore, larger companies such as Nissan-Renault now have more competition, consequently making it harder for them to be recognized and sell greater quantities of cars.

THE COLLAPSE OF THE KEIRETSU HELPS NISSAN TO REMAIN GLOBALLY COMPETITIVE

As the other Japanese companies, Nissan has been supplied by keiretsu which is long- term purchasing relationship, intense collaboration and the frequent exchange of personnel and technology between companies and select suppliers. Most of the Japanese automakers depend on the keiretsu and it is very unusual for a Japanese firm to not be part of it. However, when Carlos Ghosn arrived as CEO of Nissan, he didn't want to follow these Japanese traditional rules. In his Revival Plan, he states that purchase costs, which represent 60% of the total cost, should be reduced by 20% in a three year period, and the number of suppliers, which totals 1145, should be decreased to no more that 600 companies. The CEO actually dropped all of the keiretsu suppliers, keeping only four of them. Although many people in Japan disagreed with this idea of ending so many long-term business relationships, Nissan prevailed. Ghosn claimed that the keiretsu system resulted in higher costs when purchasing automobile parts. Also, it is difficult for keiretsu suppliers to have the most advanced technology developed independently which decreases the competitiveness of Nissan in the global market. Also the collapse of the keiretsu led to increased competition among suppliers. As a result, Nissan has been able to select better quality supplies at more affordable prices.

9. DATA ANALYSIS AND FINDINGS

The global automotive industry including suppliers is an oligopoly with a handful of players dominating the market. Though the number of players is limited and access is restricted to a select few, the industry acts as a linchpin of modern economics and commerce. The global automotive industry is not only restricted to manufacturing and sales of cars & trucks but also includes auto part suppliers.

According to research report by World Market Automotive Research, ‘the automotive industry’s yearly growth rate is expected to exceed 5.5% from 2010 to 2015, reaching a value of more than $5.1 trillion by 2015’. Market Line also reported that global automotive retail sector will have total revenues of $4,911.9 billion in 2011, representing a compound annual growth rate (CAGR) of 2.2% between 2007 and 2011. Also, the auto dealers segment was the most lucrative of all sectors lucrative in 2011, with total revenues of $2,135.2 billion, equivalent to 43.5% of the sectors overall value (Agency, Governmental)’.

It is expected that the automotive sector will have an anticipated compounded annual growth rate of 8% from 2011 to 2016 and the overall sector will have a valuation of 7202.9 billion dollars (Agency Government). The International Organization of Motor Vehicle Manufacturers considers the auto industry as the primary driver of global economic growth. The organization has proclaimed that the global automotive industry is the leading employer as more than nine million people are involved in manufacturing sixty million vehicles, and precisely it sums up to be the five percent of all global manufacturing jobs. Automotive industry also is widely connected with various other industries such as metals, plastics rubber etc., and involves significant research and development. In 2008, four major companies namely, Toyota Motor Corporation, General Motors Corporation, Daimler AG and Ford Motor Company occupied 38% of the market share while all the combined companies of the world account for approximately 62% of the market share (Data Monitor IMAP). The global market share by region was dominated by Asia Pacific (35.80%) followed by America (30.70%), and Europe (26.70%) (Data Monitor IMAP).

The global financial crisis completely altered the course of automotive industry. Except for South Africa and Thailand, all countries were majorly affected by it. However only in 2009 gradually did the production and sales started to decline in global south, but primary markets started to improve (United Nations Industrial Development Organization). The industry is still recovering and moving forward.

The strength of the auto market recovery will be strongly associated with macroeconomic factors—employment, housing, and consumer credit flows—as well as cost factors such as gasoline prices and vehicle prices. Though the basic patterns for personal transportation are unchanged, how many people will be working and forming new households is critical to automobile demand.

The Renault–Nissan–Mitsubishi Alliance is a Franco-Japanese strategic partnership between the automobile manufacturers Renault (based in Paris, France), Nissan(based in Yokohama, Japan) and Mitsubishi Motors (based in Tokyo, Japan), which together sell more than 1 in 9 vehicles worldwide Originally known as the Renault–Nissan Alliance, Renault and Nissan became strategic partners in 1999 and have nearly 450,000 employees and control ten major brands: Renault, Nissan, Mitsubishi, Infiniti, Renault Samsung Motors, Dacia, Alpine, Datsun, Venucia and Lada. The car group sold 10.6 million vehicles worldwide in 2017, making it the leading vehicle manufacturer in the world. The Alliance adopted its current name in September 2017, one year after Nissan acquired a controlling interest in Mitsubishi and subsequently making Mitsubishi an equal partner in the Alliance.

As of January 2018, the Alliance is the world's leading plug-in electric vehicle manufacturer, with global sales since 2010 of over 500,000 electric vehicles, including those manufactured by Mitsubishi, now part of the Alliance. The top selling vehicle of the Alliance EV line-up is the Nissan Leaf all-electric car. The Leaf is also the world's best-selling highway-capable plug-in electric car in history, with more than 400,000 units sold worldwide through March 2019.

The strategic partnership between Renault, Nissan and Mitsubishi is not a merger or an acquisition. The three companies are joined together through a cross-sharing agreement. The structure was unique in the auto industry during the 1990s consolidation trend and later served as a model for General Motors and the PSA Group, and Mitsubishi, as well as Volkswagen and Suzuki, though the latter combination failed. The Alliance itself has broadened its scope substantially, forming additional partnerships with automakers including Germany's Daimler, China's Dongfeng and Russia's AvtoVAZ.

Following the November 2018 arrest and imprisonment of Alliance chairman and CEO Carlos Ghosn, accompanied by his dismissal from both Nissan and Mitsubishi, press analysts have questioned both the stability of the Alliance's shareholding agreement and its long-term existence. These analysts also note that, because the companies' recent business strategies are interdependent, attempts to restructure the Alliance could be counter-productive for all of the members

According to the Alliance, it sold one in nine cars worldwide in 2017, ranking as the world's largest producer of light vehicles by sales, with 10,608,366 units sold. In 2017, the Renault-Nissan-Mitsubishi alliance recorded an increase of 6.5% compared to 2016.

Alliance 2017 sales	
Renault	3,761,634
Nissan	5,816,278
Mitsubishi	1,030,454
Total	10,608,366

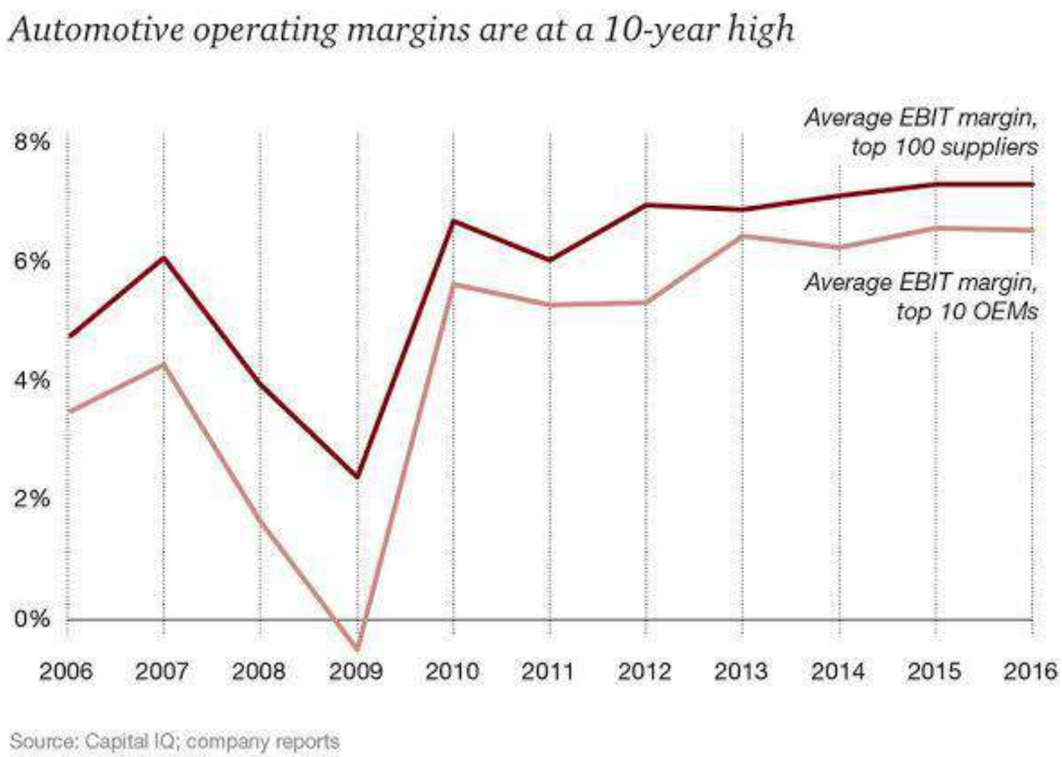
In July 2013, Renault-Nissan CEO Carlos Ghosn confirmed the development of an all-new car platform in India to meet the demands of new car buyers in the fastest growing economies of the world. The platform, code named CMF-A (Common Module Family - Affordable), is being designed and engineered in India and it is the first all-new vehicle platform designed jointly from the ground up by both Renault and Nissan teams. The first cars on the platform will roll out in 2015.

The CMF-A cars will come from the Renault–Nissan Alliance plant and technical center in Chennai, which opened in 2010. The first vehicle to be produced was the Nissan Micra. Starting in 2011, the plant began building the Renault Koleos and Fluence. The factory is located in the Oragadam Expansion Scheme and represents an investment of about €800 million over seven years from February 2008 to 2015. The plant – which has full stamping, body, paint, plastic, trim and chassis shops with two test tracks—will have the capacity to produce 400,000 vehicles a year at full ramp up.

The plant can produce four separate platforms and eight body styles in random production order. Both sub-assembly and parts supply to the line are totally flexible. Efficiency is improved by having bumper and plastic moldings produced on site while the assembly line boasts a highly efficient logistics layout with a 100% kit supply system to the lineside which saves operators having to pick parts from more than one place reducing the need to walk to collect parts. This is a development of what Nissan does at its Oppama, Japan and Sunderland, UK facilities. The Renault team supports powertrain development, vehicle engineering, information systems, as well as styling and special project support for Renault's Mumbai-based design studio.

RECENT TRENDS IN AUTOMOTIVE MERGERS & ACQUISITIONS

The global auto industry is more challenged than many people realize. On the surface, performance is strong. Worldwide sales reached a record 88 million autos in 2016, up 4.8 percent from a year earlier, and profit margins for suppliers and auto makers (also known as original equipment manufacturers, or OEMs) are at a 10-year high. Nonetheless, viewed through the lens of two critical performance indicators, the industry is in serious trouble.

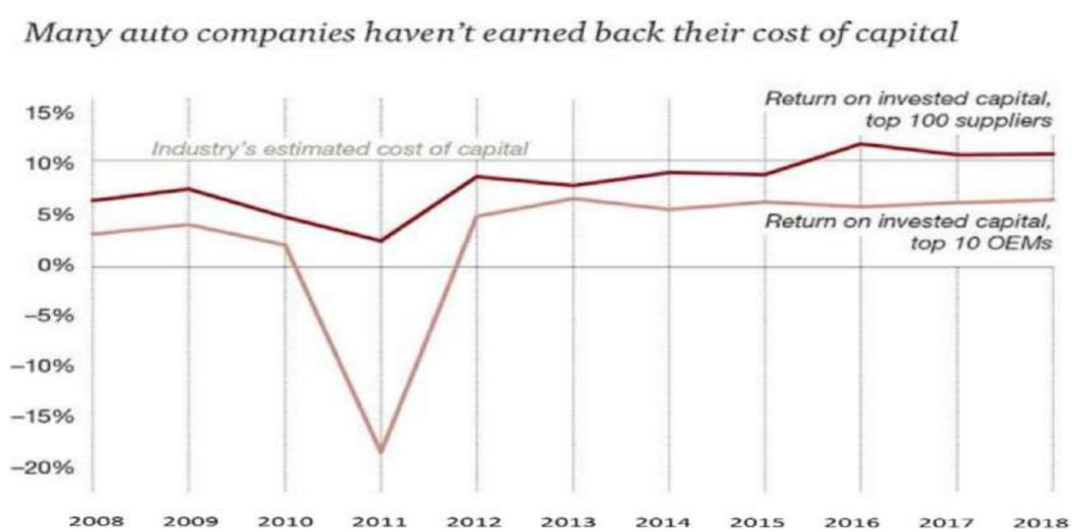


First, total shareholder return (TSR): Over the last five years, the annual rates of return that the S&P 500 and Dow Jones Industrial Average achieved for investors (including dividends) were 14.8 percent and 10.1 percent, respectively. In that period, average auto maker TSR was only 5.5 percent. Second, return on invested capital: In 2016, the top 10 OEMs returned an anemic 4 percent, about half of the industry's cost of capital. The leading 100 suppliers have done a little better, just beating their costs of capital to enjoy a small positive return, after many years of negative net returns.

These numbers almost outweigh the positive sales and earnings results. They paint a picture of a sector that is a less attractive or less lucrative place to invest than other industries. This assessment suggests that there will be relatively few winners in the auto industry during the next five years and beyond. Those that do stand out will be the companies that harness their limited capital resources in creative ways, to navigate a still-unfolding and unfamiliar landscape.

To be sure, rates of return on capital have been a problem endemic to the auto industry for years, which is one reason for the many bankruptcies — or near liquidations — among OEMs and suppliers, particularly in the past decade or so. Surviving automotive companies have famously bent over backward to save pennies on every car or component they make. However, the situation is becoming more dire. The cost of capital is unlikely to come down from its already low inflation-adjusted levels, and new capital outlays are rising for advances in, among other areas, connected car and autonomous driving technology.

Indeed, what is particularly notable about the current wave of innovation in automobiles is not so much the speed with which it has emerged as the breadth of the innovation — how much it is altering the basic contours and features of the traditional automobile and amplifying the difficulty and cost of manufacturing cars. Ubiquitous electronics, a variety of digital services, and novel powertrains and connectivity systems are hastening the need for expensive new parts, components, and functions. For OEMs, the price tag is high — as much as 20 percent greater than the cost of the previous generation of automobiles.

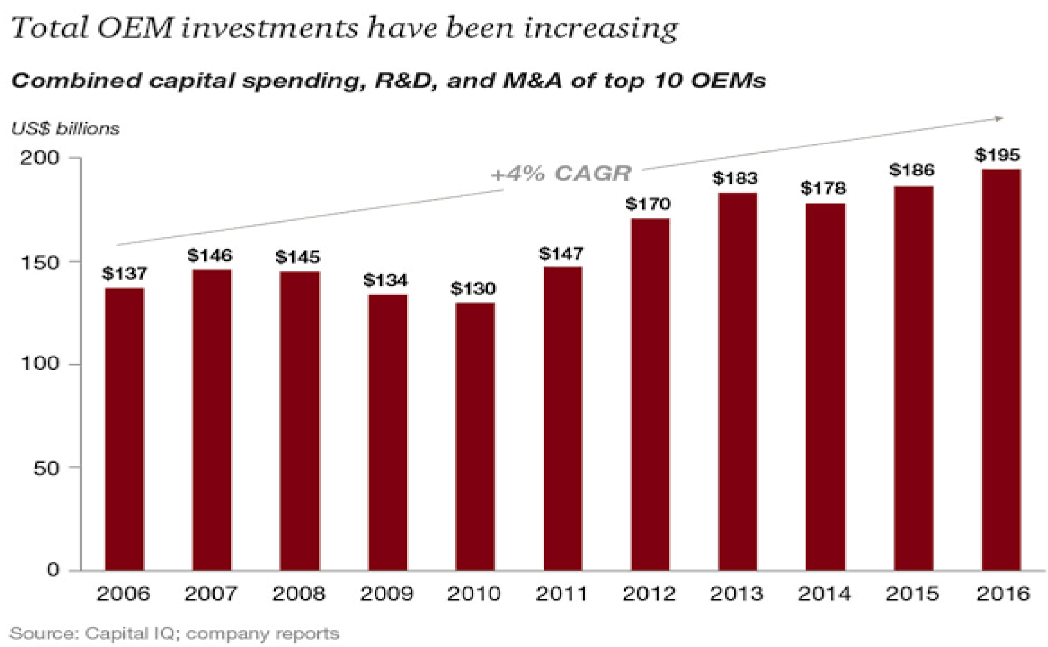


Consider the car's interior, until recently a relatively stable component in terms of engineering and value to the automobile. Now, interior surfaces are potential real estate for ambitious enhancements of safety or entertainment. New technologies such as 3D laminated glass, haptic sensors, and augmented reality heads-up displays — which offer drivers alerts, safety aids, and warnings on invisible screens embedded in the windshield — have entered the vocabulary of traditional suppliers. Large navigation and entertainment display screens in the dashboard offer Web-based information and media as well as data arrays picked up from networked roads and other cars. The autonomous car will further up the ante, and soon. It will change the "living space" dimension of automotive interiors. The front seat may be reoriented to face the back seat, so passengers can converse as they would in their living rooms while the car cruises to a destination. Or seats could face a windshield that's become a large movie screen. Little wonder, then, that vehicle electronics could account for up to 20 percent of a car's value in the next two years, up from only about 13 percent in 2015.

Taken as a whole, innovation-related challenges are reshaping traditional auto industry structures and relationships — in particular, by threatening the existing distribution of profits and the boundaries between OEMs and Tier One or Tier Two suppliers, as well as between automotive and tech companies. Some suppliers will fold, as their business goes away completely, and others will struggle because changes in technology content will bring OEMs or non-automotive suppliers into their markets as new competitors. Decisions about investments and industry alliances that are being made now will determine the dominant positions of tomorrow.

The rising cost of safety and environmental regulations is also a concern for the industry. In the U.S., potential regulatory relaxation under the new administration has stirred at least some hope that higher costs associated with tightened emissions standards might arrive more slowly or even be avoided. However, there is a question whether a change in federal U.S. regulations would make a significant difference because individual U.S. states — and the whole of Europe — can continue to push for stricter standards. In addition, the regulatory requirements in other parts of the world are quickly catching up to those in the more regulated countries. For instance, China now has emissions standards for large cities similar to Europe's, with only a brief (one- or two-year) grace period for smaller cities.

Moreover, the real environmental challenges that underlie these trends are not going away and will ultimately have to be confronted.



Considering these disparate pressures on costs, there is no easy formula that OEMs or suppliers can use to improve their return on capital. The solution will likely come from a combination of actions. Part of the answer lies in consolidation, which reduces industry capital requirements by eliminating competition and combining two manufacturing and design footprints into one. To a degree, these goals explain 2016's robust supplier M&A volume, continuing the trend of the previous year's record deal value. However, consolidation is not the only solution — and in fact not even an attractive solution for companies struggling to fund new innovations. Auto makers in particular will need to examine other strategic channels for relief. We believe that OEMs should consider three actions:

10.CONCLUSION & RECOMMENDATIONS

It is a well-known fact, that globalization is creating moulds and integrating us in ways which we never dreamed before. Not only are boundaries integrating but also businesses are consolidating and creating cross border transactions of values bigger than the gross domestic product of certain individual countries. Mergers and acquisitions are surely not for the faint hearted. It involves massive risks and has its own disadvantages and disadvantages. The Daimler Chrysler case was a classic example as two of the greatest auto motives of our times come together and the greatest marriage ending in a better divorce. Companies often fall into prey of acquisition syndrome without doing much due diligence. Animal spirits take over rationality and the overall benefits projected in many cases lead to unintended consequences. However not all mergers go astray. There are certainly classic stories where companies have gained from acquisitions.

Mergers and Acquisitions peak during economic booms, 2008 -2009 being exception, and tend to dip during recessionary periods. Economic booms revive animal spirits and tagged along with increasing stock prices creating a spiral effect. During recessionary times we see more of consolidation and companies throwing their arms open for acquisitions to survive. This was clearly evident in the global financial crises.

We foresee the future of automotive industry to be very bright. As the world economy grows and people move higher in the economic spectrum the demand for automotive vehicles is going to increase. Automotive companies will need to be innovative and incorporate state of the art technology. Companies need to be vigilant and the margin for error in business needs to be miniscule. General Motor's failure to understand the consumer demand by rapid production of gas guzzling sports utility vehicles was a major mistake and the company surely was punished. Such mistakes in future as well will surely be well reprimanded by the markets. We recommend that companies whether undertaking a horizontal or vertical merger need to study their partners diligently. A merger is no different than a marriage and cultural mismatches can very easily happen. Qualitative factors are as important as quantitative factors. Corporations exist to increase shareholder value and certainly care should be exercised before delving into deal making.

M&A in the global automotive suppliers' sector are occurring at an unprecedented level. However, in our view, the M&A explosion in the automotive supplier sector is just beginning to heat up. Perhaps the primary catalyst for more activity will be the efforts among many automakers to gain efficiency, improve margins, and increase scale by implementing more global architectures and platforms for their vehicle designs that can be used in any market around the world with minor modifications.

We strongly believe that the M&A boom in the automotive supplier industry still has room to grow, and there are plenty of opportunities for significant returns on investment.

10.2 RECOMMENDATIONS

M&A's are considered as important change agents and are a critical component of any business strategy. The known fact is that with businesses evolving only the most innovative and nimble can survive. That is why, it is an important strategic call for a business to opt for any arrangements of M&A.

Although M&A have been a staple in the automobile industry for over a century, recent mergers of industry giants—particularly over the past decade or so—mark an unprecedented level of consolidation. Giants are now acquiring other giants, and concern has appropriately emerged for whether such acquisitions harm the competitive marketplace and innovation pipelines.

Fears that mergers will weaken competition raise two predominant concerns, each respectively focusing on the upstream and downstream ends of the automobile industry.

There is no doubt about the growth of automobile industry. Yet the domestic companies find it difficult in the current scenario. Some of the players quit the industry. Foreign companies are adding more competition to the domestic market by launching products in both branded and generic categories. It is the bounden duty of the Government to take care of domestic companies in this industry so that they have to align themselves to the existing scenario. With numerous strengths and a growing consumer class, the automobile industry in India may face certain legacy and new issues, but it is expected to grow multifold and continue to be an attractive investment destination.

BIBLIOGRAPHY

- www.investopedia.com
- www.edupristine.com
- https://en.wikipedia.org
- www.ibef.org
- www.pwc.in
- https://en.wikipedia.org/wiki/Renault-Nissan-Mitsubishi_Alliance

Research Papers

1. Beena, S (2006): Mergers and Acquisitions in the Indian Automobile Industry: Nature, Structure and Performance. Online at http://mpra.ub.uni-muenchen.de/8144/ MPRA Paper No. 8144, posted 8. April 2008 00:26 UTC
2. Chaturvedi, Kalpana and Chataway, Joanna (2006). Strategic integration of knowledge in Indian pharmaceutical firms: creating competencies for innovation. International Journal of Business Innovation and Research, 1(1-2), pp. 27–50.
3. Weston and Mansinghka (1971) Kerin, Roger A. & Peterson, R.A.5 Global Competitiveness of Indian Automobile Industry: Trends and Strategies, Institute for Studies in Industrial Development, New Delhi, Working Paper No.2005/06
4. Pradhan Jaya Prakash & Alakshendra Abhinav; (2006), Overseas Acqusitions Versus Greenfield Foreign Investment Which Internationalization Strategy is better for Indian Pharmaceutical Enterprises? , Institute for Studies in Industrial Development, New Delhi, Working Paper No.2006/07
5. Das, A., & Kapil, S. (2015). Inorganic growth of technology sector firms in emerging markets: Influence of firm-specific factors in Indian firms' M&A Activities. International Journal of Emerging Markets, 10(1), 52-72

6. Calvert, M.E.G., & Maki, J.A. (2014). Hospital Realignment: Mergers Offer Significant Patient And Community Benefits, Center For Healthcare Economics And Policy. Retrieved from http://www.fticonsulting.com/~/media/Files/usfiles/insights/reports/hospital-realignment-mergers-offer-significant-patient-andcommunity-benefits.pdf 2015 Jan 27

A PROJECT REPORT ON

"MARKETING STRATEGY OF VODAFONE"

SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

GANESH PAL

SEAT NUMBER : 1162789

UNDER THE GUIDANCE OF

ASST. PROF. DRAKSHA KHAN

BGPS'MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

ACADEMIC YEAR: 2019 – 2020

A PROJECT REPORT ON

"MARKETING STRATEGY OF VODAFONE"

SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

GANESH PAL

SEAT NUMBER : 1162789

UNDER THE GUIDANCE OF

ASST. PROF. DRAKSHA KHAN

BGPS'MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

ACADEMIC YEAR: 2019 – 2020

DECLARATION

I the undersigned **MR.** GANESH PAL the student of T.Y.B.M.S. hereby declare that the work embodied in this project work **"A PROJECT REPORT ON MARKETING STRATEGY OF VODAFONE",** forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DRAKSHA KHAN.**

Is a result of my own research work and has not been previously submitted to any other university for any other degree/ diploma to this or any other university.

Wherever references has been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Place: Mumbai — Ganesh Pal

Date: — Seat number : **1162789**

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI: - 400037

CERTIFICATE

This is to certify that **MR. GANESH PAL** has worked and duly completed his project work for the degree of bachelor of management studies under the faculty of commerce in the subject of and his project is entitled, **"A PROJECT REPORT ON MARKETING STRATEGY OF VODAFONE",** under the guidance of **ASST. PROF. DRAKSHA KHAN.**

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any degree and diploma of any university .

It is his own work and facts represented by his personal findings and investigations.

Place: Mumbai
Date:

ASST.PROF. Draksha Khan	ASST. PROF. DRAKSHA KHAN
BMS Course Coordinator	Internal Project Guide
Principal	External Examiner
	Signature & Date

ACKNOWLEDGMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project. I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal,** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Course Co-ordinator ASST PROF. DRAKSHA KHAN**, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Asst. Prof. Draksha Khan** whose guidance and care made the project successful. I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my **Parents and Peers** who supported me throughout my project.

EXECUTIVE SUMMARY

India, like many other countries of the world, have adopted a gradual approach to telecom sector reform through selective privatization and managed competition in different segments of the telecom market. The Indian telecommunications industry is one of the fastest growing in the world and India is projected to become the second largest telecom market globally.

Vodafone Essar in India is a subsidiary of Vodafone Group Plc and commenced operations in 1994 when its predecessor Hutchison Telecom acquired the cellular license for Mumbai. In one of the biggest brand transition exercises in recent times, Hutch, country's fourth-largest mobile service provider was renamed Vodafone. With the entry of Vodafone, which is the world's leading international mobile communications company in the Indian Telecom sector the Indian consumers have benefited in terms of better products and services? This has had a considerable impact on the users as well as the service providers like Airtel, Reliance, Idea and Tata Teleservices.

The project work was undertaken to evaluate the marketing strategies of Vodafone in India. The data for the thesis was collected using both primary and secondary data.

Secondary data regarding growth of Indian Telecom Industry, Vodafone and its strategies in India and other related facts was collected from the website of TRAI, DOT and Vodafone.

Primary data for the thesis was collected using a structured questionnaire which was filled by 110 mobile users in Navi Mumbai region. The information collected thereon was analysed the impact of marketing strategies on the churn rate at Vodafone. I have also collected some information from Vodafone Officials using structured interview.

It was found that in Navi Mumbai, Airtel leads the subscriber tally vis-à-vis Vodafone.

TABLE OF CONTENTS

INTRODUCTION TO INDIAN TELECOM SECTOR

INTRODUCTION

The telecom industry is one of the fastest growing industries in India. India has nearly 200 million telephone lines making it the third largest network in the world after China and USA. With a growth rate of 45%, Indian telecom industry has the highest growth rate in the world. History of Indian Telecommunications started in 1851 when the first operational land lines were laid by the government near Calcutta (seat of British power). Telephone services were introduced in India in 1881. In 1883, telephone services were merged with the postal system. Indian Radio Telegraph Company (IRT) was formed in 1923. After independence in 1947, all the foreign telecommunication companies were nationalized to form the Posts, Telephone and Telegraph (PTT), a monopoly run by the government's Ministry of Communications. Telecom sector was considered as a strategic service and the government considered it best to bring under state's control.

The first wind of reforms in telecommunications sector began to flow in 1980s when the private sector was allowed in telecommunications equipment manufacturing. In 1985, Department of Telecommunications (DOT) was established. It was an exclusive provider of domestic and long-distance service that would be its own regulator (separate from the postal system). In 1986, two wholly government-owned companies were created: the Videsh Sanchar Nigam Limited (VSNL) for international telecommunications and Mahanagar Telephone Nigam Limited (MTNL) for service in metropolitan areas.

In 1990s, telecommunications sector benefited from the general opening up of the economy. In addition, examples of telecom revolution in many other countries, which resulted in better quality of service and lower tariffs, led Indian policy makers to initiate a change process finally resulting in opening up of telecom services sector for the private sector. National Telecom

Policy (NTP) 1994 was the first attempt to give a comprehensive roadmap for the Indian telecommunications sector. In 1997, Telecom Regulatory Authority of India (TRAI) was created. TRAI was formed to act as a regulator to facilitate the growth of the telecom sector. New National Telecom Policy was adopted in 1999 and cellular services were also launched in the same year.

Telecommunication sector in India can be divided into two segments: Fixed Service Provider (FSPs), and Cellular Services. Fixed line services consist of basic services, national or domestic long distance and international long distance services. The state operators (BSNL and MTNL), account for almost 90 per cent of revenues from basic services. Private sector services are presently available in selective urban areas, and collectively account for less than 5 per cent of subscriptions. However, private services focus on the business/corporate sector, and offer reliable, high- end services, such as leased lines, ISDN, closed user group and videoconferencing.

Cellular services can be further divided into two categories: Global System for Mobile Communications (GSM) and Code Division Multiple Access (CDMA). Airtel, VodafoneHutch, and Idea Cellular dominate the GSM sector, while Reliance and Tata Indicom dominate the CDMA sector. Opening up of international and domestic long distance telephony services are the major growth drivers for cellular industry. Cellular operators get substantial revenue from these services, and compensate them for reduction in tariffs on airtime, which along with rental was the main source of revenue. The reduction in tariffs for airtime, national long distance, international long distance, and handset prices has driven demand.

Telephone penetration in India (Total working lines)

1968	1998	2008	2010	2014
0.8 million	18.6 million	333.84 million	650 million	970.97 million

Source: Indian Department of Telecommunication

Indian Telecom: A Tale of Stupendous

The past decade has seen an exponential growth in the Indian Telecom Sector. In the year 2000, Telecom Regulatory Authority of India (TRAI) Act was amended and in 2001, Telecom Disputes Settlement and Appellate Tribunal (TDSAT) started its functioning. In 2002, Bharat Sanchar Nigam Limited (BSNL) entered into GSM cellular operation and made incoming calls free for the first time and since then there is no looking back. Currently, the call rates in India are one of the lowest; to the extent where some operators are even offering Per-Second-Billing. Despite the financial slowdown, the industry continued its high growth rate. In 2009, the Indian Telecom sector contributed 5.65 to the country's Gross Domestic Product (GDP) and attracted a Foreign Direct Investment (FDI) of over $2 billion. India is Third in the world in terms of the number of Telecom subscribers. In addition to this, India has the second largest wireless network in the world, next only to China. The government initiatives like announcement of 3G policy and WiMAX rollout are bold steps in serving mass communications. Sharing of the basic telecom infrastructure among the major telecom players such as Airtel and Vodafone has also resulted in a pan India reach.

The Telecom Scenario can be broadly dissected into four categories:

1) Rural India: Bridging the Telecom Divide.

The emergence of Rural Market in India provides an extensive market place for mobile industry. The adoption of 3G and Broadband Wireless Association (BWA) is likely to galvanize competition and expand network coverage into the hinterlands of the country. Within a short span of 3 years, the rural tele-density has jumped from 4.5% to 19%. ExCommunications Minister A. Raja believes that the continued participation of private sector will help us achieve the target of 40 percent rural tele-density well before the set timeline of 2014.

2) India as hub for Telecom Equipment Manufacturing and Exports.

In order to make the latest technology available in the market, focus is on commercialization of telecom innovation and technology. This can contribute towards inclusive growth by making low cost handsets available that support affordable access in rural areas. The production of telecom equipments as of March 2009 was INR 518 billion with a CAGR of 29% during the last five years. At the same time INR 81 billion of telecom equipments were exported with a CAGR of 100% during the last five years.

3) VAS, Mobile Banking and M-commerce

Value Added Services (VAS) has an immense potential to grow with services like Mobile banking and Mobile -commerce. Content development, pricing and innovative strategies are the key factors for driving the VAS demand.

4) Exploring New Frontiers

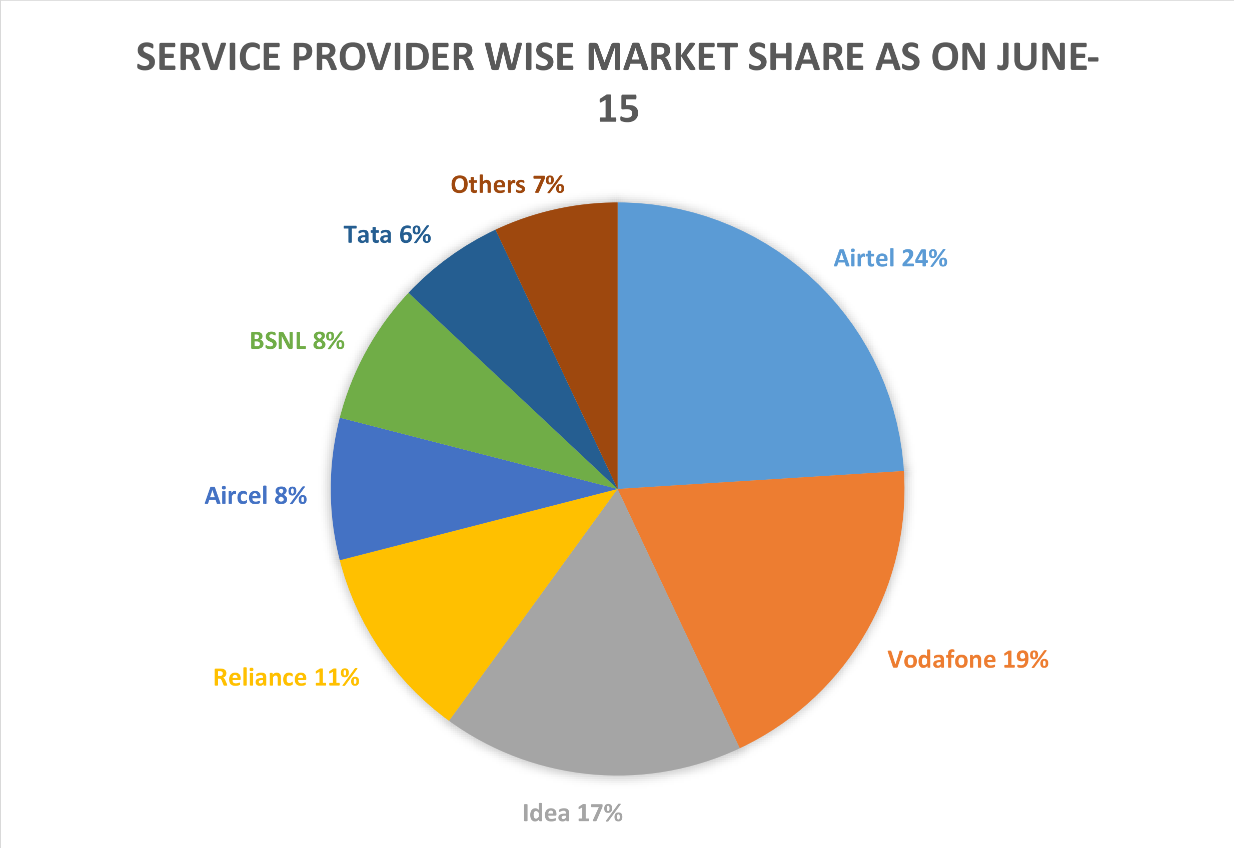
With growing competitive pressure on all fronts and the inevitable need to keep pace with emerging technologies globally, telecom operators are re-examining their traditional business models and are making substantial investments in upcoming technologies. These include 3G Band Allocation, Worldwide Interoperability for Microwave Access (WiMAX) and Future Generation Networks.

Considered to be the fastest growing telecommunications industry in the world, India is divided into a total of 22 telecom circles with multiple carriers operating in each circle. Private operators control 87.9% of the wireless market share while state-owned operators BSNL and

MTNL hold 12.1% of the market share. The number of mobile phone subscribers in India rose to 975.98 million in May, 2015 with the addition of 2.44 million connections.

GSM Operator	**Total Subscriber Base – December 2014 (in millions)**	**Market Share**
Bharti Airtel	217.22	24.38%
Vodafone	178.68	20.06%
IDEA Cellular	150.54	16.90%
Reliance	79.03	8.87%
BSNL	79.34	8.91%
Aircel	78.67	8.83%
Tata	51.36	5.77%
Telewings	43.63	4.90%
Videocon	6.45	0.72%
MTNL	3.36	0.38%
Loop Mobile	0.00	0.00%
Quadrant	2.51	0.28%
All India	**890.78**	**100%**

Graph below shows Service Provider wise Market Share as on June-15.



<u>New Players in the Telecom Industry</u>

The stupendous growth of the telecommunication companies in India over the last fifteen years can be attributed to the liberal government of India, economic policy. The economic renaissance affected in the early 1990s brought around a paradigm shift on the overall business scenario of India. The telecommunication companies in India went through a huge makeover during the implementation of the open-market policy of India.

A more liberal form of economic policy replaced the erstwhile closed market policy. A completely new form of Indian Telecommunication Policy was drafted to compliment the change effected in the economic policy of India. The amendment affected the new telecommunication policy of India made huge changes with respect to investments and entry of Foreign Direct Investments (FDI) and Foreign Institution Investors (FII) respectively, into the virgin Indian telecommunication market. This resulted entry of private, domestic and foreign telecommunication companies in India.

The economic contribution made by these newly formed telecommunication companies of India is really mentioned worthy and this industry witnessed highest growth after the Indian Information Technology industry. The robust growth of Indian economy after the economic liberalization in the 1990s induced massive change in the telecom policy and new draft was framed and implemented by the 'Telecom Regulatory Authority of India' (TRAI) and 'Department of Telecommunication' (DOT), under the Ministry of Telecommunication government of India. The main aim of these telecommunication companies in India is to provide basic telephony services to each and every Indian.

Following are the new players in Telecom Industry in India

VODAFONE INDIA LTD.

COMPANY PROFILE

Vodafone Group plc is a global telecommunications company headquartered in London, U.K. It is the world's largest mobile telecommunications company measured by revenues and the world's second-largest measured by subscribers (behind China Mobile), with around 341 million proportionate subscribers as of November 2010. It operates networks in over 30 countries and has partner networks in over 40 additional countries. It owns 45% of Verizon Wireless, the second-largest mobile telecommunications company in the United States measured by subscribers. Vodafone had about 178.68 million customers as of December 2014 in India.

The name Vodafone comes from **Voice data fone**, chosen by the company to "reflect the provision of voice and data services over mobile phones."

Mission:

Vodafone will enhance value for its stakeholders and contribute to society by providing our customers with innovative, affordable and customer friendly communications services. Through excellence in our service, we aspire to be the most respected and successful telecommunications company in India.

Vision:

Our Vision is to be the communication leader in an increasingly connected world.

Vodafone India Ltd.

Vodafone India Ltd. is an Indian subsidiary of Vodafone group and commenced its operations in 1994 when its predecessor Hutchison Telecom acquired the cellular license for Mumbai. The company now has operations across the country with over 118.04 million GSM mobile customers. Over the years, Vodafone Essar, has been named the 'Most Respected Telecom Company', the 'Best Mobile Service in the country 'and the 'Most Creative and Most Effective Advertiser of the Year'.

Vodafone acquired an indirect controlling interest in Vodafone Essar, their local operating company in India, in 2007-08. Vodafone currently has equity interests in 31 countries across five continents and around 40 partner networks worldwide.

Vodafone Essar is now largest operating company for Vodafone when measured by customer numbers and its sheer scale and rapid growth makes it unique. It has nearly 10,000 employees and employs more than 90,000 contractors. The network is rapidly expanding to meet demand and extend telecommunications to more rural areas, with more than 2,500 new base stations deployed each month.

MARKETING STRATEGIES IN INDIA

a) Core Competencies:

Vodafone's primary aim is to be a world leader in mobile communication and at the same time provide a unique experience to the customers who use their services. By analysing the overall structure of the company, it can be understood that reliable innovative services and the customer centric passion are the core products of the company.

The brand image of Vodafone is very strong in the market and a continuous recycling of their campaigns from the pug to Zoo zoo's to the present blackberry boys advertisements has guaranteed their brand a high recall value.

Their innovative products like "Chota recharge", handsets priced as low as ₹ 700, the new solar powered phone VF247, Android mobile phone HTC and the soon to be launched iPhone 4 in the Indian market or services like Vodafone Tuesdays has made it sure that Vodafone stays ahead of its competitors and at the same time, their subscriber base goes on increasing.

Vodafone has also been successful in creating synergies by acquiring companies around the globe. In India, also, Vodafone entered the market by acquiring Hutch and in no time established itself as a leading player in the telecom market.

b) **Market Prospects / Penetration:**

Vodafone's intention to tap the price sensitive rural market comes with its low cost offerings such as low priced Magic Box which has a bundled low priced handset along with prepaid card and various freebies. Products like Vodafone 150 priced at ₹ 799 and eco-friendly solar charging handset VF 247 will help Vodafone to penetrate the rural market in a big way. To penetrate the urban market, Vodafone is coming up with Apple iPhone 4 and Blackberry Services for everyone.

The FIPB has also cleared the Vodafone's applications for national and international long distance (NLD & ILD) and internet service provider (ISP) license which will further take its market in a new domain.

c) **Competitive Advantage:**

From product innovation to technological advantage, Vodafone as a brand keeps on improving and coming up with new plans. Vodafone adjusts according to the changing market which gives them a competitive advantage. Vodafone has from time to time come with creative advertising campaign for its various plans which has captured the imagination of millions. Vodafone's plans like "Chota Recharge" and number of add on plans like these has made it sure that it maintains an edge over its competitors. Vodafone pursues a global international corporate-level strategy and has heavily focused on acquisitions like Hutch acquisition in India. Vodafone has also pursued a focused cost leadership business-level strategy of exclusive focus on the mobile telephony industry in India with no distractions that faced their competitors (such as fixed-line telephony).

PORTERS FIVE FORCES MODEL

Bargaining Power of Buyers:

The buyers in the mobile telephony industry are strong. These powerful buyers can reduce the cost leaders prices, but not past the level of their closest competitor. This ensures Vodafone will continue to profit at above average returns compared to its closest competitor.

Bargaining Power of Suppliers:

Suppliers of the mobile telephony industry are strong. Vodafone, by being a cost leader, operates with margins greater than its competitor's do, which, in turn, allows them to absorb price increases from its suppliers easier than its competitors. By being a large, focused player of the mobile telephony industry, Vodafone could hold suppliers costs down, and it could make a profit even if its competitors are making only average returns.

Potential Entrants:

While the threat of new entrants is weak, Vodafone must continue to reduce costs below that of its competitors. By maintaining high levels of efficiency, Vodafone can help make the entrance into the Mobile telephony industry unattractive to its potential competitors.

Product Substitutes:

Vodafone faces a low threat of product substitutes. The focused cost leadership strategy that Vodafone operates under makes it difficult for a comparable substitute to be produced at a lower rate by their excellent use of economies of scale, their buying power, and their absorption of temporary price increases that come from suppliers that don‘t need to be passed on to the consumer.

Industry Rivalry:

Vodafone faces a very high industry rivalry from its competitors because as the different mobile operators slashes its rate per call or provides any new services then they also have to provide to its customers.

SWOT ANALYSIS OF VODAFONE

Strength:

The main strength of Vodafone within the telecommunications market lies in its brand image and recognition. Vodafone, having established a global presence and having invested highly in marketing a differentiated image by promoting a Vodafone life style, currently enjoys a differentiating advantage that, if exploited properly, can offer a lead in competition. The presence of Vodafone in numerous countries within Europe as well as in all part of the world enhances this image. It allows customers to travel and enjoy easily the services of their home country operator. It has established strategic alliance to provide better service to client.

Weaknesses:

The expansion of Vodafone has been completed at the expense of direct control of its operations. The company grew through a process of acquisitions of national telecommunications companies (e.g. the acquisition of the third biggest Czech mobile phone operator, Cesky mobile) rather than organic growth. This increased its subscribers' base quickly, offering direct market knowledge and immediate additions of customer bases at the expense of direct effective control of the subsidiaries. At the same time though, it implicitly imposed a centralized operational structure for the group, nominating the UK headquarters as the leading business unit running a much centralized marketing and handset procurement at group level. This has resulted in the neglect of local markets and local differences, allowing market share to be gained by smaller local competitors. Due to the highly saturated Western European market this has resulted in an increase in the price elasticity of demand, with consumers becoming continuously price oriented. This has resulted in high customer churn rates reaching the level of 32.8% in the UK compared to O2's 24%.

Opportunities:

The telecommunications market, even though highly saturated in some regions offers great potential due to the ageing population and the sophistication of the consumers. It offers great opportunities through a careful market segmentation and exploitation of particular profitable segments. Different strategies should be pursued – simple phones and simplified pricing plans to the ageing population and more updated, sophisticated solutions for younger generations.
The expanding Boundaries of the market could provide further opportunities by allowing Vodafone to enter more aggressively into fixed-line service and to better enjoy the benefits of its high investment in 3G technology. Moreover the company has undertaken its first steps in establishing strategic alliances to develop customized solutions for end users.

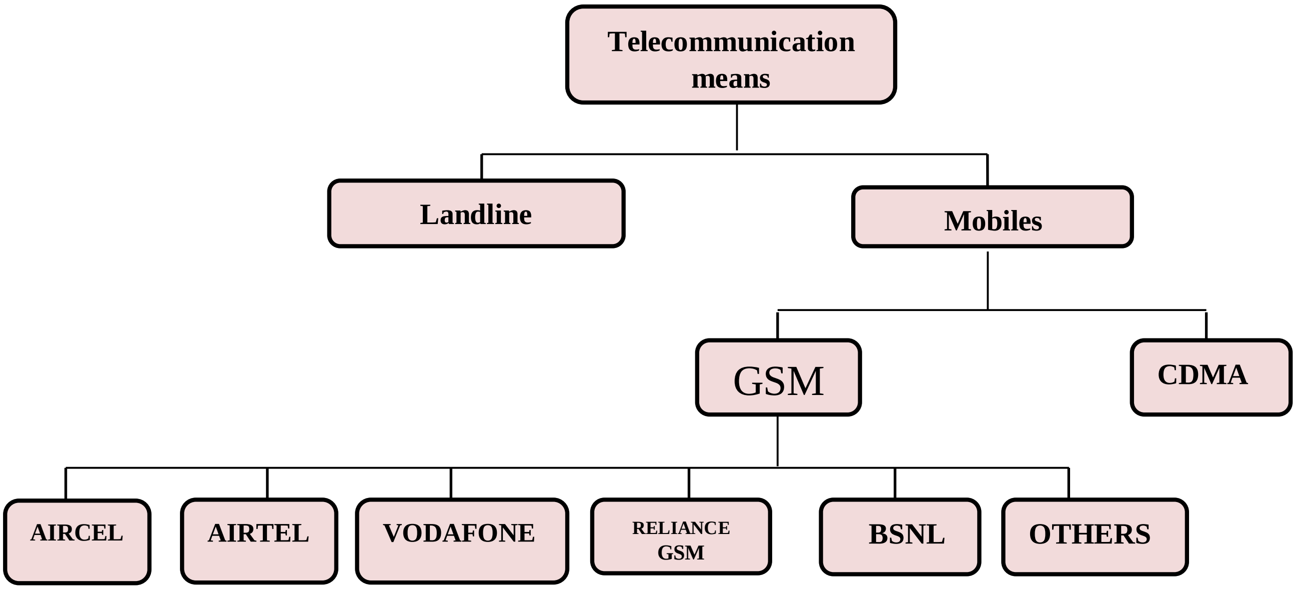
Threats:

The European part of Vodafone's market is characterized by existing high levels of competition. Major brands such as O2 and T-Mobile are exploiting the price sensitivity of customers and in this way they are building a stronger image and presence in the market. Indirect competition is also increasing further, through the presence of Skype and other related (not only voice) Internet-based services. This combined with the upcoming European legislative measures is expected to limit further the tariffs for the network providers imposing further need for price cuts which could harm the bottom line profitability of the company.

STP ANALYSIS

SEGMENTATION

Product Segmentation:



Consumer Segmentation:

Customers are typically classified as prepaid or contract customers. Prepaid customers pay in advance and are generally not bound to minimum contractual commitments, while contract customers usually sign up for a predetermined length of time and are invoiced for their services, typically on a monthly basis. Increasingly, Vodafone offers SIM only tariffs allowing customers to benefit from the Vodafone network whilst keeping their existing handset. The following segmentation variables are used by Vodafone in order to segment the market:

Geographic:

Vodafone segments its market as metros, A-circle, B-circle and C- circle. Here, the segmentation is done on the basis of regions in which they operate. Also, rural and semiurban markets are fast emerging as profitable market segment, so Vodafone is trying to enhance its operations effectively further in these segment.

Demographic:

Income: Vodafone further segments its market according to various income levels and have various plans for every strata of society.

Age: Vodafone does not primarily segment its market on the basis of age but they have specific plans for youth.

Nature of the Customer: Depending on the fact that whether the customer is institutional or sole, the services and plans provided by Vodafone varies and thus, it forms an important bases for segmentation.

Psychographic:

Lifestyle and Personality: Vodafone segments its users on the type of service they use based on their lifestyle such as different plans for students, professionals etc.

Behavioural:

Benefits Sought: Vodafone segments its customers on the basis of the benefits sought by them such as such as: local call, STD call or ISD call makers; users of value added services, connectivity and coverage.

Usage Rate: Vodafone also classify its users as one with heavy usage rate, medium usage rate and light usage rate and have different targeting schemes for each of them.

Type of the service: The Type of the service provided by Vodafone to its customers also plays a crucial role in deciding the segmentation strategy implemented by Vodafone.

Business Segmentation:

The Group continues to grow usage and penetration across all business segments. VGE manages the Group’s relationship with Vodafone’s 270 largest multinational corporate customers. VGE simplifies the provision of fixed, mobile and broadband services for MNCs who need a single operational and commercial relationship with Vodafone worldwide. It provides a range of managed services such as central ordering, customer self-serve web portals, telecommunications expense management tools and device management coupled with a single contract and guaranteed service level agreements.

The Group continues to expand its portfolio of innovative solutions offered to small office home office (‘SoHo’), SME and corporate customers. Increasingly these combine fixed and mobile voice and data services integrated with productivity tools.

TARGETING

Vodafone has full market coverage with differentiated offerings. Market is targeted through many different tariffs, services and propositions for every segment according to specific customer preferences and needs. These often bundle together as: voice, messaging, data and increasing value added services. The various examples for this include:

- Home calling cards for the family of those professionals who use to work abroad.
- Rs.10 recharge for small users Cheap SMS facility for youths Facilities for circle users etc.

POSITIONING

Vodafone has continued to build brand value by delivering a superior, consistent and differentiated customer experience. Their tagline **“Where ever you go our network follows”** gives the customer indication of their vast coverage.

They differentiated themselves from other mobile service providers by delivering the promise of “helping customers make the most of their time” and their communication strategy has always focused on **“Happy to help”** which tends to strike an emotional chord with the customer.

The Group's vision is "to be the communications leader in an increasingly connected world" expanding the Group's category from mobile only to total communications. To enable the consistent use of the Vodafone brand in all customer interactions, a set of detailed guidelines has been developed in areas such as advertising, retail, online and merchandising.

In April 2009 a campaign, focusing on the different value added services (VAS) offered by the company was launched, introduced new characters called the Zoo zoos who seem to be in between the world of animation and reality. Several advertisements in which the Zoo zoos featured were shown on television during the Indian Premier League (IPL) Season 2 and were instant hit among the customers but the conversion of this excitement into revenue is yet to be seen.

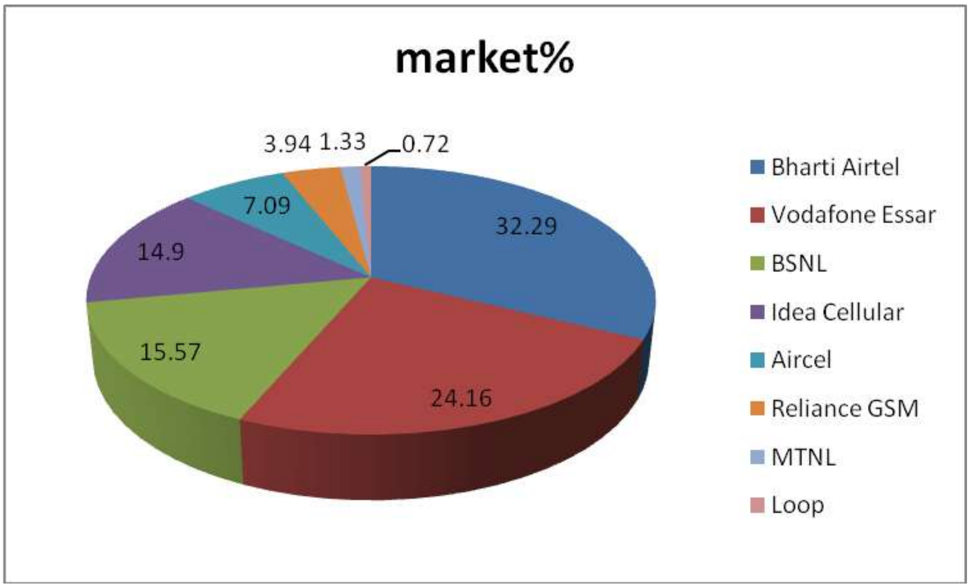
ENTERPRISE SERVICES

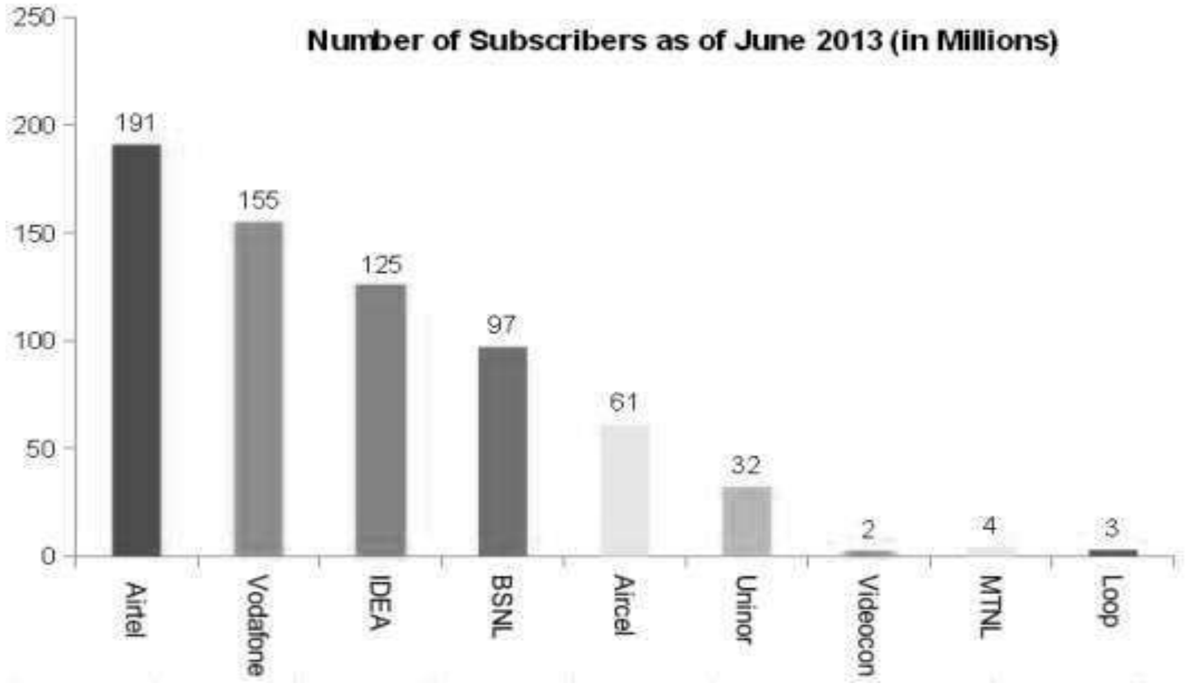
- **Voice services**
    - Pre – Paid
    - Post – Paid
- **Value Added Services**
    - Tunes and downloads
    - Entertainment
    - Devotional
    - Sports
    - News and Updates
    - Call Management Services
    - Astrology

- Finance
- Travel
- Mail, Messaging
- Dial in Services
- Bill Info

- **Vodafone Live**
- **Vodafone Business Solutions**
  - Mail on the move
  - Business application
  - Vodafone Office
  - Vodafone Business Solution

MARKET AND COMPETITIVE ANALYSIS





Vodafone Essar is the second largest GSM operator in India after Airtel from the perspective of market share and subscriber base and is increasingly expanding its share (the detail figures are given in Appendix). It still is quite far from Airtel due to Airtel's strong presence in rural areas and loyal customer base along with larger reach and first mover advantage.

BRANDING, ADVERTIZING, PRICING AND DISTRIBUTION

STRATEGY

Vodafone's products and services are available directly, via Vodafone stores and country specific Vodafone websites, and indirectly via third party service providers, independent dealers, distributors and retailers, to both consumer and business customers in the majority of markets under the Vodafone brand. **Customer Strategy and Management**

Customer Delight Index:

The Vodafone Group has created a Global Customer Value Management team to support operating companies with their aim to engage with customers directly through a data driven approach. Recent examples of this include: rollout of a consistent and innovative store, successful trial of an innovative handset based self-service solution and creation of a global training academy for customer facing staff.

Vodafone continues to use a customer measurement system called "customer delight" to monitor and drive customer satisfaction in the Group's controlled markets at a local and global level which identifies areas for improvement and focus.

Marketing and brand:

- 178.68 million Vodafone subscribers across India (2014).
- 2 million new subscribers a month on average
- 20% market share

Logo a new visual identity—from the deep pink logo of Hutchison-Essar to Vodafone's trademark deep red speech mark introduced in 1998.

Advertisement:

The inaugural TV commercial showed the trademark pug (minus the boy) moving out of a pink kennel into a red one. An energetic version of Hutch's signature 'You and I' tune played towards the end, as the super concluded, 'Change is good. Hutch is now Vodafone'. There were four more commercials featuring Hutch's animated boy and girl, introducing the new brand's logo to consumers.

Vodafone put in close to ₹ 150 crore into the first phase of the rebranding exercise—with ₹ 60 crore in mass media and another ₹ 90 crore in retail activities.

In the second phase, Vodafone ushered in its global strapline—"Make the most of now", which replaced "How are you?" in 2001. By then it was apparent, the boy-and-pug chapter would soon be over. In 2008, Vodafone used the platform of cricket when it unveiled the 'Happy to Help' series during the first season of the Indian Premier League (IPL).

This season the Zoozoos are all the rage. These characters have virtually hijacked the online media as well as television—to convey a value added service (VAS) offering in each of the new commercials.

In Indian scenario when other major telecom service providers are using celebrities(AirtelShahrukh Khan, BSNL-Deepika Padukone, Aircel-Mahendra Singh Dhoni, Idea-Abhishek Bachchan) as their brand ambassadors, Vodafone is standing out proudly with Zoozoos and pug as successful ad campaign.

Products and services in India:

- Average cost of calls: 2 US cents per minute
- Average revenue per customer: US$6.4 per month
- 853,039 points of sale, covering 65% of the population
- With more than 3 million Vodafone-branded, affordable handsets sold in 2008/09, Vodafone ranks among the top five handset brands in India

Brand and customer communications:

- In the Brands most powerful brands ranking: **Ranked 11th globally.**
- In telecom industry it proudly stands as world no. 2 after China no. 2 GSM service provider in India after Airtel

A new Marketing Framework has been developed and implemented across the business, which includes a new vision of expanding the Group's category from mobile only to total communications "**to be the communications leader in an increasingly connected world".** Brand and customer experience continues to implement Vodafone's promise of "helping customers make the most of their time". The brand function has also developed a methodology to develop competitive local market brand positioning, with local brand positioning projects now implemented in 12 markets.

In September 2007, Vodafone welcomed India with the "Hutch is now Vodafone" campaign. The migration from Hutch to Vodafone was one of the fastest and most comprehensive brand transitions in the history of the Group, with 400,000 multi brand outlets, over 350 Vodafone stores, over 1,000 mini stores, over 35 mobile stores and over 3,000 *touchpoints* rebranded in two months, with 60% completed within 48 hours of the launch.

Brand Health Tracking:

Vodafone regularly conducts Brand Health Tracking since 2002, which is designed to measure the brand performance against a number of key metrics and generate insights to assist the management of the Vodafone brand across all Vodafone branded operating companies.

Sponsorships:

Vodafone majorly sponsors the following teams and events, apart from various regional and timely sponsorship:

Kshitij, Annual Techno-management festival of IIT Kharagpur, Strategic Partner 2008

- Indian Premier League (Cricket), Associate sponsor
- England cricket team
- Vodafone McLaren Mercedes Formula One team, title sponsor
- Triple 8 Race Engineering, V8 Supercars team, primary sponsor (since 2007)

Distribution:

Direct distribution-Number of directly owned stores - 1150

Vodafone directly owns and manages over 1,150 stores. These stores sell services to new customers, renew or upgrade services for existing customers, and in many cases also provide customer support.

A standard store format, which was tested in 2006, was rolled out in 11 markets during the 2008 financial year. All stores in India were rebranded as Vodafone and over 40 stores were refurbished to the Group's standard format.

The Group also has 6,500 Vodafone branded stores, which sell Vodafone products and services exclusively, by way of franchise and exclusive dealer arrangements.

The *internet* is a key channel to promote and sell Vodafone’s products and services and to provide customers with an easy, user friendly and accessible way to manage their Vodafone services and access support.

Additionally, in most operating companies, sales forces are in place to sell directly to business customers and some consumer segments.

Indirect distribution:

The extent of indirect distribution varies between markets but may include using third party service providers, independent dealers, distributors and retailers.

The Group hosts MVNOs in a number of markets. These are operators who buy access to existing networks and resell that access to customers under a different brand name and proposition. Where appropriate, Vodafone seeks to enter mutually profitable relationships with MVNO partners as an additional route to market.

Presence in India:

- Presence in all 23 Indian telecom circles (up from 16 in 2007/08)
- Over 78,000 base stations across India
- Around 2,600 new base stations deployed each month
- Network deployment and maintenance of 56,933 base stations in 16 circles outsourced to Indus Towers, of which Vodafone Essar has a 42% shareholding
- 8,163 base stations directly managed by Vodafone Essar in the remaining seven circles
- A further 13,225 base stations shared with other operators

MACRO AND MICRO ENVIRONMENTAL FACTORS

Factors affecting growth of mobile telecommunication

- Market potential
- Buying decision process
- Infrastructure
- Country's political, social and economic scenario
- Government policies and business climate(Interest rates and Inflation)
- Technology and Special zones
- Competition
- Income levels
- Employee skills and unionization of employees
- Ethical considerations
- Changing Lifestyles of Consumers

PRINCIPAL RISK FACTORS AND UNCERTAINTIES:

The following discussion of principal risk factors and uncertainties identifies the most significant risks that may adversely affect the Group's business, operations, liquidity, financial position or future performance.

Adverse macro-economic conditions in the markets in which the Group operates could impact the Group's results of operations.

Adverse macro-economic conditions and further deterioration in the global economic environment, such as a **deepening recession or further economic slowdown** in the markets in which the Group operates, may lead to a reduction in the level of demand from the Group's customers for existing and new products and services. In difficult economic conditions, consumers may seek to reduce discretionary spending by reducing their use of the Group's products and services, including data services, or by switching to lower-cost alternatives offered by the Group's competitors. Similarly, under these conditions the enterprise customers may delay purchasing decisions, delay full implementation of service offerings or reduce their use of the Group's services. In addition, number of the Group's consumer and enterprise customers that are unable to pay for existing or additional services might increase, having material adverse effect on the Group's results of operations.

The continued volatility of worldwide financial markets may make it more difficult for the Group to raise capital externally, which could have a negative impact on the Group's access to finance.

The Group's key sources of liquidity in the foreseeable future are likely to be cash generated from operations and borrowings through long term and short term issuances in the capital markets as well as committed bank facilities. Due to the recent volatility experienced in capital and credit markets around the world, new issuances of debt securities may experience decreased demand. Adverse changes in credit markets or Vodafone's credit ratings could increase the cost of borrowing and banks may be unwilling to renew credit facilities on existing terms.

Regulatory decisions and changes in the regulatory environment could adversely affect the Group's business.

As the Group has ventures in a large number of geographic areas, it must comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of its telecommunications networks and services. In particular, there are agencies which regulate and supervise the allocation of frequency spectrum and which monitor and enforce regulation and competition laws which apply to the mobile telecommunications industry. Decisions by regulators regarding the granting, amendment or renewal of licences, to the Group or to third parties, could adversely affect the Group's future operations in these geographic areas. Additionally, decisions by regulators and new legislation, such as those relating to international roaming charges and call termination rates, could affect the pricing for, or adversely affect the revenue from, the services the Group offers.

Increased competition may reduce market share and revenue.

The Group faces intensifying competition and its ability to compete effectively will depend on, among other things, network quality, capacity and coverage, the pricing of services and equipment, the quality of customer service, development of new and enhanced products and services, the reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Group adds new customers, a decrease in the size of the Group's market.

The focus of competition in many of the Group's markets continues to shift from customer acquisition to customer retention as the market for mobile telecommunications has become increasingly penetrated. In addition, the Group could face increased competition should there be an award of additional licenses in jurisdictions in which a member of the Group already has a license.

The Group uses technologies from a number of vendors and makes significant capital expenditures in connection with the deployment of such technologies. The introduction of software and other network components may also be delayed. The failure of vendor performance or technology performance to meet the Group's expectations or the failure of a technology to achieve commercial acceptance could result in additional capital expenditures by the Group or a reduction in profitability.

The Group may experience a decline in revenue or profitability notwithstanding its efforts to increase revenue from the introduction of new services.

As part of its strategy, the Group will continue to offer new services to its existing customers and seek to increase non-voice service revenue as a percentage of total service revenue. However, the Group may not be able to introduce these new services commercially, or may experience significant delays due to problems such as the availability of new mobile handsets, higher than anticipated prices of new handsets or availability of new content services. In addition, there is no assurance that revenue from such services will increase ARPU or maintain profit margins.

Expected benefits from cost reduction initiatives may not be realised.

The Group has entered into several cost reduction initiatives principally relating to network sharing, the outsourcing of IT application, development and maintenance, data centre consolidation, supply chain management and a business transformation programme to implement a single, integrated operating model using one ERP system. However, there is no assurance that the full extent of the anticipated benefits will be realised in the timeline envisaged.

Changes in assumptions underlying the carrying value of certain Group assets could result in impairment.

Vodafone completes a review of the carrying value of its assets annually, or more frequently where the circumstances require, to assess whether those carrying values can be supported by the net present value of future cash flows derived from such assets. This includes an assessment of discount rates and long term growth rates, future technological developments and timing and quantum of future capital expenditure, as well as several factors which may affect revenue and profitability identified within other risk factors in this section such as intensifying competition, pricing pressures, regulatory changes and the timing for introducing new products or services.

The Group's geographic expansion may increase exposure to unpredictable economic, political and legal risks.

As the Group increasingly enters into emerging markets, the value of the Group's investments may be adversely affected by political, economic and legal developments which are beyond the Group's control.

Expected benefits from investment in networks, licences and new technology may not be realised.

The Group has made substantial investments in the acquisition of licences and in its mobile networks, including the roll out of 3G networks. There can be no assurance that the introduction of new services will proceed according to anticipated schedules or that the level of demand for new services will justify the cost of setting up and providing new services.

The Group's business would be adversely affected by the non-supply of equipment and support services by a major supplier.

Companies within the Group, source network infrastructure and other equipments as well as network-related and other significant support services, from third party suppliers. The withdrawal or removal from the market of one or more of these major third party suppliers could adversely affect the Group's operations and could result in additional capital or operational expenditures by the Group.

FUTURE STRATEGIES

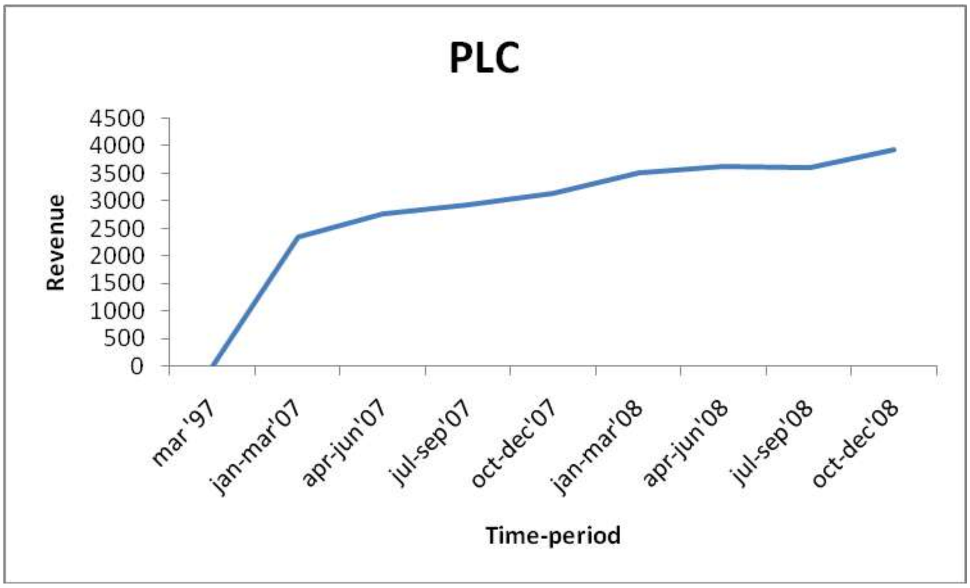
Factors and Trends Relevant for Future Policy Initiatives

- Based on global trends and Indian experience, the rate of growth of cellular mobile services would continue to be higher for a number of years. Its two important implications are further lowering of **average cost per line** and **cellular mobile.**

- **The capital requirement for investments** in the next five years are expected to be lower than the present cost due to continuing decline in equipment cost as well as lower network costs due to competition resulting from entry of infrastructure providers, Railways, Power Grid Corporation, etc. and huge capacity addition by other players.
- **A small portion of the subscriber base provides a large share of call revenue**. High revenue subscriber category would form the core of competition among operators which may lead to a fall in the tariffs applicable to this type i.e. long distance calls.
- **Margin of surplus** will decline over time due to competition. However, the break-even revenue per subscriber will also be lower due to decline in costs.
- **Data services** are expected to grow much faster than voice telephony. This underlines the need in due course to focus on broad-band linkages to enable the provision of these services at the required rate.
- Due **to large uncovered areas in rural and remote regions** of the country which are also expected to be low paying is going to bring the next revolution in the telecom sector.

The trend towards convergence of services may lead to major changes in the structure of industry and markets. The new mantra for the Telecom sector is: **"ROTI, KAPDA, MAKAAN AUR MOBILE"**

PRODUCT LIFE CYCLE



Marketing Strategies: Growth Stage

- **Rapid increase in sales if product has acceptance:**

The current perception of Vodafone in India is that of a brand that provides high quality customer service at reasonable prices. Even though Vodafone has not hired a known face to endorse itself, it has still managed to establish a very high "emotional connect" with its customers through its brilliantly conceived marketing strategies. Excellent examples of this would be the recent "Zoozoo" campaign and the well-received "Vodafone Pug" campaign. In the case of the "Pug" campaign, Vodafone managed to project itself as a service provider which would always be "following" the customer through the tagline "Wherever you go, our network follows." And in the case of the "Zoozoo" campaign, Vodafone further strengthened their image among their customer base and the market in general.

- **New competition enters as opportunity presents itself:**

Vodafone currently faces stiff competition since new players have also entered the fray recently. Players like Loop, Hash10, MTS etc. are set to roll out their services due to which Vodafone may find it difficult to maintain its current share of customer base in India.

Expansion, further focusing on its current segments, implementation of a revised business model and intensive marketing would be the key features Vodafone should be concentrating on in order to retain its current position in India.

- **Introduce new product features:**

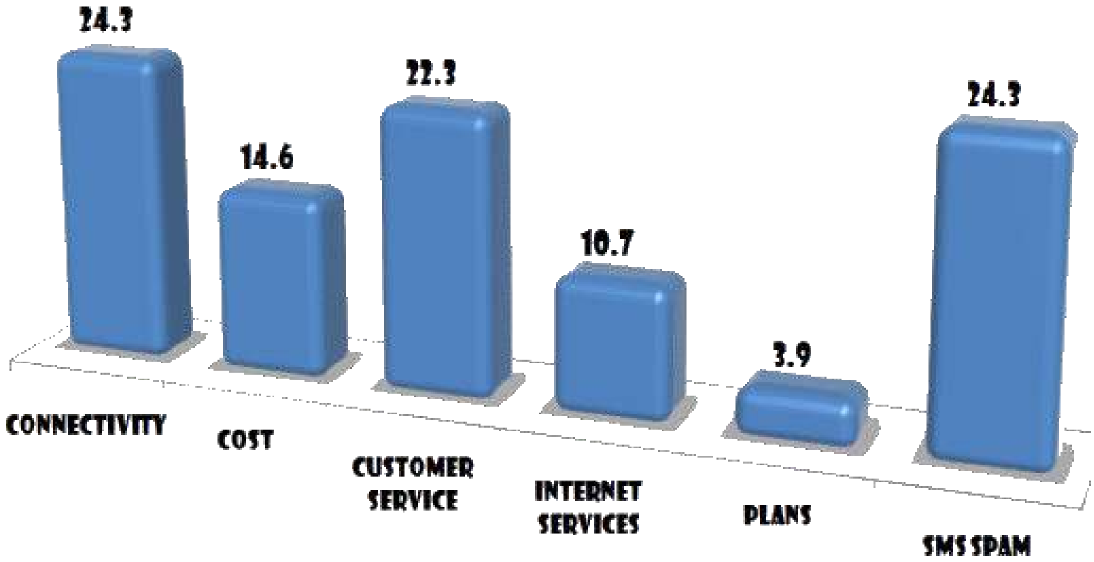
Vodafone is currently in the process of adding further verticals to its market portfolio in order to increase its presence and expand its customer base. 3G services are currently in the pipeline. Also Vodafone can venture into providing broadband and WiMAX services which have a very high potential for revenue generation. M2M or Machine to Machine platform is also present on Vodafone's strategy for market diversification. The platform, which is an enterprise solution designed by Vodafone for providing automation and wireless controlling is still under the process of patenting.

- **Expand distribution:**

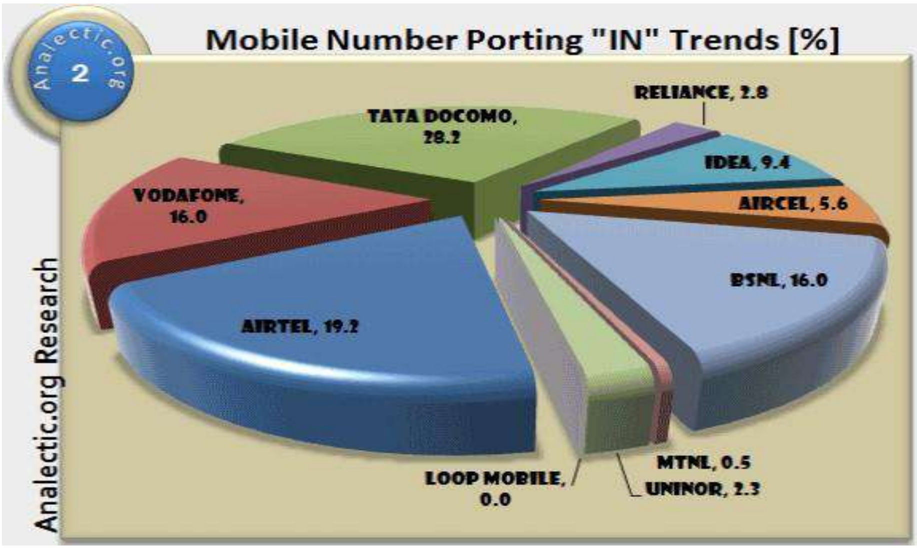
The current distribution model of Vodafone has been very successful in penetration of the urban segment. It has a presence in all the 23 Indian telecom circles and has set up 78,000 base stations spread across India. And Vodafone is still deploying 2,600 base stations each month.

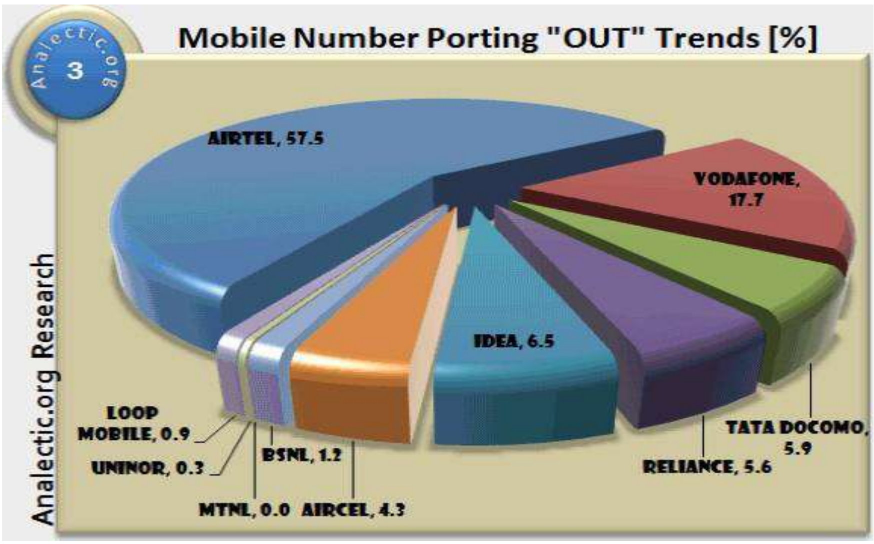
Even in Mumbai, Vodafone has a total of 25,000 distribution outlets, out of which 35 are Vodafone Stores. Even though the presence is considerable, Vodafone needs to focus on a more intensive distributional model in order to keep up with competitors like Airtel etc.

IMPACT OF MOBILE NUMBER PORTABILITY



MOTIVATIONS BEHIND MOBILE NUMBER PORTABILITY (%)





INTERVIEW

Vodafone India is barely old. Can you see the direction in which it is heading?

Vodafone has experienced a fairly good run in the past few years. It has emerged as one of the premium players in the telecom. Within a short period being second in the industry is a tremendous achievement. It is one of the few players which has a pan-India presence and it caters to not only the Premium segment but also to the rural segments as well. Plus, Vodafone is at the forefront of ushering in new technology e.g. 3G and Wi-max is about to roll out within the next few months so Vodafone is on solid-turf.

What are your strategies for penetrating rural market?

For entry into any sector, say rural or urban, there should be focus on **network coverage** and **distribution**. In addition to that, the affordability and penetration also comes into picture. Considerable effort is being put in from our side to increase our network coverage, customer satisfaction. We have one of the best and largest customer support service which is twice the size of our nearest competitor.

The telecom sector already is experiencing cut-throat competition. With new competitors introducing how difficult will it be for other players?

It is very difficult already for the existing players as profit margins are reducing with increase in number of players. The profits have reduced due to the slashing of call rates. However, the profits realized are due to increasing usage rates. New competitors are a very good launch and I believe it will change the rules of the game altogether.

What are your future strategies?

Our strategies are more towards customer service, value added services etc. rather than changing tariffs frequently. For instance, Vodafone India has 35 owned stores in Mumbai to provide help and customer services. This believe has made Vodafone the leading player in Mumbai. Our next competitor does not have half the number of service centres that we have.

How are your strategies in India different from those of other countries?

Strategies are very different not only from country to country but also from region to region. Our strategy for Europe which is a mature market is different from that for India and Africa which are developing markets. While Europe market is important in terms of revenues, Indian market is promising in terms

Can you say something about the effect of Zoo-Zoo campaign on the customers?

It has almost created a wave and impact has been very encouraging. Existing customers loved the campaign and many responded to the campaign through phone and internet. The Zoo-Zoos' effect has caught the public's imagination so much that there were Zoo-Zoo Ganapati and Rakhis selling. We also captured the attention of the public through our pug dog advertisements. Advertising is something which differentiates Vodafone from others. While the rates of all the service providers are almost same, you need to do something so that the customer chooses your service over your competitors' while opting for a mobile connection.

What measures do you take to measure customer satisfaction?

We maintain a very good relation with customers through our customer satisfaction surveys, customer delight studies. The sample drawn is random sampling and not done only for Vodafone customers.

Can you throw some light on the distribution network of Vodafone India?

Vodafone India has a very good distribution network. We have 25000 operators functioning now. We also undertake special programs to drive better distribution in every circle. Since we have better distribution network in the country we are the benchmark of the Indian telecom sector.

What are the other external factors that you feel had affected the telecom sector in the recent past?

Every national event affects the industry as a whole. The drought in India affected the disposable income in rural India. Naturally the spending on these services will decrease. The sector is not immune to terrorist attacks or even Swine flu scare as it affects the movement of tourists and in turn adverse effects our revenues from roaming charges.

Why did you choose to enter India through Hutchinson Essar rather than entering directly?

It is a strategical move by Vodafone. It is a way of faster routing. For instance, for DOCOMO it took them 2 years after getting license to start their operations. It involved building of newer infrastructure whereas we chose to cut costs by operating through Hutchinson Essar.

CUSTOMER RELATIONSHIP MANAGEMENT

Vodafone Launches Phones for the Poor

From now, onwards millions of people all through the world could access mobile phones for the first time with the release of Vodafone's first ultra-cheap own-branded phones. It is said by the company that these phones are cheap enough for poor people to have. Plus the Vodafone

125 and 225, released recently, are aimed at expanding the availability of affordable mobile phones in increasing markets.

Chinese manufacturer ZTE Corporation has produced the mobile phones for Vodafone - the first handsets resulting from an agreement between the two companies announced in December. They will come into view first on Vodafone networks in Egypt, Romania and South Africa. The Vodafone 125 and 225 are reported to be consisting with a similar set of basic features, although the 125 has a monochrome display whereas the 225's display is colour.

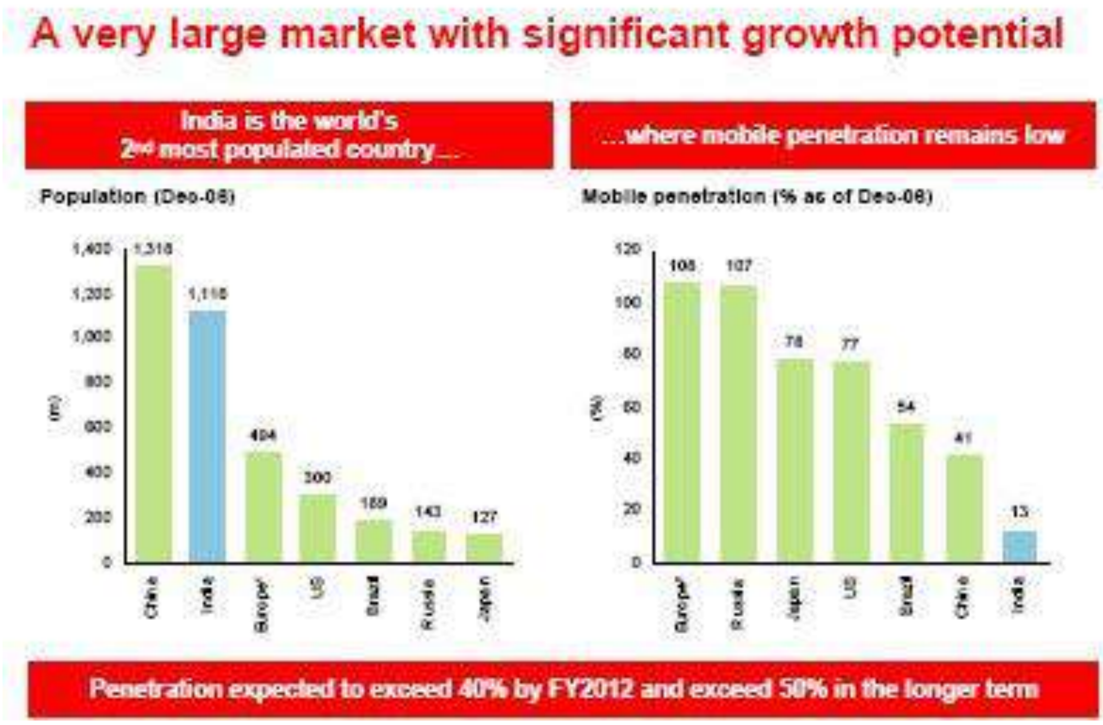
Vodafone is also planning to open access to mobile services for more people in countries where mobile networks are the most viable and cost-effective communications service available. The phones are said to be coming with the price tag of around 1200-2500.

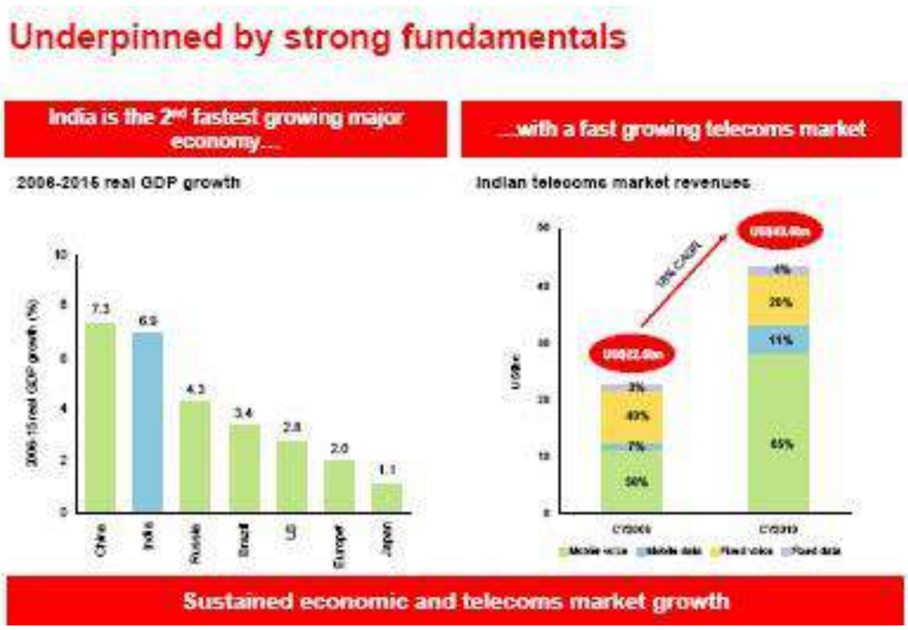
Happy To Help:

This is an online 24*7 helpline service for the customers of Vodafone. This provides help to the customer queries related to the products & services like VAS, talk time, recharge & etc.

Customer Care Centre:

This is one of the best way of maintaining a healthy customer relationship adopted by VODAFONE. They have their own customer care centers all over India wherein the customers directly come to the center's regarding the problems they face related to the products & services.


A very large market with significant growth potential
India is the world's 2nd most populated country...
...where mobile penetration remains low
Population (Dec-08)
1,318
1,116
494
300
189
143
127
China
India
Europe
US
Brazil
Russia
Japan
Mobile penetration (% as of Dec-08)
108
107
78
77
54
41
13
Europe
Russia
Japan
US
Brazil
China
India
Penetration expected to exceed 40% by FY2012 and exceed 50% in the longer term


Underpinned by strong fundamentals
India is the 2nd fastest growing major economy...
...with a fast growing telecoms market
2008-2015 real GDP growth
7.3
6.9
4.3
3.4
2.8
2.0
1.1
China
India
Russia
Brazil
US
Europe
Japan
Indian telecoms market revenues
3%
40%
7%
50%
4%
20%
11%
65%
Sustained economic and telecoms market growth

One of only 4 major mobile operators in India

National ← → Regional

	bharti	Reliance Communications	BSNL	Hutch	idea	TATA	AIRCEL	spice
Customers (000s)[1]	32,456	29,990	25,551	23,366[2]	12,442	10,249	4,515	2,450
Market share[2] (%)	22.0	21.1	18.0	16.4	8.0	7.2	3.2	1.7
No. of circles/total	23/23	23/23	23/23	23/23	13/23	20/23	3/23	2/23
Technology	GSM	CDMA/GSM	GSM	GSM	GSM	CDMA	GSM	GSM

Developing consumer and business propositions

	Hutch Essar management	Vodafone value add
Brand	• Hutch brand across 16 circles • Strong consumer focus • Recognised major business brand	• Move to dual brand and ultimately to Vodafone
Consumer	• Historically strong in Metros and A circles • Comprehensive customer segmentation – much lower HVC churn • Leadership in contract segment • Mass market prepaid focus e.g. low value INR10 "sachet" recharge • Successful VAS – premium SMS and ringback tones	• Introduce ultra low cost handsets • Bring Vodafone live! to India • Global partnerships including content • Mobile payments including balance transfer • Address total communications opportunities
Business	• Critical first mover advantage in Mumbai/Delhi • Well established National Corporates business – leading market share • Investment required for SME/SOHO	• Only operator in India integrated into an international mobile company – international voice and data roaming – unique offers for multinational corporate accounts • Access to proven product portfolio • Mobile office expertise

Source: Hutch Essar data

Driving a customer focused approach

	Hutch Essar management	Vodafone value add
Senior team	• Team that built the business • Highly experienced and customer focused management team • Good cultural fit • Strong challenger mentality	• Proven expertise in integrating and working with local management teams • Proven best practice and benchmarking to accelerate change • Potential for specific skills injection e.g. CRM/Data
Customer service	• Recognised industry leader • Comprehensive approach across call centres, retail, Internet, and automated systems • Industry leading process improvement based on extensive customer research	• Invest and innovate to maintain industry leading capabilities • Introduce proven CRM and customer management expertise
IT	• First stage nationwide consolidation complete for 16 circles • Single billing system in 2007 • Capacity upgrades for all key systems incl. data warehouses, CRM and billing	• Customer insight systems • Purchasing scale benefits

Coverage

Feel at home with the widest coverage in the country. Present all over India, we have you covered no matter where you are.

- Andhra Pradesh
- Chennai
- Delhi & NCR
- Gujarat
- Karnataka
- Kerala
- Punjab
- West Bengal
- Kolkata
- Maharashtra & Goa (except Mumbai)
- Mumbai
- Tamil Nadu
- Haryana
- UP(E)
- UP(W)
- Rajasthan

RESEARCH METHODOLOGY

It is well known fact that the most important step in marketing research process is to define the problem. Choose for investigation because a problem well defined is half solved. That was the reason that at most care was taken while defining various parameters of the problem. After giving through brain storming session, objectives were selected and the set on the base of these objectives. A questionnaire was designed major emphasis of which was gathering new ideas or insight to determine and bind out solution to the problems. This research consists of following element:

Data Source

Research included gathering both primary and secondary data. **Primary data** is the first hand data, which are selected a fresh and thus happen to be original in character. Primary Data was crucial to know the customers satisfaction of various Vodafone Sim card users. **Secondary data** are those which has been collected by someone else and which already have been passed through statistical process. Secondary data has been taken from internet, newspaper, magazines and companies web sites.

Research Approach

The approach adopted for the entire project was –

1. Capturing marketing insights – identify the market and opportunities in it.
2. Connecting with Customers – to improve customer engagement
3. Building stronger brands
4. To identify ways to deliver products, services and value better.
5. Creating long term growth – by improving customer loyalty

Hence, these objectives were translated into three key focus areas –

- Improving customer satisfaction and customer experience

 Reducing complaints flowing in.

- Reducing costs.

The project was carried out in two parts. The first part involved Churn Analysis. The second part included studying customer engagement and life cycle analysis. The methodology for getting information /Sources of information –

- Gathering knowledge from the available data and reports (MIS team)
- External information through public sources like TRAI and the Internet
- Customer surveys and client visits – to get opinions from the customer directly

Gathering information from employees across various functions.

Sampling Unit

It gives the target population that will be sampled. This research was carried in Vashi, Navi Mumbai. These were 100 respondents.

Data Completion and Analysis

After the data has been collected, it was tabulated and findings of the project were presented followed by analysis and interpretation to reach certain conclusions.

Scope of the Study

My project was based on the **"Marketing Strategies of Vodafone India"** and data was taken in the **Area Vashi, Navi Mumbai** only.

Limitations of the Study

1. Research work was carried out in one area of CITY of NAVI

MUMBAI only the finding may not be applicable to the other parts of the country because of social and cultural differences.

2. The sample was collected using connivance-sampling techniques. As such, result may not give an exact representation of the population.
3. Shortage of time is also reason for incomprehensiveness.
4. The views of the people are biased therefore it does not reflect true picture.

FINDINGS AND ANALYSIS

Churn is frequently spoken of in a communications context, where it refers to the tendency of Internet and cell phone subscribers to switch providers. In a general context, churn is a synonym for agitation or turnover. This project that is a part of my BMS course that I am pursing at Tilak College of Science And Commerce in Vashi, Navi Mumbai, involves studying the Churn of Enterprise customers and customer satisfaction. The project was aimed at identifying effective measures to reduce the churn rate and improve overall customer
satisfaction.

This project was carried out in two phases. The first phase involved understanding churn rate in the Enterprise segment and studying alternative to reduce churn. The second phase included studying the lifecycle of an enterprise customer and customer engagement.

Through this report, I shall elaborate the details of my project and my approach that I adopted to arrive at the recommendations.

The objectives outlined for this project involved

1. Churn Analysis and Recommendation - Understand the reasons behind churn and identify ways to reduce it.

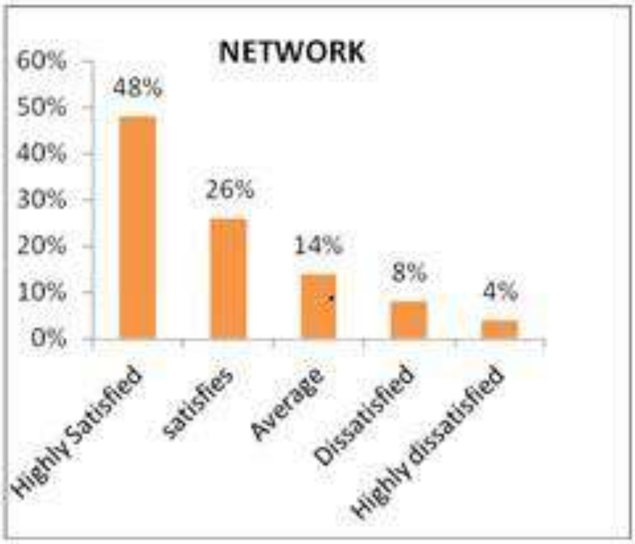
2. Life cycle of an Enterprise customer – Customer life cycle is a term used in CRM(Customer Relationship Management) to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. The task was to understand how Vodafone handles each aspect and where we could do more to improve customer satisfaction.

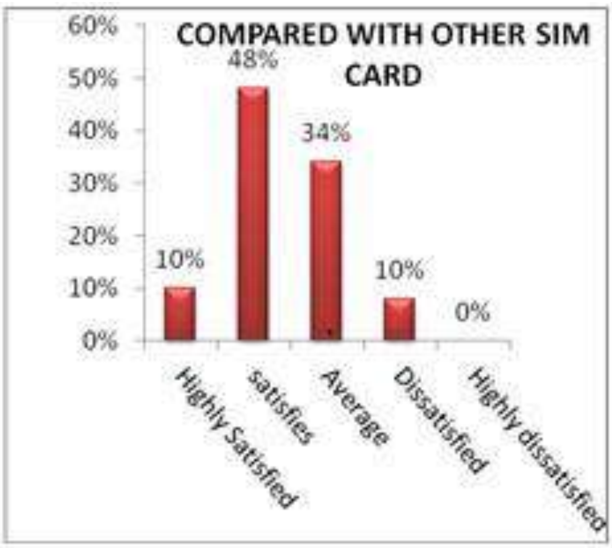
3. Improve Customer Engagement

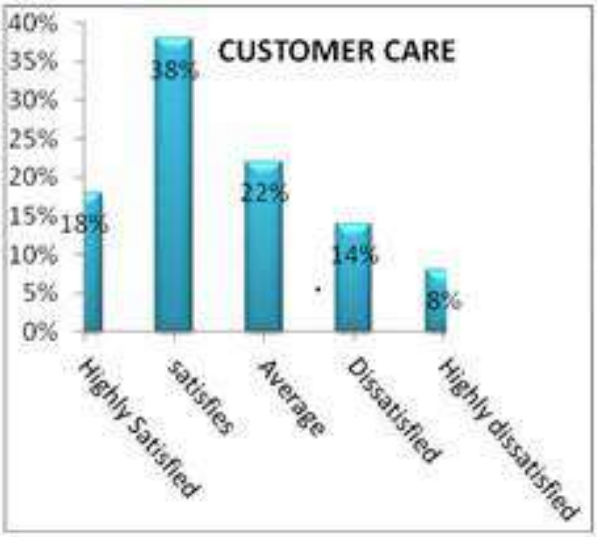
4. Reduce cost to serve and back office influx.

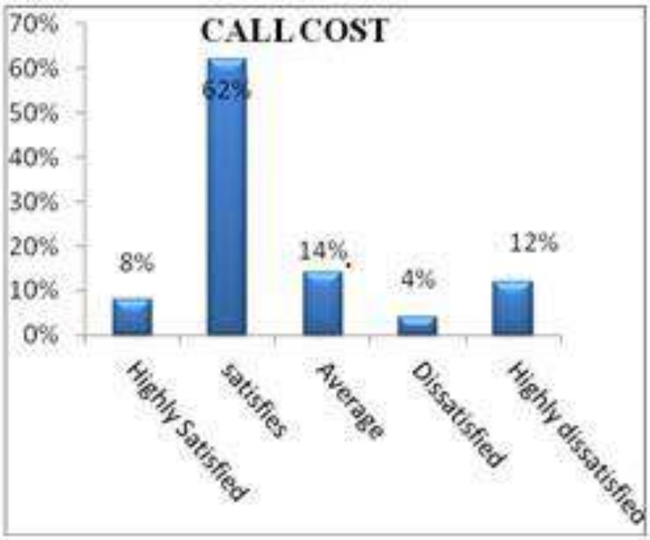
SURVEY RESULTS

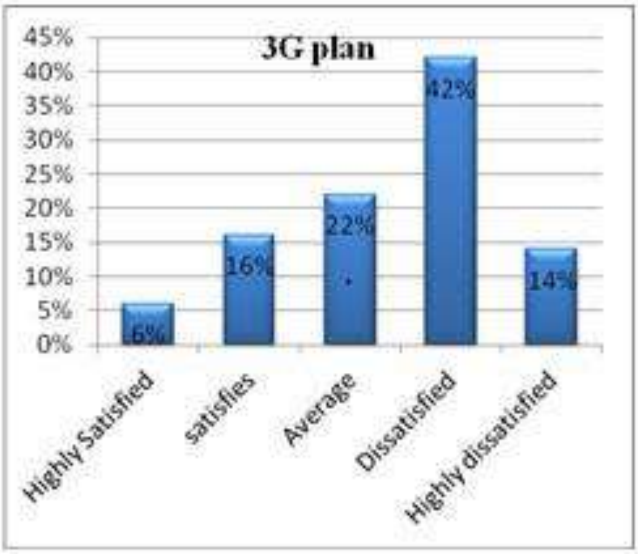
No	Vodafone simcard	Highly satisfied	Satisfied	Average	Dissatisfied	Highly dissatisfied
1	Network	48	26	14	8	4
2	Customer Care	18	38	22	14	8
3	Compared with other simcard	10	48	34	8	0
4	Call cost	8	62	14	4	12
5	Mobile Internet	24	58	10	6	2
6	3G plan	6	16	22	42	14

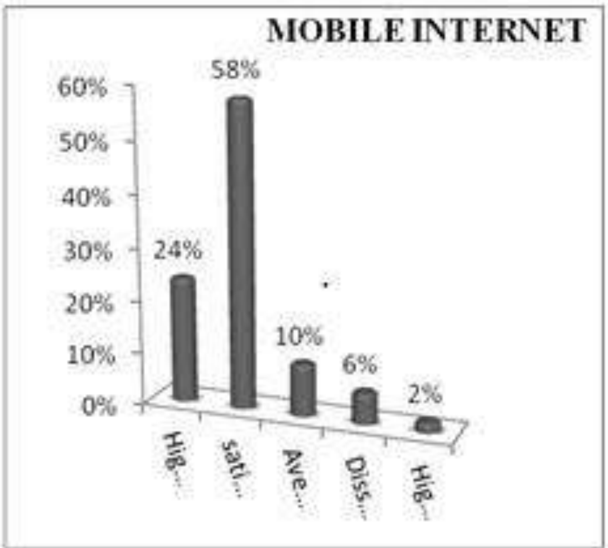












CHURN ANALYSIS

Churn analysis can be done by

1. Understanding - data, reports and getting the customer feedback

2. Predicting – studying the predictive churn model, understanding the key factors considered for the predictive churn model and measuring the effectiveness of the model.

Churn should also be studied as Actual Churn and Partial Churn. Actual Churn is related to the disconnections. Partial churn can be denoted by delayed payments, complaints increase and lower usage of VAS services or voice or data usage. The Predictive Churn Model uses these factors as indicators to identify their threat base. Out calling is done to these numbers to identify the reasons for low usage.

Predictive churn modeling (Predictive churn modeling is the process by which a model is created or chosen to try to best predict the probability of an outcome of a churn.) although effective in reducing churn, suffers due to certain practical issues. Most of the subscribers who are identified as the threat base (Base of customers who are likely to churn based on a modelbased prediction.) are not contactable. Either they choose not to speak or they cannot be reached. Moreover, by the time these subscribers are identified in the threat base, they have already churned.

CHURN FIGURES – MONTH ON MONTH

	COCP	IOIP	Total
Mar' 10	1414	5268	6682
Feb' 10	4283	4424	8707
Jan' 10	1057	5220	6277
Dec' 09	1342	4522	5864
Nov' 09	1310	4113	5423
Oct' 09	1536	4689	6225

February saw an increase in COCP churn due to a large number of disconnections from ICICI. Whereas March saw a larger number of IOIP disconnections mainly owing to involuntary churn especially due to unpaid bills.

Month	Sub Base	Rev (in Cr)	Churn Rev (in Cr)	Churn count	Rev Churn %	Sub churn %
Jan-10	315575	29.68	0.44	5409	1.48%	1.71%
Feb-10	314872	29.66	0.60	7918	2.03%	2.51%
Mar-10	323389	26.23	0.48	6682	1.85%	2.07%

The above table shows the churn in terms of numbers and in terms of revenue. It is essential to understand churn in both number and revenue.

COCP CHURN				
CH REASON DESC	**Jan-10**	**Feb-10**	**Mar-10**	**Inc/Dec**
In Vol	87	259	237	**-8%**
Vol	904	3925	1177	**-70%**

IOIP CHURN				
CH REASON DESC	**Jan-10**	**Feb-10**	**Mar-10**	**Inc/Dec**
In Vol	2296	1853	2543	**37%**
Vol	2122	1881	2725	**45%**

CHURN REASONS

Churn reasons can be studied in two categories – Voluntary and Involuntary churn. The table below shows the breakup of Voluntary and Involuntary churn reasons.

In Vol Churn Reason Trend							
CH_REASON_DESC	March	Feb	Jan	Dec	Nov	Oct	Total
IV - UNB Unpaid Bills	2176	1863	2037	1897	1891	2100	11964
IV - TWO	372	290	332	263	250	306	1813
IV - OOE Old outstanding existing a/c	67	16	22	76		77	258
IV - CHR Cheque Return	25	18	35	31	22	32	163
IV - CLE Credit limit exceeded	23	11	17	23	16	34	124
IV - CPR Cash payment required	30	16	27	35	10	3	121
IV - SFR Suspected Fraud	20	14	20	15	19	22	110
IV - NOD No documents	22	6	14	25	9	4	80
IV - OON Old outstanding - new a/c	13	11	8	8	17	7	64
IV - ENS PV Existence not sure	8	5	3	4	10	8	38
IV - ADF PV Address fictitious	3	1	5	1	3	5	18
IV - ADI PV Address incomplete	3	1	3	3	2	5	17
IV - FRC Fraud Control	2	1	2	4	1	3	13
IV - COA PV C/o address	7	1	1	1	1	2	13
IV - SHA PV Shifted from given address	2	2		3	3	2	12
IV - NEA PV No such person at given add	2	1	2	1	1	1	8
IV - RTM Return Mail	2		3			1	6
IV - CWD PV Credit worthiness doubtful	1	1		1		3	6
IV - MCN Multiple connection unjustified	1						1
Grand Total	2780	2258	2531	2391	2255	2616	14831

Observations: Involuntary Churn

1. Unpaid bills are the major reason for involuntary churn. March saw a 16% increase over Feb. One explanation to this is that Feb has only 28 days. In comparison to Jan, the churn numbers almost remains the same. In general, the UNB disconnections in 2010 are on the rise. The subscriber base is also on the increase every month at an average of about 1.8%.
2. UNB and TWO together (unpaid bills) attribute to more than 90% of the disconnection cases.
3. There are cases wherein the customer has not received the bill or wherein he has a bill dispute. Hence, he has not made the payment. This was observed by analyzing the complaints that the customer has logged in.

4. The top 3 reasons for IV disconnections are the same across all AON categories of subscribers.
5. It is interesting to note that there are no UNB disconnections for those customers who are on Direct Debit. Hence, this can be looked as one way to reduce UNB disconnection.
6. Most of these unbilled cases are primarily from BPO and call centers. Most of the subscribers choose to not pay the last bill before they leave the organization. As understood from the collections department, attempts to trace them are also in vain, since their alternate contact numbers are not reachable.
7. It was also noted that most of the subscribers in the UNB disconnections are in the age group of 25 – 30 years (about 40%). Moreover, they are mainly from companies like TCS, Reliance Infostream, Accenture, Intelenet, Reliance Group etc. It is also interesting to note that this segment is also the biggest revenue churners.

Recommendations

1. Direct Debit - should be promoted.
2. E-Bill should be encouraged– It was observed that many companies and individuals were open to E-Bills. However, they were not taking the initiative themselves for subscribing to E-Bill. Hence, I feel that if there were an active campaign to promote EBill in all companies, there would be many lesser complaints over bill delivery delays and payment delays.
3. E-Bills could also be sent proactively to all those subscribers whose email address we have in the system along with their hard copy of their bills.
4. Early payment - This campaign was once carried out and it saw a surge of 4% in ontime payments. Such initiatives help in reducing UNB disconnections.

5. Alternate Contact Numbers and Reference Checks- should be obtained and verified too in order to improve contactability. Presently, reference numbers are ID proofs are being obtained. However, reference checks should be done in especially companies like call centers where the subscribers are not traceable after they leave.

6. Alternate contact numbers should not be company board line numbers. Ideally, they should be mobile numbers.

Vol Churn Reason Trend							
CH_REASON_DESC	March	Feb	Jan	Dec	Nov	Oct	Total
V - COO Change of ownership	1986	4081	1793	2092	2031	1924	13907
V - LOP Lost phone/SIM	428	368	401	377	346	424	2344
V - OUT Out of Town	137	968	107	122	109	460	1903
V - NUE No usage - Existing accounts		293	448	328	256	256	1581
V - PD - Post To Pre Retention	545		501				1046
V - SAC - Safe Custody valid for 1 year	108	83	115	126	138	136	706
V - SAC - Safe Custody - OT 6 months	62	55	69	61	70	83	400
V - NUN No usage - New accounts	359		2				361
V - RUN Reason Undisclosed	85	56	76	27	55	57	356
V - SAC - Safe Custody - OT 3 months	46	35	44	41	58	121	345
V - LPR Leaving permanently/relocation	67	50	63	38	19	51	288
SUSPENSION-REFUND IN PROGRESS	1	6	44	58	42	58	209
V - PRR Personal reasons	40	19	44	13	20	16	152
V - CCP Customers company policy	1	6	29	2	14	16	68
V - VPO Vodafone Postpaid available	17	4	4	3	2	2	32
V - OFV Opting new Vf postpaid scheme	6	5		3	3	4	21
V - CCA Competitors Connection Available	2	1	2	13	3		21
V - DRP Dealer related problem	2	1	1			3	7
V - CSI Customer Service Issues	4		1		1		6
V - TEU Temporary Use	2	2					4
V - BLD Bill dispute	2			1	1		4
V - OFC Opting for competition		2		1			3
Grand Total	3902	6038	3746	3307	3168	3613	23774

Observations: Voluntary Churn

1. Almost all enterprise voluntary churn is tagged under COO Change of ownership. This practice makes it difficult to identify the real reason for Churn. E.g., Taj and TCS have churn because of competition from TATA and Essar group has churn since they do not give away their numbers when employees leave the organization. Hence, they are kept in safe custody.
2. From the retention team, it is understood that most of the COCP disconnection reasons are not gathered. Partly because the authorized signatory in the organization sends out an email for disconnection without stating the reason. Moreover, some companies do not want to be disturbed by retention team. Hence, for such companies retention attempt is not made.
3. Only a very few of these COCP numbers could be contacted for retention efforts. Mostly the reasons for disconnection given were – moving out of town or personal reasons. This additional information is not captured when tagging under COO.
4. The retention count for COCP is very low. Only about 1 or 2 cases out of 10 are retained.
5. Also, noted in many corporates where tariff is low (like Godrej); there are many disconnections due to multiple connections (in a single individual's name). Many connections are taken for others in the same corporate tariff, but then there connections are churned since the individual does not want to take responsibility against nonpayment and other issues.

Recommendations

1. Disconnection codes for Enterprise need to be revised and clearly indicate the actual reasons.
2. To make the retention effort more effective, enterprise should have a separate retention call center. Presently, only email requests for disconnection are handled separately. Moreover, for the IOIP customers, they are treated on par with the regular postpaid subscribers.
3. Alternate contact numbers should be obtained.
4. For COCP disconnection requests from the authorized signatories (Generally, the SPOC (Single Point of Contact) in an organization for dealing with mobile connections. This could be an individual in the admin department or the HR department.), the reason should be obtained and the churn should be tagged with the real reason. This can be done either by issuing a disconnection request form to the authorized signatories or by taking the request along with the reason through the e-mail.
5. Research indicates that the 4 most important factors that cause churn are - Service, Tariff, Network and Brand Image. Service and tariff are the two things that we can improve on a relatively shorter period of time in order to reduce dissatisfaction.

Revenue Churn

The actual number of disconnections in a month can be a good indicator of Churn. However, it does not fully represent the actual loss to Vodafone. Hence, there is a need to study churn in terms of Revenue loss too. Revenue churn is obtained by taking the sum of all the ARPU of all the subscribers churned for a Company X for that month.

The table below shows the revenue churn for the month of March for the top companies. Though the data is sorted in the descending order of the number of churns, the revenue churn numbers don't arrange themselves in the same order.

Observations

1. A month on month analysis of revenue churn would reveal that there are some companies that are the major revenue churners every month.

2. Number of churn doesn't indicate the revenue loss to Vodafone. E.g., Tata Power may show more number of churn than say Barclays (Ref Table above). However, in terms of revenue, the loss from Barclays exceeds Tata Power by virtue of the larger ARPU from Barclays.

3. Churn can also be tackled by treating important customers or high value users differently. This would include

    a) Loyalty schemes for high value users

    b) Having a separate customer care for high value users.

    c) Promotional campaigns that target this group specifically.

Company name	Total	ARPU	Total Revenue Chrun
RELIANCE INFOSTREAMS PRIVATE LIMITED	161	782.69	126013.01
ICICI PRUDENTIAL LIFE INSURANCE	86	1038.93	89348.15
ACCENTURE INDIA PRIVATE LIMITED	84	876.82	73653.01
TATA CONSULTANCY SERVICES	75	951.07	71330.55
TATA POWER TRADING COMPANY LIMITED	72	102.86	7405.90
RELIANCE GROUP	64	641.20	41036.83
CAPGEMINI CONSULTING INDIA PVT LTD	61	1033.00	63013.26
INTELENET GLOBAL SERVICES PRIVATE LIMITED	56	914.27	51199.23
BARCLAYS BANK PLC	52	2057.01	106964.35
MAX NEWYORK LIFE INSURANCE COMPANY LIMITED	46	573.57	26384.32
RELIANCE ENERGY LIMITED	44	831.33	36578.44
GODREJ & BOYCE	39	750.75	29279.24
CITI GROUP	38	996.27	37858.44
BRIHAN MUMBAI MUNICIPAL CORPORATION (BMC)	37	673.59	39275.36
PATNI COMPUTERS	37	1061.50	24922.97
WORLD NETWORK SERVICES PRIVATE LIMITED	31	922.84	28608.03
HSBC LTD	29	1302.35	37768.20

Suggestions

1. Database and MIS improvements – Superior information gives the competitive advantage. Hence it is essential that our database cater to the additional information that is required today.

   a) Marketing intelligence/ Competition Data - We should gain knowledge of what our competition does in terms of not only tariffs and schemes they offer to corporates, but also in terms of promotional activities and products, they have.

   b) Customer demographics -

      i. Get to know certain lifestyle information about customers so that you could offer tailored retention packages ii. This can be obtained whenever the customer interacts with a call center, or when he signs up for a service. Make him fill out a small questionnaire that will help us build this information.

iii. This information could be on their Interests, Profile, and Job etc.

iv. The importance of user profiling based on mobility has also been elaborated on white papers at Vodafone global enterprise solutions website. http://enterprise.vodafone.com/insight_news/whitepapers/

c) VAS Subscription information – Collect information on the type and frequency of VAS one has subscribed for. VAS has huge potential. Hence, it shall be covered separately.

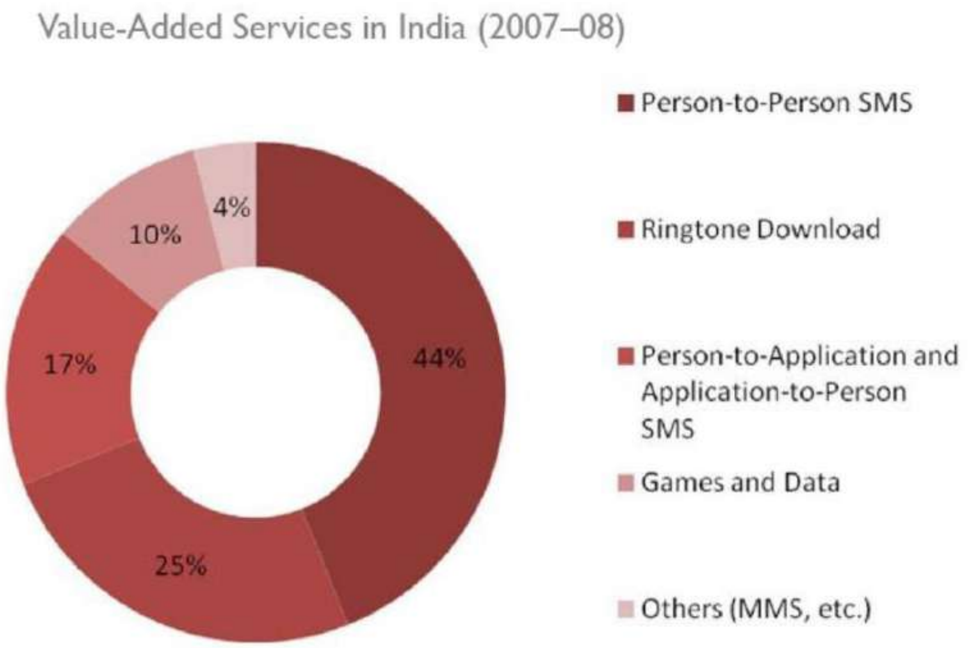
2. Churn should be studied separately for Black Berry, Data Cards, Voice and VAS.

3. Increasing Data Usage / VAS – Bharti Airtel has launched their online application store called App Central with over 1200 application for download (most of them being free) across 25 categories for business, games, books, social networking and other needs. The reason being – VAS has tremendous potential.

   The VAS industry in India generated revenue of US$ 1.2 billion in 2007–08 and is expected to reach US$ 4.0 billion by 2015.

   Major growth drivers for VAS in India

   - Increasing focus on localization and availability of content in local languages
   - Development of M-commerce applications, such as booking tickets and making bill payments
   - Availability of mobile TV and development of shows, films, images, news, etc.,
   - Availability of complete subscriber data has helped in reaching niche audience leading to a growth in advertising revenue through M-marketing
   - Development of video-based applications, such as video SMS and podcasts



Suggestions	**Description**	**Purpose**
Customer Profiling	Gathering more information especially on Interests, Profile, Job, Mobility of the user and alternate contact numbers would help in tailoring retention programs and customer engagement much better.	Helps in tailoring retention process Targeting VAS services to a right customer base.
Process Improvements	Taking a leaf out of Six Sigma practices, we could look at MOM (Minutes of the Meeting) trackers, RCA (Root Cause Analysis) Matrix and Issue Trackers (for SMs to ensure compliance with deadlines). Such tools will help in improving customer satisfaction and track service levels. E.g. The Six Sigma project implemented by	Self-management practices to track and improve. Will be useful in measuring output and effectiveness.

	Airtel helped the company gain Rs.200 and increased the customer satisfaction index from 61 % to 82 %.	
Address Verification through SMS or Email	We could ask the user to confirm the address in the system through sms. The user could respond by saying YES or NO to confirm the address. (toll free)	To reduce first bill and further bill delivery failures/delays
Welcome and first bill call management - ideal for gathering more information	There should be a first bill and welcome call especially for enterprise customers. This is also an ideal opportunity to gather additional customer information (like interests, or if he would use roaming frequently etc...)	Primarily for customer engagement and gathering additional information
Awareness campaigns	Low users of a particular service should be targeted by awareness campaigns	ARPU can be increased.
Mail or SMS online access Ids and passwords	We should proactively send customers User IDs and Passwords (like most banks do). It is then up to the customer to use the online portal or leave it.	To encourage the customer to start using the online portal.

Developing 12 to 18 months contracts	In order to push the customer into staying with Vodafone for longer periods, we could give them more incentives to go for 12 to 18 months contract. This could be with blackberry or iPhone or regular voice services.	Retention becomes more effective

Having a sepa call center for Enterprise	Enterprise customers need to be treated differently from regular postpaid customers. Separate call center can be looked at even for a specific set of customers within the enterprise customers (like higher value customers or those belonging to specific companies)	Call center executives will be better trained to handle the enterprise accounts and tariff details better. Retention call center will be more effective
Loyalty Programs	T Mobile has tied up with Lufthansa airways for converting their mobile usage into air miles. Similarly, Hutch had it with Jet Airways.	To promote loyalty especially in the wake of MNP regulations coming into effect soon.

Enterprise specific promotions and ad campaigns	Most of the Zoo Zoo campaigns are targeted at the prepaid segment and on VAS services. There should be ads and promotions to reach for the enterprise business as well.	To reach to customers and position Vodafone as a telecom partner for Enterprise Business Solutions Provider
Focus on other enterprise solutions	We could study where other enterprise solutions could fit into the scheme of our clients. Proactively, we could then approach the client with this proposal for these services. These may include bulk SMS to mailing solutions to FCTs.	To provide not only voice, but data and a host of services to our clients.

CUSTOMER LIFECYCLE

In customer relationship management (CRM), customer life cycle is a term used to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. In layman's terms, this means getting a potential customer's attention, teaching them what you have to offer, turning them into a paying customer, and then keeping them as a loyal customer whose satisfaction with the product or service urges other customers to join the cycle. CLC focuses upon the creation of and delivery of lifetime value to the customer i.e. looks at the products or services that customers NEED throughout their lives. It is marketing orientated rather than product orientated. That is, the concept is much broader. A product concept would look at a customer buying a voice connection. A marketing concept would look at it as a customer purchasing a communication or a mobility solution. Hence, it could be anything from a regular voice connection, a blackberry, or a data card etc.

When you calculate the present value of the future cash flows attributed to the customer relationship, you arrive at the *Lifetime Value of a Customer.* Simply put, it represents exactly how much each customer is worth in monetary terms, and therefore exactly how much a marketing department should be willing to spend to acquire each customer.

Customer Lifecycle Stages

This Customer Engagement Journey consists of 5 different stages:

- Awareness – Awareness drives engagement. The more customers are aware of your brand and offerings, the more likely they will begin to engage with you (if they find that the brand is interesting and engagement worthy).
- Consideration – This includes all the buying decisions that the customer would like to consider before choosing a product.
- Inquiry – How and from where does the customer get information for the products that he needs?
- Purchase – Potential buyer becomes a client by purchasing products and services.
- Retention – Ensuring that the customer does not churn and continue to use more products and services.

Marketers tend to focus on the latter two stages: purchase and retention, because this is their end-goal. However, we have to keep in mind that if we really want to ‘engage’ people, not just to ‘persuade’ them to buy something, we have to include the first three stages as well.

Awareness

Awareness of the existence of a product or organization is necessary before the purchase behavior can be expected. Once the awareness has been created in the target audience, it should not be neglected. If there is neglect, competing messages and the level of awareness of focus product may distract the audience or organization will decline.

Awareness needs to be created, developed, refined or sustained, according to the characteristics of the market and the particular situation facing an organization at any one point of time.

There are many ways of going about it. The simplest way to go about is by using surveys to measure the effectiveness of all the promotional activities. The DAGMAR (Defining Advertising Goals for Measured Advertising Results) model suggests the same. It required you to know your present state (say through surveys) and then measure your result after the promotion. Goals should be realistic and measurable, like increasing awareness levels from 10% to 35%.

There is hence a strong need to have enterprise specific ads.

1. Vodafone as a brand is very prominent for all mobile subscribers. But where Vodafone lacks is the awareness of Vodafone‘s Enterprise Solutions. This was observed during several interactions with individual clients and authorized signatories.
2. Presently, there are no promotions done on the different solutions that we offer. Apart from promoting voice connections, there are very few promotions in the market for blackberry and data cards and almost nil for the rest.
3. Product innovations are poor and hence we do not have the first mover advantage in the market either. Our competitors also offer most of our products that we offer and hence, the differentiations in the products are less.
4. Magazine and Print ads should be the preferred choice as they have many advantages over television ads. In addition, print ads are more effective in the segment that Enterprise solutions operate – the corporate customer.

Consideration

Studying consideration factors or purchase decisions helps us develop a deeper understanding of consumer behavior. It tells us when, why, how, and where people do or do not buy product. Through this understanding, products and services can be tailored to suit different people's needs.

According to the survey conducted at Harvard University, the four most important factors that are taken into consideration before buying a new mobile are -

1. Tariff
2. Network
3. Service
4. Brand Image

This is also consistent with the feedback obtained at various touch points where customers walk in to get more information on new connections. Other factors include benefits, peer review, availability etc. Consideration factors are different for different types of customers like

Prospects, first time buyers, repeat buyers, core customers etc. Some of the ways to improve these factors would be

1. Tariff: To have more than one tariff plan at corporates (where the customer base is sufficiently large) so that there could more choice available for different set of people.
2. Network: Improving network coverage in other areas also. Many customers have coverage related problems in other outer areas or when they go on roaming. Hence, they wish to choose some other provider. This is one of the reasons observed for churn.

Inquiry

Once the customer knows that there is a product offering with a particular brand, he would like to learn more on the offering. This is where he would get in touch with the organization through various Touch Points (Encounters where customers and business engage to exchange information, provide service, or handle transactions.). It is this experience here at these touch points that push the customer to buying the product/service.

Some of the things that can be done to measure and improve customer inquiry at these touch points –

1. Obtain customer feedback at every touch point. Presently, it is done only at a few touch points.
2. Event Driven surveys – Get the customer to fill a short questionnaire or get his feedback to obtain a little more information about him after an event. Some of the scenarios where this could be done would be
    a) After online bill payment, a few questions could be asked along with the thanks you message.
    b) A new set of questions (2 or 3) behind the hard bill so that when they are submitted along with the check, this information could be obtained.
    c) After his interaction at the customer service desk or at stores etc.
3. CDI (Customer Delight Index) - CDI is used to measure customer satisfaction. The marketing team at Vodafone presently uses this for the regular consumer. The same process can be adopted to be used for Enterprise as well.

4. Effectiveness of touch points should also be measured to know which ones do and do not contribute to improving customer satisfaction. I have developed an *Engagement Matrix* that will help us identify most of the touch point and quantitatively measure their importance and effectiveness. All the steps have also been document in the spreadsheet. A snapshot of the matrix is shown below.

Touch Point	LifeCycle Stage	Operational Purpose	Role in Customer Experience	Touch Point Owner	Importance and Impact	Operational Effectiveness	Customer Experience Effectiveness

Purchase and Retention

Between purchase and retention, a lot of effort is put especially in servicing the customer for all his needs. Once the sale is done for a particular product, relationship managers are attached to each corporate account to service the needs of the customers.

Nevertheless, there are still many complaints, requests and enquiries flowing in every month. March saw a 22% increase in the total number of complaints. This was primarily dominated by service and billing complaints. Service complaints were higher than billing complaints particularly in the COCP segment. Service complaints were dominated by DND requests. Whereas, the IOIP customers had many bill disputes.

SR TYPE	SR SUB TYPE	Jan-10		Feb-10		Mar-10		Inc/ Dec	
		COCP	IOIP	COCP	IOIP	COCP	IOIP	COCP	IOIP
Service	C - Response To SMS / CALL	94	452	96	303			-100%	-100%
	C - DND / Service SMS or Call			17	113	149	529	776%	368%
	C - Feedback On Cust Service	2	64	7	81	4	88	-43%	9%
Service Total		96	523	121	501	153	620	26%	24%
Billing	C - Bill Dispute	36	395	29	431	17	528	-41%	23%
	C - Bills Not Received	7	66	8	67	6	92	-25%	37%
Billing Total		44	475	40	510	27	627	-33%	23%
Network	C - Coverage Problem	66	358	47	400	67	415	43%	4%
	C - Congestion	1	11		20	1	18	0%	-10%
	C - Network Down	9	9		2	6	17	0%	750%
Network Total		81	388	52	428	82	456	58%	7%
Tariff Plan	C - Tariff Dispute	8	112	7	122	5	207	-29%	70%
Tariff Plan Total		8	112	7	122	5	207	-29%	70%
Payment and Collection	C - Payment Updation	9	108	6	154	7	185	17%	20%
	C - Complaint Agency/Center		8		8	1	6	0%	-25%
Payment and Collection Total		9	117	6	164	8	194	33%	18%
Grand Total		238	1615	226	1725	275	2104	22%	22%

Sample Study

To study the criticality of these complaints, a sample of 100 numbers who churned in March were chosen randomly. These were mapped to the complaints they had logged in that month and the previous month and their AON category.

Using this information, the reasons for disconnections could be traced to the complaints they had in the past for different AON category of users. The following table summarizes the top 4 complaints.

AON Tag	Billing	Retention and Churn	Service	Network	Grand Total
2 months	1				1
3 - 6 months	7	3		2	16
7 - 12 months	4	3	3		12
13 - 24 months	5	3	3	3	18
25 - 36 months	10	4	6	4	29
37 and above	9	4	2	2	21
Grand Total	36	17	14	11	97

Following observations could be made from this –

1. Billing complaints are considerably higher than the rest of the complaints. This has led to dissatisfaction and hence the churn.
2. Billing complaints have caused both Voluntary and Involuntary churn.
3. Bill disputes tend to increase over the lifetime of the customer. Most of these disputes were related to tariff disputes, CUG installation errors and data usage.

This just goes to show that billing complaints are more critical than others are.

Customer Engagement

Engagement is one of the most powerful emerging business principles of this century, but historically it has been elusive, unmeasured and undisciplined. Customer engagement is the emotional connection or attachment that a customer develops during the repeated and ongoing interactions. Engagement accumulates through satisfaction, loyalty, influence, and excitement about your brand. Organizations who engage consumers to the point where they are moved to behavioral change do so by creating opportunities for emotional connections through ongoing, consistently positive experiences.

Customer satisfaction is a nice to have, but does not result in a secure customer. Satisfied customers may be pleased with a recent experience, but often do not have an emotional connection with the company. This lack of an emotional connection often results in customers with high levels of customer satisfaction switching to competitors for reasons such as a minor cost difference or a slightly more convenient location.

On the other hand, Customer Engagement is necessary have, and the best and most successful companies in the world use it. Four characteristics of Customer Engagement are

- Retention: Engaged customers will spend more with you over their lifetime than with your competition.
- Effort: Engaged customers will actually go out of their way to do business with you - even spend more to benefit from your products, service and brand.
- Advocacy: Engaged customers spread the good word, making it easier and cheaper for you to attract new customers.
- Passion: Engaged customers are passionate about the brand – so passionate that they may even spend time actively promoting the brand to others or defending the brand if others speak negatively about it.

Presently at Vodafone, C - Sat (Customer Satisfaction) is measured on a quarterly basis. Customer feedback is obtained after an interaction with the personnel at the store or at the call center. These are aggregated to obtain the overall C-Sat score. Again, the problem here is that, only a very few percentage of all customers respond to the feedback asked on the interaction. This is where engagement plays an important role. The more the number of responses obtained, the larger is the level of engagement.

Benefits of Engagement

1. Referrals
2. Frequent Purchase/ Re- purchase.
3. Provides frequent feedback
4. Cross-selling (Attempt to sell additional products to current customers, often based on their past purchases. These products could be related or unrelated.) and upselling (Upselling is a sales technique whereby a salesperson induces the customer to purchase more expensive items, upgrades, or other add-ons in an attempt to make a more profitable sale.) works better
5. Decrease in negative word of mouth
6. Customers stay longer with the Organization
7. Reduced Risk

The first three are the key indicators of customer engagement. Simply put, it would be adequate to look at the number of referrals, or the number of times the customer has given a feedback or his frequency of re-purchase to measure engagement.

Measuring Customer Lifetime Value (CLV) & Customer Engagement

Customer Lifetime Value is usually defined as the total net income a company can expect from a customer. The exact mathematical definition and its calculation method depend on many factors, such as whether customers are "subscribers" (as in most telecommunications products) or "visitors" (as in direct marketing or e-business).

The Business Intelligence unit of the CRM division at Amdocs tailors analytical solutions to business problems, which are a high priority of Amdocs' customers in the communication industry: churn and retention analysis, fraud, campaign management, credit and collection risk management and more. LTV plays a major role in several of these applications, in particular Churn analysis and retention campaign management. In the context of churn analysis, the LTV of a customer or a segment is important complementary information to their churn probability, as it gives a sense of how much is really being lost due to churn and how much effort should be concentrated on this segment. In the context of retention campaigns, the main business issue is the relation between the resources invested in retention and the corresponding change in LTV of the target segments.

In general, there are three factors we have to determine in order to calculate LTV –

1. The customer's value over time: In practice, the customer's future value has to be estimated from current data, using business knowledge and analytical tools.
2. A length of service (LOS) model: describing the customer's churn probability over time.
3. A discounting factor: that describes how much each $1 gained in some future time t is worth for us right now. This function is usually given based on business knowledge.

Each component can be calculated or estimated separately or their modeling can be combined. At present, this sort of study cannot be carried out at Vodafone since the data available is limited. However, I have tried to describe the approach that can be adopted to quantify the CLV. It is also understood that Vodafone is migrating to a new version of CRM that is provided by Amdocs. (Hence, the reference to Amdocs CRM above).

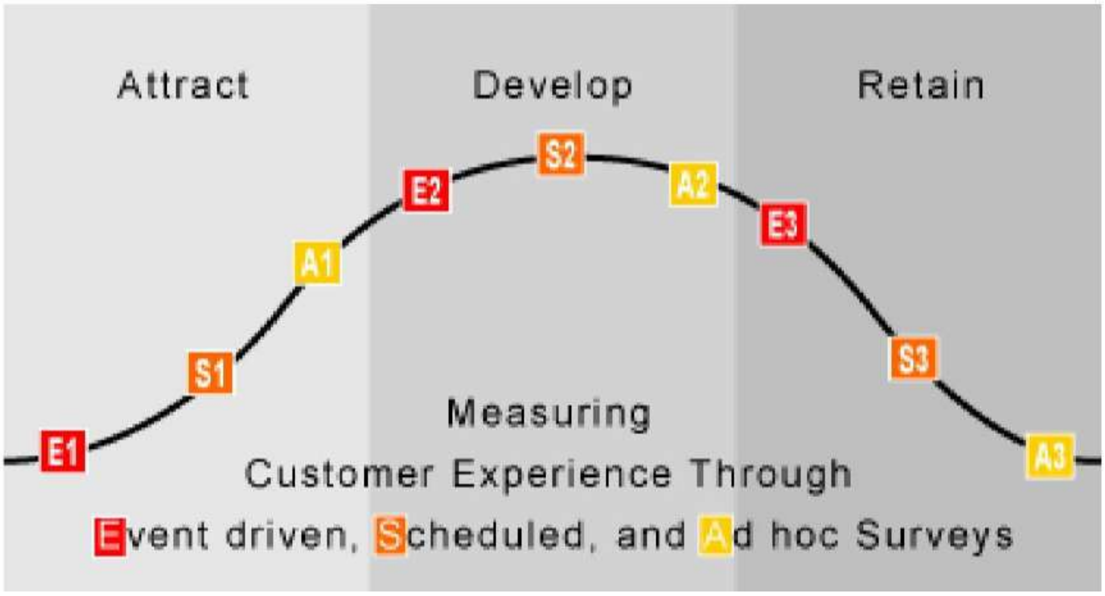
Engaged customers can be classified into three segments –

1. Engaged – Engaged customers report strong agreement with statements about product satisfaction, purchase intentions, intent to recommend products/services, and high regard for a company's products/services.
2. Disengaged –These customers answer survey questions with disagreeable or ambivalent attitude. Sometimes disengaged customers are compelled to continue purchasing product due to some externality, but continue to damage the reputation of the company with bad mojo.
3. Swing – These customers have the potential to be swayed to the Love or Hate Group depending on future experiences with the company. The Swing Group answered survey questions in ways that indicated passive satisfaction without active engagement. The Swing Group is where the action happens, where there is a great opportunity to win loyal customers for life.

Using surveys, we could identify the percentage of customers in each category. This sort of classification will help us in designing the engagement initiatives. Customer engagement can be measured by using surveys. By asking customers the right questions, we can arrive at the following information

1. Share of the wallet - "How many products do you use?"
2. Referrals – "In the last 12 months, did you have a delightful experience worth telling someone about?" If the answer was yes, "how many people did you tell?"
3. Likelihood to Churn – "I would continue to do business with this organization for at least the next year"
4. Frequency of feedback - depends on the how many customers gave their feedback and how many of them have been giving feedback regularly.

Share of the wallet indicates brand loyalty, referrals helps in word of mouth marketing and frequency of feedback helps brining in continuous improvements. Studies have shown that, Engaged customers have a larger share of the wallet, often influence more referrals, give regular feedback and are more likely to remain with the brand than disengaged customers are.



The above diagram shows how to use surveys as an effective tool at different stages of customer lifecycle.

CONCLUSION & RECOMMENDATIONS

Conclusion

Intense competition in the industry has resulted in a drastic reduction in tariff for services such as SMS, roaming and long distance. Number portability would give the consumers more choice in addition to increase in competition. According to experts, this would result in a further reduction in tariff.

Here is an idea for smaller operators like Tata, Idea and Aircel to churn high-ARPU customers away from the biggies.

Most the high-ARPU customers are with the biggies like Airtel, Vodafone etc., because these operators were early in the game and anyone who could afford a mobile phone three years ago should be either from a higher SEC segment or enterprise users.

Recent introduction of dual SIM phones in the market triggered this idea.

1. In Navi Mumbai market, Airtel is the top player followed by Vodafone.

2. Customers at Navi Mumbai are willing to switch Service provider if they are offered with a cheaper call rates and 3G plans.
3. Mobile Number Portability System has change the scenario of the telecom Industry. Earlier the only way a service provider was able to hold their customer was by the mobile number. Now with MNPS into action customer have freedom to switch with same number so customer will rule the market.
4. In this battle between customers and service providers, service provider will have to surrender against customers.

Assuming that the value and service being offered by the new operator is indeed better than the old one, it at least gives a chance to the new operator and a convenient option to user who is fed up of his current operator without losing his old number.

Recommendations

1. Enterprise specific promotions to increase awareness
2. Event driven surveys – as explained earlier in the report, this either online like after a bill payment through the internet or it could be offline, like after an interaction with personnel at a Vodafone store.
3. Verification problems and Billing disputes are problems that are more serious – Treat them with more severity.
4. Customer profiling based on engagement – Engaged, disengaged and swing
5. Measure/Quantify customer engagement and CLV to be able to track and improve.
6. Watching your competitor's moves – Like tariff plans, promotional activities, process, product innovations etc.
7. Payment option at service desks – Service desks at corporates should include payment option too. At present, only check payment is possible. Having multiple payment options like payment through credit/debit card facilities would greatly help in payments.

8. Social networking is the next level of engagement – This is an emerging area today. Social CRM through social networking sites like Twitter, Facebook etc. have become very popular in the last few years. Companies like Nike claim to have converted 40% of their community members into the company's shoes. Through social networking, customers can be made aware of the latest news and product updates.

BIBLIOGRAPHY

References:

Marketing Management - Philip Kotler, Kevin Lane Keller

Marketing Research – G.C.Beri.

Websites:

www.vodafone.in www.vodafone.com

www.campaignindia.in/Brand/vodafone

http://www.blastradius.com/work/vodafone/

http://en.wikipedia.org/wiki/Telecommunications_statistics_in_India

http://www.vodafone.co.uk/about-us/selling-vodafone/

http://en.wikipedia.org/wiki/Customer_satisfaction

http://en.wikipedia.org/wiki/Hutch_(Indian_cellular_company) http://en.wikipedia.org/wiki/Vodafone

http://bora.nhh.no/bitstream/2330/1919/1/Saplitsa%202008.pdf

www.anacom.pt/render.jsp?contentId=606658

www.iimcal.ac.in/community/consclub/reports/telecom.pdf

APPENDICES

Questionnaire [Customer]

Dear sir/Madam,

I request to spare sometime to consider the following questionnaire. The intention of this project is purely academic; all information provided by you will be kept strictly confidential.

Be as truthful as you can.

Thank you for your co-operation.

Q.1 Are you a Vodafone User?

- Yes
- No

Q.2 Are you satisfied with the Network of Vodafone?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.3 Are you satisfied with the Customer Care of Vodafone?

- Highly Satisfied

- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.4 Are you satisfied with Vodafone compared to other Sim Cards?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.5 Are you satisfied with the Call Cost/Call Rates of Vodafone?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.6 Are you satisfied with the Mobile Internet of Vodafone?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.7 Are you satisfied with the 3G Plan of Vodafone?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

University of Mumbai

A PROJECT REPORT ON

"AN ANALYTICAL STUDY ON SOCIAL MEDIA MARKETING AND ONLINE PRESENCE OF BRANDS"

Bachelor of Management Studies

Semester VI

(2019 – 2020)

Submitted by

SAURAV OJHA

Seat No.: 1162788

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. JADHAV Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

University of Mumbai

A PROJECT REPORT ON

"AN ANALYTICAL STUDY ON SOCIAL MEDIA MARKETING AND ONLINE PRESENCE OF BRANDS"

Bachelor of Management Studies

Semester VI

(2019 – 2020)

Submitted in

Partial Fulfilment of the requirements

For the Award of Degree of

Bachelor of Management Studies

By

SAURAV OJHA

Seat No.: 1162788

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

<u>CERTIFICATE</u>

This is to certify that **<u>MR. SAURAV OJHA</u> SEAT NO.:<u>_1162788_</u>** of Third Year B.M.S., Semester VI (2019 – 2020) has successfully completed the project on **<u>"AN ANALYTICAL STUDY ON SOCIAL MEDIA MARKETING AND ONLINE PRESENCE OF BRANDS"</u>** under the guidance of **<u>Assistant Prof. DRAKSHA KHAN</u>**.

Project Guide **External Examiner**

Asst. Prof Draksha Khan Dr.Subhash Vadgule

Course Coordinator **Principal**

DECLARATION

I, **SAURAV OJHA** the student of T.Y.B.M.S. Semester VI (2019 – 2020) hereby declare that I have completed the project on **AN ANALYTICAL STUDY ON SOCIAL MEDIA MARKETING AND ONLINE PRESENCE OF BRANDS.** The information submitted is true and original to the best of my knowledge.

Signature of Student

SAURAV OJHA

Seat No.: 1162788

BGPS, MUMBAI COLLEGE OF ARTS, COMMERCE AND SCIENCE

J. K. Jadhav Knowledge Centre, Nadkarni Park,

Wadala (E), Mumbai – 400037.

ACKNOWLEDGEMENT

I wholeheartedly appreciate everything who all have helped me for completing and making this project successful.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the competition of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal, Subhash Vadgule** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Course Coordinator Asst. Prof. Draksha Khan**, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Asst. Prof. Madhura Vilekar** whose guidance and care made the project successful.

I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project.

Table of Contents

Abstract

Social media marketing is the use of web-based and mobile technologies to turn communication into organizations integrated marketing communications plans. Social media marketing is a powerful way for businesses of all sizes to reach prospects and customers. Social media marketing includes activities like posting text and image updates, videos, and other content that drives audience engagement, as well as paid social media advertising.

Social Media has become a platform that is easily accessible to anyone with internet access. Increased communication for organizations fosters brand awareness and better customer service. Social media marketing benefits organizations and individuals by providing awareness, an additional channel for customer support, a means to gain customer and competitive insight, recruitment and retention of new customers/business partners, and a method of managing their reputation online. Key factors that ensure its success are its relevance to the customer, the value it provides them with and the strength of the foundation on which it is built.

Internet users and online shopping have been growing rapidly over the Past many years. More and more people are engaging online for various Purposes; be it shopping, networking, product and service reviews, Content viewing, advertising, Complaints or Grievances, Reading Blogs and engaging with online communities etc. It is

important for businesses to understand such kind of Marketing which is very different from Traditional Marketing. Social Media Marketing and Online Reputation Management is all about brand identity and creating trustable relationships with consumers.

Online reputation is becoming so pervasive, it’s almost time to drop the word “online”. Online reputation management (ORM) means taking control of the online conversation. Its techniques and strategies ensure that people find the right materials when they look for you on the Internet. The purpose of online reputation management is to create balance, counteract misleading trends, and allow you to put your best foot forward.

The Internet is our first stop for everything

Not only do people view the Internet as their first source of information, but they also trust what it tells them. More importantly, they make decisions based on what they find online.

- Two out of three people see the Internet as the most reliable source of information about a person or a business or creating a brand identity.

Two Cycles of Online Reputation Management

Vicious Cycle: Ignore your online reputation and you risk falling victim to a vicious cycle of misinformation and rumours.

Virtuous Cycle: Take care of your online reputation and you create a virtuous cycle of positive, quality materials that reflect well on you.

REVIEW OF LITERATURE

This paper offers views on some current and future trends in marketing. The content is based on recent literature and on what is happening in the business world. The paper is based on secondary data. The paper is based on extant literature and internet sources. The various articles, researches, reports, newspapers, magazines, various websites and information on the internet have been studied. We experience a radical change in India towards the digitalization. The consumer is looking and searching more on the internet to find the best deal form the sellers around India as compared to traditional or conventional methods. In this study, we acknowledged that businesses can really benefit from Digital Marketing such as search engine optimization (SEO), search engine marketing (SEM), content marketing, influencer marketing, content automation, e-commerce marketing, campaign marketing, and social media marketing, social media optimization, e-mail direct marketing, display advertising, e-books, optical disks and games and are becoming more and more common in our advancing technology. It is demonstrated that we all are connected through WhatsApp and Facebook and the increasing use of social media is creating new opportunities for digital marketers to attract customers through a digital platform. Awareness of consumer's motives is important because it provides a deeper understanding of what influences users to create content about a brand or store. Digital marketing is cost-effective and has a great commercial impact on the business. Based on this study, it can further be argued that knowing which social media sites a company's target market utilizes is another key factor in guaranteeing that online marketing will be successful. The effectiveness of Internet marketing with respect to different business can be analysed. The study can further be extended to compare internet marketing techniques specific to various businesses.

INTRODUCTION

One of the main ways to develop a strong, loyal customer base is to create a community feel through social media and PR. This can often require a detailed strategy as well as a deep pocket and the luxury of time.

Consumers now see brands social media platforms as more than simply an advertising platform; they are now a vital tool to ensure product satisfaction. The question that everyone asks is whether brand loyalty can be built and strengthened. General trends highlight that the answer is very likely to be yes.

The integration of customer service through social media has had considerable impact, consumer needs are constantly getting higher and brands have to adapt to this social change.

The idea of brand loyalty is incredibly important as consumers want to be listened to and feel a sense of validation. Brands should ensure they have a healthy online presence, create loyalty schemes, build a sense of community and recognise that their target markets come first.

Brands continue to increase investments in social media content and headcount. It's no longer sufficient to simply maintain your social media presence: It's standard to actively engage consumers on multiple social platforms and build an identity on these channels.

Successful brands have even created teams of social experts to carry out their social marketing programs, from creating content to engaging with an ever-present audience by answering questions and replying to feedback.

Here are some of the latest numbers on Social Media and Web Space

- 74% of the world’s Internet population visit a social networking/blogging site.
- Social Media site visits average almost 6 hours monthly.
- 3 of the 7 biggest brands online globally are social media: Facebook, Wikipedia and YouTube.
- Facebook has crossed 500 million subscribers last year. This is more than the entire
- the population of North America.
- Blogging can have a very positive effect on the Company’s branding & growth. As per the
- Hub spot report, Customers with blogs gathered 68% more leads than customers without blogs.

Social media is a unique arena to propel a brand since it’s aligned with the entire business, including marketing, sales, and customer service. The new marketing battleground is customer experience — but providing a satisfying one can be complex, involving more channels and departments than ever.

Top brands do this by listening to what people say on social channels, passing along customer service-related content to their support team for resolution. What would once have meant a twenty-minute phone call for the customer is now effortless, pleasant, and expedited. It's also a positive experience likely to be shared on social media. However, 18% of all marketers say there is no coordination between their social media marketing and other channels. The level of sophistication in coordinating these channels has plenty of room for improvement.

HOW BRANDS USE SOCIAL MEDIA MARKETING FOR GAINING TRAFFIC OR ATTENTION THROUGH SOCIAL MEDIA SITES

Social media itself is a catch-all term for sites that may provide radically different social actions. For instance, Twitter is a social site designed to let people share short messages or “updates” with others. Facebook, in contrast, is a full-blown social networking site that allows for sharing updates, photos, joining events and a variety of other activities.

How Are Search & Social Media Marketing Related?

Why would a search marketer — or a site about search engines — care about social media? The two are very closely related.

Social media often feeds into the discovery of new content such as news stories, and “discovery” is a search activity. Social media can also help build links that in turn support into SEO efforts. Many people also perform searches at social media sites to find social media content. Social connections may also impact the relevancy of some search results, either within a social media network or at a ‘mainstream’ search engine.
The links between social media marketing and SEO have long been debated, and while there's no definitive connection between the two (Google, for example, doesn't factor in Likes and shares on social platforms when ranking pages), social platforms do facilitate content sharing and help drive traffic - there are various key SEO elements which are very much directly influenced by social media activity.

SOCIAL MEDIA STRATEGY

Starting a social media marketing campaign without a social strategy in mind is like wandering around a forest without a map.
Here are some questions to ask when defining your social media marketing goals:

1. What are you hoping to achieve through social media marketing?
2. Who is your target audience?
3. Where would your target audience hang out and how would they use social media?
4. What message do you want to send to your audience with social media marketing?

5. Your business type should inform and drive your social media marketing strategy.

The key ingredient for doing social media marketing well is having a strategy.

Without a strategy, you might be posting on social media platforms for the sake of posting. Without understanding what your goals are, who your target audience is, and what they want, it'll be hard to achieve results on social media.

Whether you want to grow your brand through social media or to level up as a social media marketer, developing a social media marketing strategy is essential.

(Both the above topic will be discussed in CHP NO-: 6)

CHAPTER 1-: RESEARCH METHODOLOGY

Research Objectives

Research Methodology is defined as a "systematic effort to gain knowledge". It is the way of systematically solving the research problem. The research in this paper is aiming to determine "How Consumers Decisions are affected through Social Media Marketing and Online Presence of Brands". The research involves the use of survey research design, observations, scouting through other websites as well as personnel.

1. To find awareness of brands and usefulness of Social Networking Medium.
2. To investigate the current and future opportunities for Brands in the Web Space.
3. To study how consumers engage with brands in online sites and communities.
4. To study how to provide support to your customer by handling their grievance and queries, which ultimately leads to sales, customer acquisition & online reputation management.

Research Design

The type of research undertaken is descriptive. It is that type of research that gathers quantifiable information that can be used for statistical inference on the target audience through data analysis. It is conclusive in nature. The research is conducted through survey research design and case studies as the tool. Survey research attempts to collect data from members of the population and describes existing phenomena by asking an individual about their opinion, attitude, behaviour and values. Therefore, it allows the researcher to collect a large amount of data in a relatively short period of time. Survey method was especially suitable for this research because it allowed the researcher to collect information from people in different areas.

Collection of Data

Data Collection is the systematic approach to gathering and measuring information from a variety of sources to get a complete and accurate picture of an area of interest. Data collection enables a person or organization to answer relevant questions, evaluate outcomes and make predictions about future probabilities and trends.

Data Sources

In this research two methods are adopted for collecting the data. They are primary and secondary data.

Primary Data-:

1. Information gathered from the researcher's direct and personal observations.
2. Data Collection through a questionnaire which consisted of closed and open-ended questions.
3. Internship completed at Radical Knights Pvt Ltd.- Digital Marketing Agency.

Secondary Data-:

1. Collection of data through websites.
2. Collection of data through numerous books.
3. Collection of data through organisational records.

Sampling Technique

Convenient sampling (Non-Probability) method was used to ensure that all the consumers are selected conveniently with ease of approachability and without any bias of the researcher, in a cost-effective way. This was done by sending out the link to the questionnaire to all the adults known to the researcher, who, in turn, were asked to spread it amongst their social circles and colleagues. It was made sure to reach different individuals representing different industries, demographic section, when you are talking about their age, gender and sex.

Limitations to the study:

- The data collection was conducted through an online survey, making it difficult to control the respondent's reaction. Additionally, through an online survey, the intelligence and attitude from which the survey is filled cannot be determined.

- The time frame for conducting the survey was a very short period. The respondents for the survey were limited, thus a larger audience could not be catered.

- The age group with which the survey was shared was concentrated within 18-22, thus a wide variety of views across different age groups couldn't be covered.

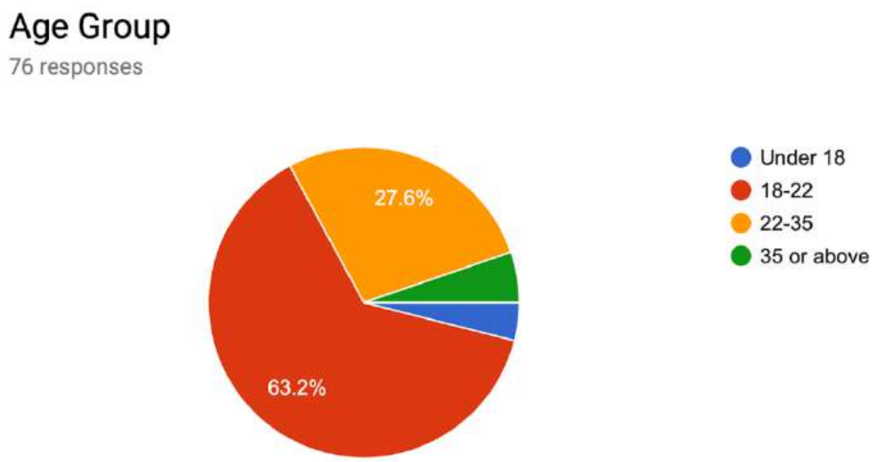
- The interpretation of the interviewer might be different from that of the respondents.

CHAPTER 02-:DATA INTERPRETATION AND ANALYSIS

Analysis of Questionnaire Responses

The data analysis for the questions asked in the questionnaire is as given below-:

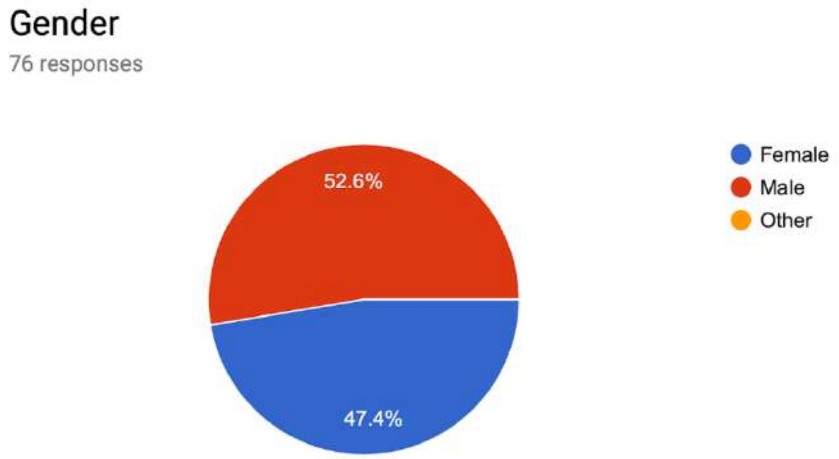
1.AGE



- Majority of the respondents are from the age group between 19-22 years (63.2%), followed by those between 22-35 years (27.6).

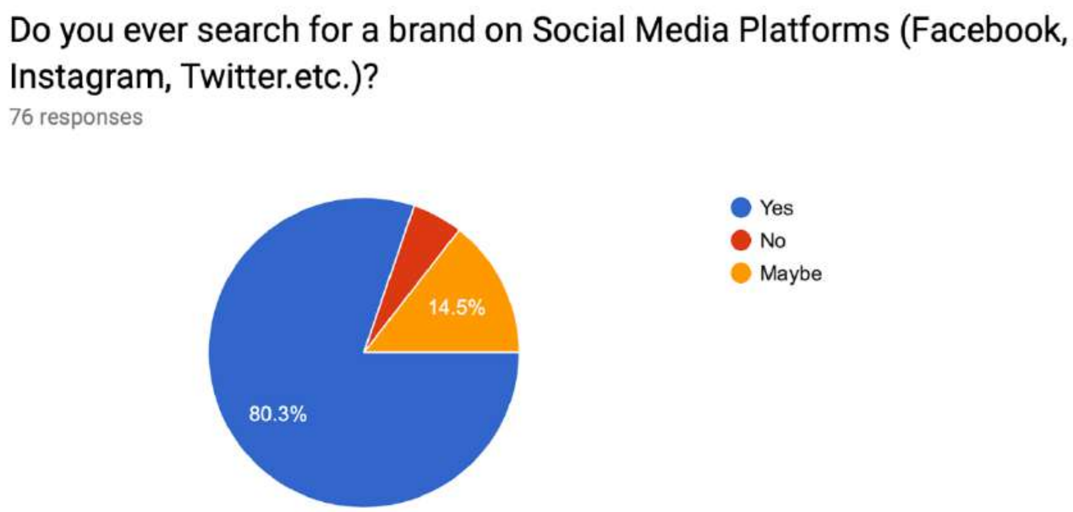
- At the same time the number of respondents between the age group 35 & Above (5.3%) and the age group under 18 (3.9%).

2. GENDER



- The total number of responses is 76, out of which 40 are male respondents and 36 are female respondents.

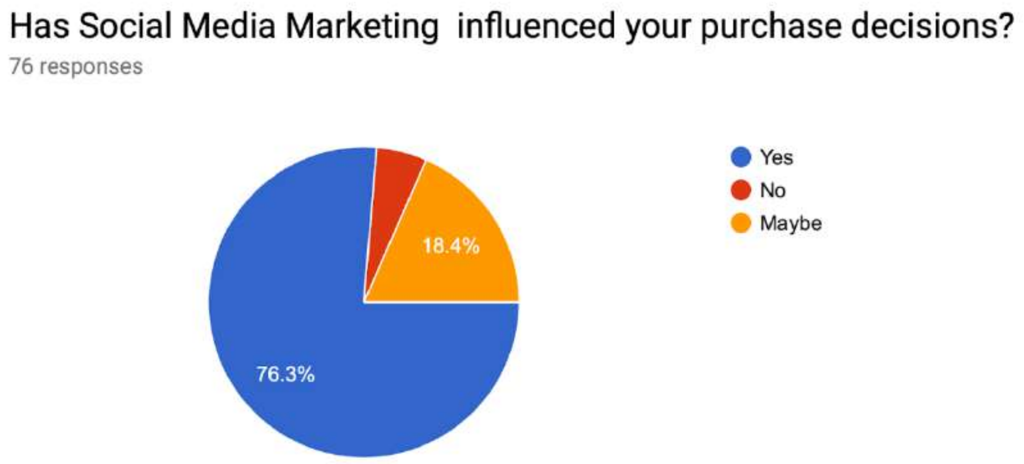
3. Do you ever search for a brand on Social Media Platforms(Facebook, Instagram, Twitter,etc.)



- Around 61 respondents i.e. 80.3% of the respondents search for brands on various social media platforms.

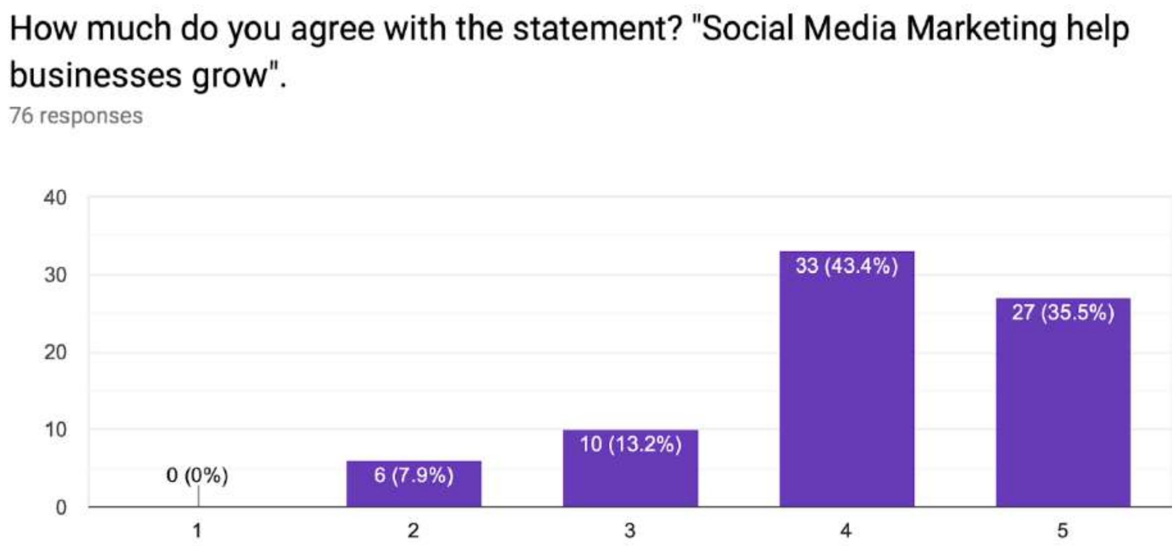
- Following that 11 respondents i.e. 14.5% of the respondents aren't sure of whether they search for brands on social media or not.
- The least amongst all the options, 5.3% don't search for brands on social media platforms at all.

4. Has Social Media Marketing influenced your purchase decisions?



- Around 58 respondents (76.3%) agree that social media marketing has influenced their purchase decisions.
- Following that 14 respondents (18.4%) aren't sure that if social media marketing has influenced their purchase decisions.
- The least amongst all the options, 5.3% disagree that social media marketing has influenced their purchase decisions.

5. How do you agree with the statement “Social Media Marketing help businesses grow”.



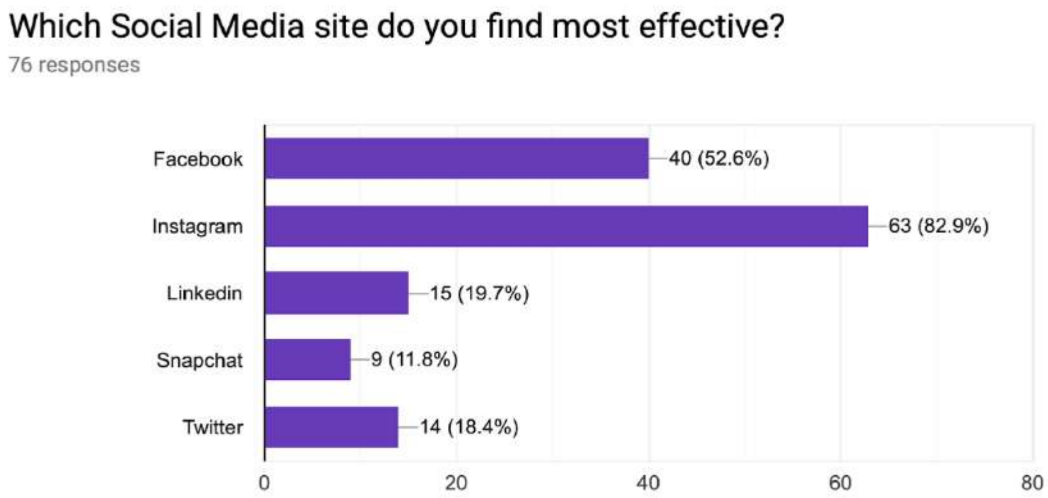
- On a Scale of 1-5-:

A. 35.5% of respondents have rated 5 out of 5.

B. 43.4% of respondents have rated 4 out of 5 which is the majority amongst all.

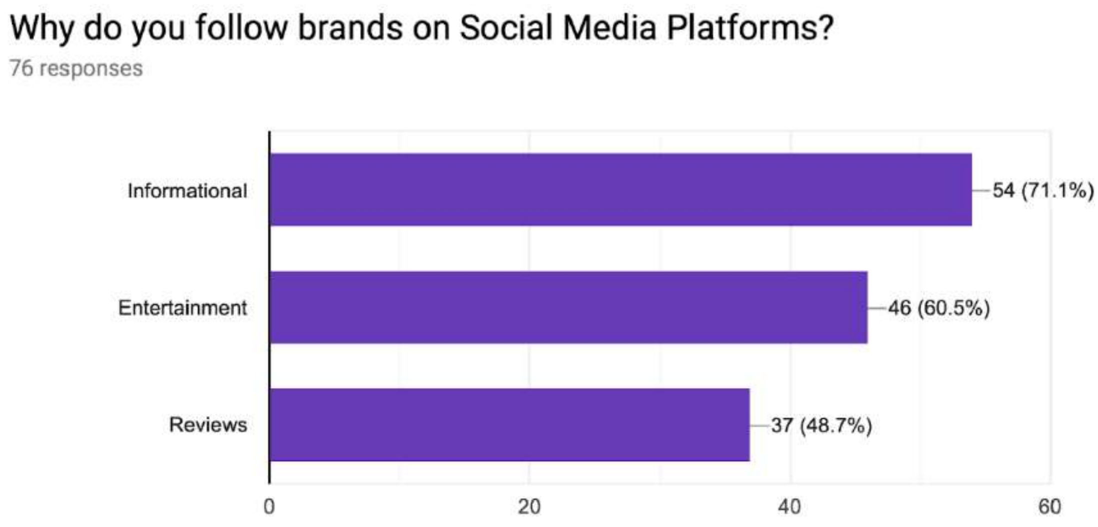
- Following that 7.9%, respondents have rated 3 out 5.
- The least amongst all the options, 7.9% have rated 2 out of 5.

6. Which Social Media site do you find most effective?



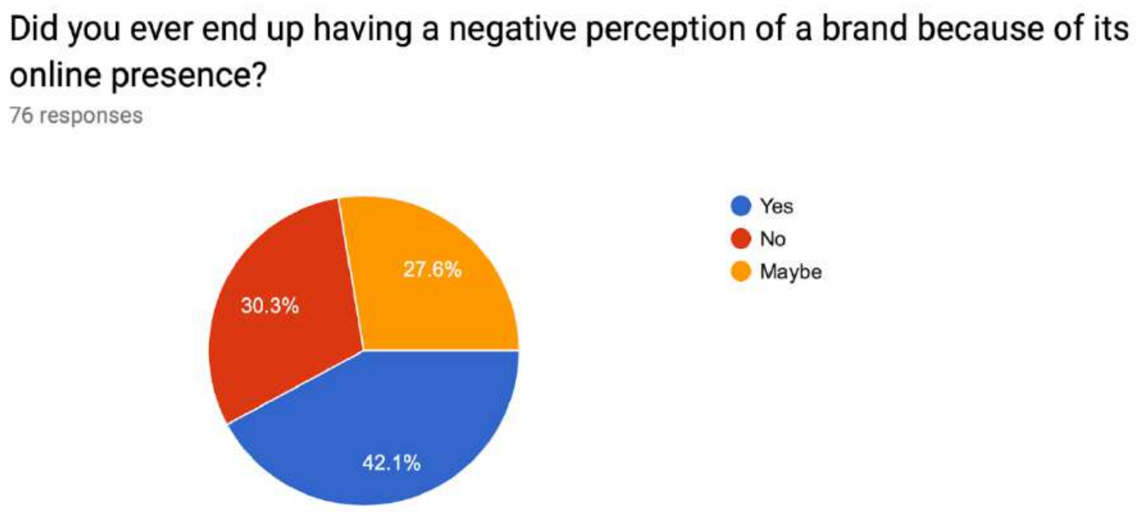
- Around 40 respondents (52.6) find Facebook as the most effective social media site
- Following that 63 respondents (82.9%) find Instagram as the most effective social media site.
- Twitter and LinkedIn have around the similar no. of respondents which are 14(18.4%) and 15(19.7%) respectively.
- The least amongst all the options, 9 respondents (11.8%) find Snapchat as the most effective social media site.

7. Why do you follow brands on Social Media Platforms?



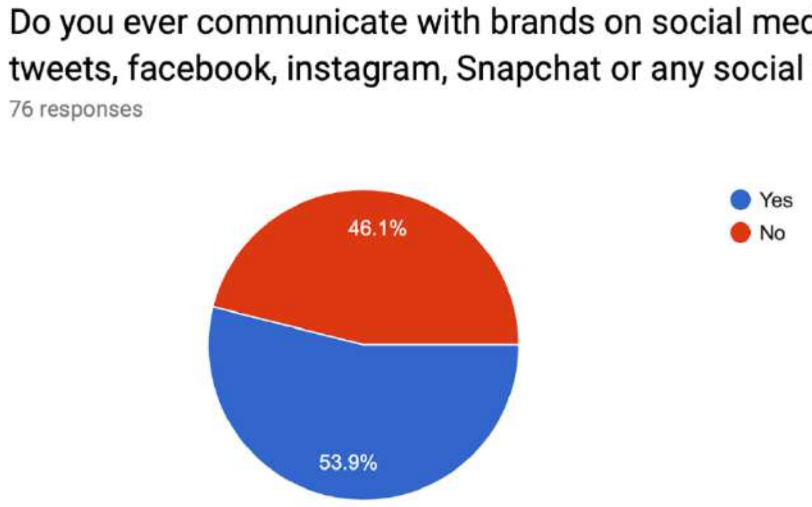
- According to the findings, 54 respondents (71.1%) follow brands on social media platforms for Informational Purposes.
- Following that 46 respondents (60.5%) follow brands on social media platforms for Entertainment Purposes.
- The least amongst all the options, 37 respondents (48.7%) follow brands on social media platforms for Reviews.

8. Did you ever end up having a negative perception of a brand because of its online presence?



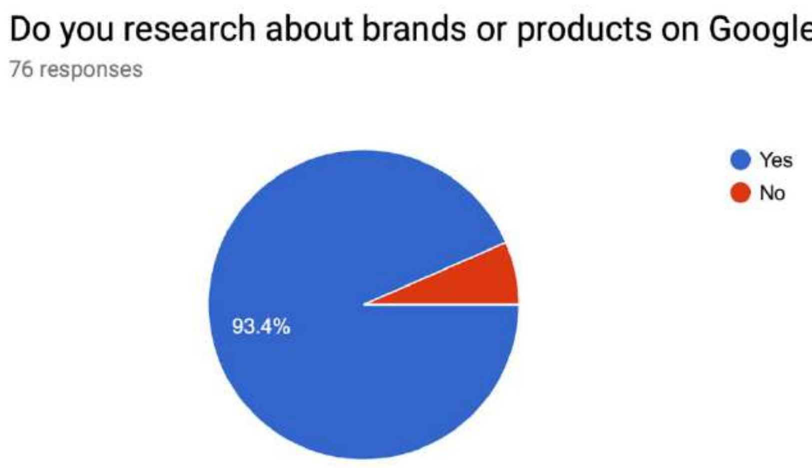
- 32 respondents (42.1%) tend to create a negative perception about a brand because of its online presence.
- For, 23 respondents (30.3%) online presence of brands doesn't affect the image of the brand in their mind.
- The least amongst all the options, (27.6%) don't know whether the online presence of brands changes the perception of it in their mind.

9. Do you ever communicate with brands on social media (whether through tweets, Facebook, Instagram, snap chat or any social network)?''



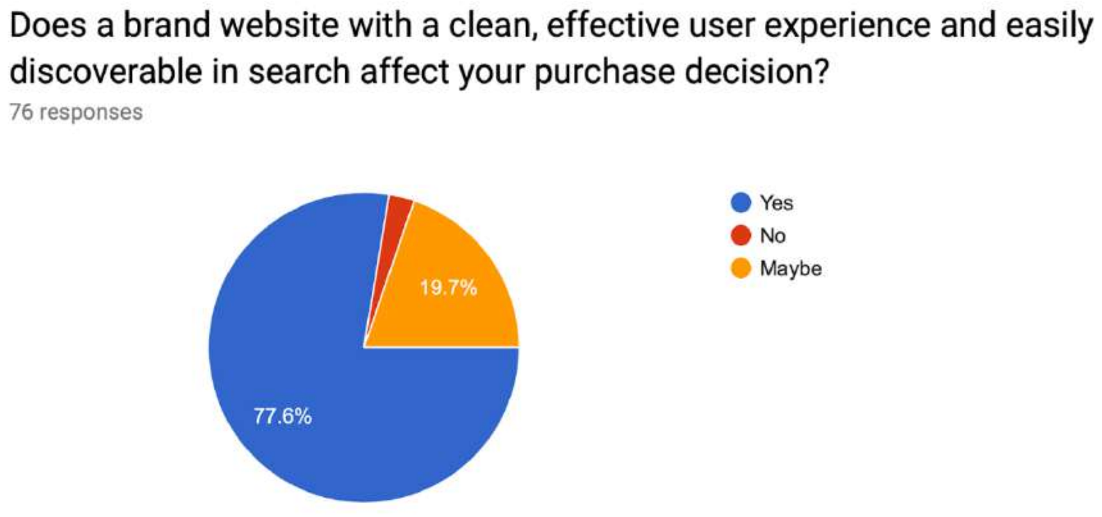
- Around 41 respondents (53.9%) communicate with the brands on various social media platforms.
- Following that 31 respondents (46.1%) don't communicate with brands on various social media platforms.

10. Do your research about brands or products on Google?



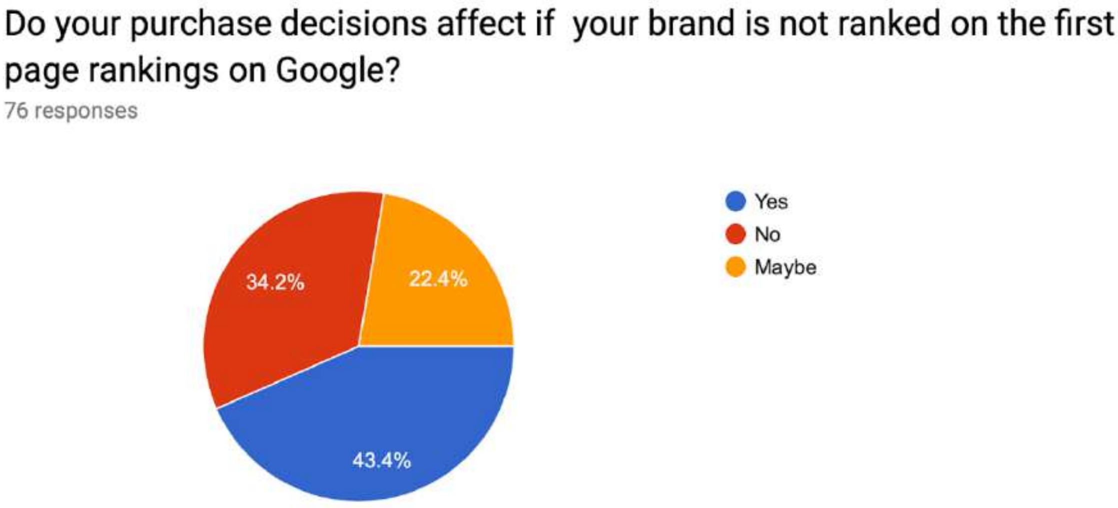
- According to the findings, the Majority of Respondents who are 71 respondents (93.4%) do search brands or products on Google.

11. Does a brand website with clean, effective user experience and easily discoverable in search affect your purchase decision?



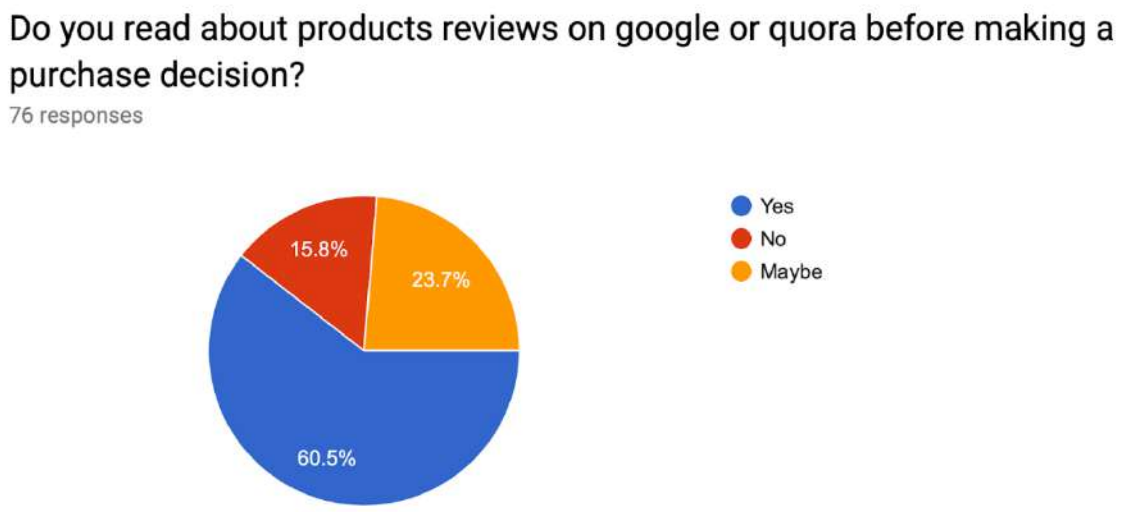
- According to the findings, 59 respondents (77.6%) agree that clean effective user experience and easily discoverable website affect the purchase decision.
- Following that 15 respondents (19.7%) don't know whether an effective website affects their purchase decisions.
- The least amongst all the options, only 2 respondents (2.6%) disagree that clean effective user experience and easily discoverable website affect the purchase decision.

12. Do your purchase decisions affect if your brand is not ranked on the first page rankings on Google?



- According to the findings, 33 respondents (43.4%) agreed that if the brand is not ranked on the first page rankings on Google, it affects their purchase decisions.
- Following that, 26 respondents (34.2%) disagreed that Google first page rankings affect their purchase decisions.
- The least amongst all the options, 17(22.4%) don't know that if the rankings of a brand's website affect their purchase decisions.

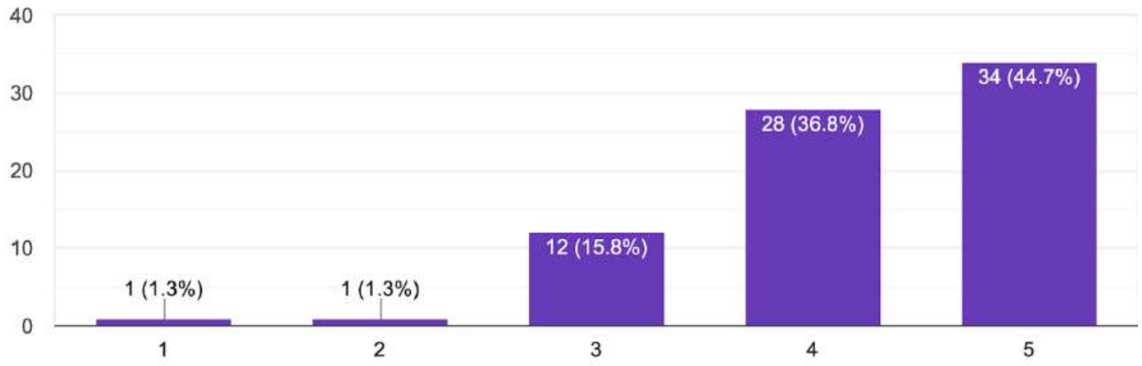
13. Do you read about product reviews on google or quora before making a purchase decision?



- Around 46 respondents (60.5%) to read reviews online before making a purchase decision.
- Following that, 18 respondents (23.7%) don't always read reviews online before making a purchase decision.
- The least amongst all the options, 12 respondents (15.8%) never read reviews online before making a purchase decision.

14. How much do you agree with the statement? "Positive Online Presence of Brands help attract more customers and increase brand awareness".

How much do you agree with the statement. "Positive Online Presence of Brands help attract more customers and increase brand awareness".
76 responses



- On a Scale of 1 to 5,

A. 34 respondents (44.7%) rated 5 out of 5 to the statement. (Strongly Agree)

B. 28 respondents (36.8%) rated 4 out of 5 to the statement. (Agree)

C. 12 respondents (15.8%) 3 out of 5 to the statement. (Hard to Say)

D. 1 respondent(1.3%) rated 2 out of 5 to the statement. (Disagree)

E. 1 respondent(1.3%) rated 1 out of 5 to the statement. (Totally Disagree)

CHAPTER 3-: BRAND AWARENESS

Definition-: The “extent to which consumers are familiar with the distinctive qualities or image of a particular brand of goods or services.” Brand awareness is important when launching new products and services, and it drives consumers’ decisions when differentiating between competing companies. It encourages repeat purchases and leads to an increase in market share and incremental sales. Brand awareness is also very important to businesses that are marketing proactively through social media sites.

We are in an era of constant advancements in technology, brand awareness is especially important for every business. This is because people always have some type of computer in their hand, whether it’s a smartphone, a tablet, or an actual laptop/desktop, which means they are able to quickly communicate with others in a matter of seconds. This could either work in favour of or against your business. It all comes down to how you go about using it and adapting to these many technological advances. Being proactive in brand building through social media will lead to a better brand experience for existing customers while turning prospective customers into loyal brand followers.

“90 per cent of all purchasing decisions are made subconsciously. We use mental shortcuts to skip the process and avoid being overwhelmed by the number of available options from competitors.” With a good marketing campaign focused on your brand and business model, you will more effectively narrow in on your target audience and encourage them to feel connected to and empowered by your brand. Brand awareness affects perceptions and attitudes, which drive brand choice and even brand loyalty. This means that without brand awareness, the purchase decisions of the consumers tend to get affected which is also found in our survey.

By building brand awareness, you can also increase your market share. If you are the first to the punch in getting your brand fused into customers' minds, you will raise the barrier to other companies that are trying to enter the market thus creating a competitive edge. According to the Strategic Planning Institute, "Aggressive marketing and advertising, are the key factors in increasing brand awareness and converting awareness into market share." Brand awareness does not have a financial value on its own, but it is part of the collective marketing effort that drives incremental sales.

HOW BRAND AWARENESS HELP TO INFLUENCE SEARCH BEHAVIOUR

There are a couple of key provisos within this - the first being that users in different life stages and age brackets behave differently in this regard.
For example, younger, pre-family participants are the most likely to choose a familiar brand in their search, with 91% making a selection based on familiarity, not on SERP(Search Engine Result Pages) rank. Older users - people with families of their own - referred to the familiar at a slightly lower rate (84%), while the darkly titled 'post-family' cohort

was most influenced by search rank, with 67% of them opting to choose a brand they knew ahead of other considerations.

The idea of Google's advanced algorithm is that it will show you the most relevant results based on your query - which, in all likelihood, will highlight the most familiar brands at the top of the list anyway. But not always.

Brand familiarity is important and maybe even more so among younger users. Could that be because more digitally-savvy consumers are increasingly aware of ads and promoted content, and know that the top Google matches are not always the most relevant? Or could it be that younger users are simply using other mediums, like social media, more often, and are therefore choosing the businesses that they're increasingly familiar with based on exposure through these platforms? Social media is used by millions of people worldwide, at ever-increasing rates. Ensuring you adhere to common SEO practice remains absolutely key in maximizing your digital marketing performance. The social/SEO connection, again, may not be direct, but definitely, social media marketing can help improve search performance.

CHAPTER 4-: TYPES OF SOCIAL MEDIA AND HOW EACH CAN BENEFIT BRANDS

Social media includes use of all the biggest social networks (Facebook, Twitter, LinkedIn) and media sharing sites (Instagram, YouTube, Snapchat), along with maybe a handful of others like Pinterest and Google Plus.
But there's much more to social media than the top social media and media sharing networks. Look beyond those social media juggernauts and you'll see that people are using many different types of social media to connect online for all kinds of reasons.

Here's the list of 10 types of social media and what they're used for:

- Social networks—Connect with people
- Media sharing networks—Share photos, videos, and other media
- Discussion forums—Share news and ideas
- Bookmarking and content curation networks—Discover, save and share new content
- Consumer review networks—Find and review businesses
- Blogging and publishing networks—Publish content online
- Social shopping networks—Shop online
- Sharing economy networks—Trade goods and services

Knowing about these categories of social media and understanding why people use them can open up new ideas and channels for engaging with your audience more effectively.

1. Social networks
Examples: Facebook, Twitter, LinkedIn
Why people use these networks: To connect with people (and brands) online.

How they can benefit your business: Market research, brand awareness, lead generation, relationship building, customer service. The list is pretty much endless.
Social networks sometimes called “relationship networks,” help people and organizations connect online to share information and ideas.

2. Media sharing networks
Examples: Instagram, Snapchat, YouTube
Why people use these networks: To find and share photos, video, live video, and other media online.
How they can benefit your business: Like the major relationship networks, these sites are invaluable for brand awareness, lead generation, audience engagement, and most of your other social marketing goals.
Media sharing networks give people and brands a place to find and share media online, including photos, video, and live video.
The lines between media sharing networks and social networks are blurring these days as social relationship networks like Facebook and Twitter add live video, augmented reality, and other multimedia services to their platforms. However, what distinguishes media sharing networks is that the sharing of media is their defining and primary purpose.

3. Discussion forums
Examples: Reddit, Quora, Digg
Why people use these networks: To find, discuss, and share news, information, and opinions.

How they can benefit your business: These networks can be excellent resources for market research. Done right, you can also advertise on them, though you’ll need to be careful to keep your ads and posts separate.
Discussion forums are one of the oldest types of social media.
Before we connected to our first university friends on Facebook, we discussed pop culture, current affairs, and asked for help on forums.

4. Bookmarking and content curation networks
Examples: Pinterest
Why people use these networks: To discover, save, share, and discuss new and trending content and media.
How they can benefit your business: These networks can be highly effective for driving brand awareness, customer engagement, and website traffic.
Bookmarking and content curation networks help people discover, save, share, and discuss new and trending content and media.
These networks are a hotbed of creativity and inspiration for people seeking information and ideas, and by adding them to your social media marketing plan, you’ll open up new channels for building brand awareness and engaging with your audience and customers.

5. Consumer review networks
Examples: Yelp, Zomato, TripAdvisor
Why people use these networks: To find, review, and share information about brands, products, and services, as well as restaurants, travel destinations, and more.

How they can benefit your business: Positive reviews bring social proof to your claims. Handled well, you can resolve issues with unhappy customers.
Consumer review networks give people a place to review brands, businesses, products, services, travel spots, and just about anything else.
Reviews are a type of content that adds a lot of value to many websites and online services—think about the buying experience on Amazon or the experience of searching for a local business on Google Maps. Consumer review networks take it one step further by building networks around the review as a core part of the value they provide.

6. Blogging and publishing networks
Examples: WordPress, Tumblr
Why people use these networks: To publish, discover, and comment on content online.
How they can benefit your business: Content marketing can be a highly effective way to engage with your audience, build your brand, and generate leads and sales.
Blogging and publishing networks give people and brands tools to publish content online in formats that encourage discovery, sharing, and commenting. These networks range from more traditional blogging platforms like WordPress and Blogger to microblogging services like Tumblr and interactive social publishing platforms like Medium.

7. Social shopping networks
Examples: Shein, Koovs

Why people use these networks: To spot trends, follow brands, share great finds, and make purchases.
How they can benefit your business: Brands can build awareness, increase engagement, and sell products via new channels.
Social shopping networks make e-commerce engaging by adding a social element.
Of course, elements of e-commerce appear in many other types of social networks—for example, Pinterest features Buyable Pins, and Instagram provides call-to-action tools in the form of “shop now” and “install now” buttons. Social shopping networks take it one step further by building their site around a focused integration between the social experience and the shopping experience.

8. ‘Sharing economy’ networks
Examples: Airbnb, OLX
Why people use these networks: To advertise, find, share, buy, sell, and trade products and services between peers.
How they can benefit your business: If you happen to offer the kind of products or services traded here, these networks can be another channel for bringing in business. (For example, if you operate a bed-and-breakfast, Airbnb could help you find customers.)
“Sharing economy” networks also called “collaborative economy networks,” connect people online for the purpose of advertising, finding, sharing, buying, selling, and trading products and services.

Whether you’re exploring new potential markets for your business or just looking for new channels to connect with your customers, there are many types of social media you can use. Some are pretty much mandatory for any business; others are useful for a smaller subset of niche businesses, and some you should steer clear of entirely.

CHAPTER 5-: BRAND ENGAGEMENT

In the marketing world, brand engagement is a term that bounces around regularly. In terms of a technical definition, brand engagement is the process of forming an emotional or rational attachment between a consumer and a brand. But this definition doesn't do much for you in terms of practicality. Let's break it down and look at brand engagement through four lenses: perception, communication, experience, and promise.

Perception

This is the first component of building a brand and enhancing engagement because it reflects how others perceive your company. Think about Nike, for example. They have built their brand to be perceived in a number of ways, including athletic, inclusive, high-end, and simple. This positioning has helped them control their brand engagement.

Brand engagement and perception isn't just for the big hitters, though. It's important to build a favourable perception of your brand by having a professional website, tying in your social media accounts, and choosing imagery and colours that align with your business values.

Communication

When it comes to brand engagement, communication is key. For large companies, they may turn to analytics and data to drive their brand engagement. But for small business owners like independent financial advisors, data isn’t necessarily king. Instead, look at the quality of communication you are having with clients and where that engagement is coming from. Some questions to consider when analyzing your engagement include:

- What forms on my website are being filled out the most often?
- What are some common questions I hear my clients ask?
- When do I see the highest levels of communication (after new posts on social media, sending out an email campaign, or adding a new blog post, for example)?
- What can I do to increase my levels of brand engagement and communication?

Experience

A user’s experience with your brand can make it or break it for future engagement because, in a sea of branding and advertising, everyone wants to feel appreciated. One way to improve the experience individuals have with your brand is to invest in some personalized marketing techniques, such as email campaigns, to add a little something special to an otherwise generalized approach.

Going the extra mile will enhance your clients and prospects’ experience with your brand and lead to higher levels of engagement and participation.

Promise

When businesses build their brand, they consider what it is they want to help their customers with and create what’s called a “brand promise.”

When looking at brand engagement, it’s important to keep this promise in mind and monitor how it’s resonating with your clients and prospects. Now we know what you’re thinking: we can’t promise anything to our clients! But when we say brand promise, we don’t actually mean a promise of returns or portfolio performance. Instead, we mean establishing a promise of what your clients can expect when working with you and the service level you will fulfil for them. This promise is crucial for driving brand engagement and growth.

Some advisors might think that brand engagement is just for large companies with marketing teams backing them up. But in reality, brand engagement simply refers to the relationships you foster with your clients and how they perceive you as a company.

SOCIAL MEDIA in INCREASING BRAND ENGAGEMENT AND SALES

- 40 per cent of people are likely to say that they follow the news on a social media platform (to put that in perspective, only 41 per cent say they use a social media platform to keep up with friends)
- Almost 40 per cent of users are following their favourite brands on social media
- 1 in 4 users are following brands on social media from which they might make a purchase
- Social commerce is gaining traction primarily in the research and brand interaction stages of the purchase journey (though most things are still bought through a retail site)

-8 TIPS you should keep in mind while using social media marketing to increase brand awareness

1. FIND YOUR MARKET

It's too easy to assume that your target market uses one particular social platform or another. Thankfully, each social site is a search engine in and of itself, which makes it easy to find conversations about your industry, products and services. Use search to find the conversations and prove people's propensity to discuss your chosen topics on a given platform, before you start reaching out.

2. GET VISUAL

Getting your content noticed in the noisy world of social media requires eye-catching subject matter. That means photos and video. Grabbing the attention of your target audience is made all the easier when you attach images to your updates, regardless of the platform. Just scan your own news feed on Facebook to see which posts make you stop and take notice. Odds are that more often than not, it's an image or video thumbnail that caught the eye.

3. GO NATIVE

Recognise the fact that people on Facebook aren't all on Twitter, and vice versa. As such, try to avoid the all-too-common mistake of auto-posting all your Tweets to your Facebook timeline. Twitter may force you to restrict the length of your message to 140 characters, but Facebook doesn't. Similarly, hashtags really haven't made a successful transition, despite Facebook's best efforts. Similarly, there's no place for stock images and text overlay on your Instagram feed. Consider the audience as being unique to any one platform, and provide content that suits the audience and the platform, for better engagement and better results.

4. BE CONVERSATIONAL

There are enough businesses on social media in broadcast mode. Try posting nothing but outbound messages for a while, and see what level of engagement you get. What followers you do attract will soon be turned off by the omnidirectional nature of your messages. Instead, strike up conversations with others, mention them, and turn the spotlight elsewhere once in a while.

5. GET THE RIGHT MIX OF ENGAGEMENT AND ACTION

To that end, getting a mix of engagement and action is critical. Engagement posts can be just for the hell of it - a funny or topical post, just to provoke thought, or to get a positive reaction. Every now and then, however, our business head must take over, and a call-to-action shared. A link to an article on our own blog would be a prime example - something to get prospects off our social profiles and onto our website. There's no magic formula or ratio. Try mixing it up in different ways, and see what reaction you get from your unique audience.

6. LEVERAGE TRENDS

Across networks, there's always some form of topic or news story doing the rounds. The trending topics we now see on Twitter and Facebook are an opportunity to link your own content to a subject that has heightened interest. This is known (in the trade) as "Newsjacking".

7. CONNECT WITH INFLUENCERS

Building your own following from scratch can be a very time-consuming and laborious task. Luckily, the tops social sites have been around long enough for a great many people to have built up an audience of your target buyers, already. The trick is to connect with those non-competing "influencers" in a way that benefits you both, and forge joint venture partnerships that at their simplest mean an exchange of content, and at their most complicated involve commercial deals or affiliate fees. Regardless, find those who speak to your target audience, and start engaging today.

8.TRACK EVERYTHING

Growing awareness of your brand can only really be proven if you're measuring what matters. Many platforms will provide engagement statistics - Facebook Page Insights will show the likes and shares your content enjoys, for example. In addition, though, consider using tracking links in your posts, using a URL shortener such as bit.ly which will then show you the number of click-throughs on those links. Take a look at your web analytics, too, to see which platforms and other sites provide the most referral traffic. Using these insights, you can learn what works and what doesn't, and respond with appropriate action to continually optimise your approach.

CHAPTER 6-: SOCIAL MEDIA STRATEGY

With 30% of millennials saying they engage with a brand on social at least once a month, your strategy can't be only about existence. Brands must be fully invested in their social media marketing strategies and focus on engagement. Otherwise, you'll lose out on real customers, which means serious effects on your bottom line.

Before you start with the steps to create a social media strategy it is very important to do an in-depth analysis of the current social media position of your brand along with the competitor analysis.

Steps to an Effective Social Media Strategy can be explained as follows-:

1. Understanding your target audiences:

Clearly defining your audience makes all the difference when you're creating content. If you're writing a piece about social media management tools, how do you frame it correctly? The answer, of course, all depends on who you're writing for.

For Example-: Understanding the audience for food delivery service- Faasos

A. Meal delivering services are rising with popularity year after year and various companies like Swiggy and Zomato are dominating the industry with full power. But why are these meal delivery services becoming so popular?

B. People are busy and sometimes going to the grocery store takes a lot of efforts and just doesn't fit their schedule.

C. With these points in mind, we can divide our target audience into 3 groups-:

1. College Students and Young Adults
2. Parents
3. Working Professionals

2. Understanding Social Media Algorithms-:

After understanding and segmenting your target audiences you need to understand the social media algorithms.

Social media algorithms are what all social media platforms run on these days. They have led to a lot of changes to social media, and not always desired ones. If you are going to take advantage of social media for business purposes, it's vital that you understand what algorithms mean for you.

Understanding each platform's algorithms and how they can be used to reach our target audiences-:

1. Facebook-:

The algorithms for Facebook are all about only showing people the content that's seen as relevant to them. we need to focus their content not on views and reach but engagement. The algorithms for Facebook are all about only showing people the content that's seen as relevant to them.

Facebook Business Features which we need to focus on-:

1. Cover Picture
2. About
3. Profile
4. Live/Video
5. ORM
6. Chat Interface
7. Analytics
8. Page roles
9. Call to action

2. Instagram-:

   The Instagram algorithms are also based on relevancy and the features that need to explore on Instagram are as follows:

   1. Pictorial Posts (less graphic)
   2. Stories
   3. IGTV
   4. Insta Live
   5. Captions Game
   6. Hashtag Game
   7. Stalk Game

3. Twitter Algorithm
   1. Purely Conversational
   2. Limited Characters
   3. Trending Topics
   4. News Sharing

5. Retweet options

3. Deciding the tone

It refers to the social media communication tone which we will be using on respective platforms.

1. Friendly
2. Informative
3. Concerned

4. Goals and Objectives

Our major goal which we will be focusing on achieving over the course of 3 months period will be maximum engagement with our target audience.

These activities can be tracked through a social media management platform named Hootsuite (which is a paid tool).

Our aim is to create a platform which gives value to the customer.

Goals for Respective Social Media Platforms:

A) Facebook

1. Shares
2. Engagement
3. Mentions
4. Leads
5. Chats

B) Instagram

1. Awareness
2. Engagement
3. Direct Leads
4. Followers
5. Story Views

C) Twitter

1. Engagement
2. ORM
3. Leads/Traffic

Creating Campaigns for Social Media Platforms

Ideas are generated for your respective product or service for which content themes are generated on a daily/weekly/monthly basis.

Campaigns will be following a proper theme and funnel and can be explained with the help of an example.

Campaign Funnel for Faasos Food Delivery Service

1. Awareness

A) We will be creating posts increasing awareness about how the best quality food is delivered to your doorstep.

B) Highlighting the efforts taken by Faasos to deliver fresh food. (When it comes to online food ordering we need to make people believe that we are delivering the best quality food and at the best price).

2. Interest

Along with creating awareness, we will be mentioning the website and app links to the post to further create engagements for our product.

3. Creating Urgency
Updating the audience about various discounts & offers.

Design Strategy
Design language-simple, easy, clean, and minimal Flat Images are in trend these days and look good while conveying the message effectively. We want to beautifully merge simplicity and fun in power packed flat artworks can add some real elements to suit the brand imaginary, colourful background and scenic view too. The reason why these artworks are a hit these days is that it helps us communicate what we want in the most appealing way.
Content Verticals

- A content vertical is basically a creative image which can either be in the form of vector image or real images which are uploaded on social media platforms in daily/weekly/monthly basis.
- Here a proper monthly calendar also known as planks, are created on excel sheet of the daily postings with relevant hashtags, copies, content verticals and content.

CHAPTER 7-: SEARCH ENGINE OPTIMIZATION

Search engine optimization (SEO) is the process of affecting the online visibility of a website or a web page in a web search engine's unpaid results—often referred to as "natural", "organic", or "earned" results. In general, the earlier (or higher ranked on the search results page), and more frequently a website appears in the search results list, the more visitors it will receive from the search engine's users; these visitors can then be converted into customers. SEO may target different kinds of search, including image search, video search, academic search, news search, and industry-specific vertical search engines. SEO differs from local search engine optimization in that the latter is focused on optimizing a business' online presence so that its web pages will be displayed by search engines when a user enters a local search for its products or services. The former instead is more focused on national or international searches.

As an Internet marketing strategy, SEO considers how search engines work, the computer programmed algorithms which dictate search engine behaviour, what people search for, the actual search terms or keywords typed into search engines, and which search engines are preferred by their targeted audience. Optimizing a website may involve editing its content, adding content, doing HTML, and associated coding to both increase its relevance to specific keywords and to remove barriers to the indexing activities of search engines. Promoting a site to increase the number of backlinks, or inbound links is another SEO tactic. By May 2015, mobile search had surpassed desktop search. In

2015, it was reported that Google is developing and promoting mobile search as a key feature within future products. In response, many brands are beginning to take a different approach to their Internet marketing strategies.

UNDERSTANDING THE BASIC IDEA OF SEARCH ENGINE OPTIMIZATION

● Basic Website Model-:

1. Home Page
2. Watches
    1. Men’s Watches
    2. Women’s Watches
    3. Kids Watches
    4. Smart Watches

● SEO Strategy is the process of organizing a website content by topic, which helps search engines like Google to understand a user’s intent while the search.

● There are 13 On-Page Parameters that need to be optimized to make the website rank in the top 10 rankings of Google and to boost our website traffic.

1. Meta Title, Description and H1

Meta Title- 65 Characters, 1 Keyword; Meta Description- 165 characters, 2 Keywords; Heading 1- 40 Characters, 1 Keyword.

1. Home Page
2. Watches-: 1. Men’s Watches 2. Women’s Watches 3. Smart Watches
3. Smart Watches-:

2. HTML Sitemap

An HTML sitemap allows site visitors to easily navigate a website. It is a bulleted outline text version of the site navigation. This Sitemap can also be created in XML format and submitted to search engines so they can crawl the website in a more effective manner.

3. Page Speed Insights

Google Page Speed Insights is a tool that analyses your site's front-end performance and offers optimization suggestions. It scores your site from 0 to 100 points, with a score of 85 or above indicating a page is performing well.

4. Page Speed Mobile

The Google Mobile-Friendly Test is a tool that allows companies to type in their URL and find out how mobile-friendly Google thinks their site is. It measures how easily users can access, read, and navigate the site on mobile devices, with a pass-fail score and suggestions for improvement.

5. HTTPS

HTTPS has been used for any site involving secure information. It's used for e-commerce sites to tender protected transactions. HTTPS is recognized and used as an SEO benefit to your secure site.

6. Secure URL

It is mandatory for e-commerce websites to secure their URL with https so that the crawler reaches the right page with the right URL.

7. Website Blogs

Having a website blog with 2-3 per cent keyword density so as to increase user engagement.
Keyword Density means the number of times a single keyword is repeated on a web page.

8. Alt Image

Alt description" is an HTML attribute applied to image tags to provide a text alternative for search engines. Applying images to alt tags such as product photos can positively impact an e-commerce store's search engine rankings.

9. Inter-Link Architecture

An internal link is one that points to another page on the same website to keep the user engaged on the website.

10. 404 Customise Page

Create custom 404 pages. A 404 page is what a user sees when they try to reach a non-existent page on your site.

11. URL Structure

The static URL structure for each web page which contains keywords.

12. XML sitemap

A Sitemap is an XML file that lists the URLs for a site. It allows webmasters to include additional information about each URL. We can inform the crawler to give priority to smart watches (reflex 2.0). The XML sitemap is the easiest language for the crawler to understand.

● Instruct your crawler for content frequency through XML sitemap eg. <weekly>, <priority> means that which web pages are important for the website owner.

13. Robot.Txt Set Up

It’s like watchmen of the website, it can allow you to decide what you have to show on your website and what not. Also, stop search queries.

AS A MARKETING STRATEGY

SEO is not an appropriate strategy for every website, and other Internet marketing strategies can be more effective like paid advertising through pay per click (PPC) campaigns, depending on the site operator's goals. Search engine marketing (SEM), is the practice of designing, running, and optimizing search engine ad campaigns. Its difference from SEO is most simply depicted as the difference between paid and unpaid priority ranking in search results. Its purpose regards prominence more so than relevance; website developers should regard SEM with the utmost importance with consideration to visibility as most navigate to the primary listings of their search. A successful Internet marketing campaign may also depend upon building high-quality web pages to engage and persuade, setting up analytics programs to enable site owners to measure results, and improving a site's conversion rate. In November 2015, Google released a full 160-page version of its Search Quality Rating Guidelines to the public, which now shows a shift in their focus towards "usefulness" and mobile search. In recent years the mobile market has exploded, overtaking the use of desktops as shown in by Stat Counter in October 2016 where they analysed 2.5 million websites and 51.3% of the pages were loaded by a mobile device. Google has been one of the companies that have utilised the popularity of mobile usage by encouraging websites to use their Google Search Console, the Mobile-Friendly Test, which allows companies to measure up their website to the search engine results and how user-friendly it is.

SEO may generate an adequate return on investment. However, search engines are not paid for organic search traffic, their algorithms change, and there are no guarantees of continued referrals. Due to this lack of guarantees and certainty, a business that relies heavily on search engine traffic can suffer major losses if the search engines stop sending visitors. Search engines can change their algorithms, impacting a website's placement, possibly resulting in a serious loss of traffic. According to Google's CEO, Eric Schmidt, in 2010, Google made over 500 algorithm changes – almost 1.5 per day. It is considered wise business practice for website operators to liberate themselves from dependence on search engine traffic. In addition to accessibility in terms of web crawlers (addressed above), user web accessibility has become increasingly important for SEO.

CHAPTER 8-: ONLINE REPUTATION MANAGEMENT

It is the way of creating or maintaining your company's brand name in the online community. Everything on the web like search engines, Twitter, forums, blog, social networking is a part of the online community. It is mandatory to be present on these platforms in a positive way to create the value of your brand and increase its visibility. Thus, ORM becomes important.

Why is ORM important?

1. No Brand grows without ORM - In order to protect your brand and to develop its value, it is really important to have the correct online reputation of it. Almost every customer reach out to the brand or company through the web and if they are welcomed with negative comments they are more inclined to choose your competitor. Thus, in order to protect your brand to get overshadowed by negative comments, it becomes important to maintain ORM.
2. To increase visibility on the web - In order to know the value of the brand and its popularity, it is very immense that it is visible everywhere. Right SEO can help it in ranking good on Google

whereas good ORM will help in empowering its position and credibility.

3. To gain consumer trust - People trust what they see and there is no brand that not face any controversy but it becomes equally important to use right techniques to deal with them and ORM is one of the best ways to do it.

Online Reputation Management Solutions that drive us results-:

1. Online Brand Audit: - Identifying unfavourable search results of your brand and prioritizing restoration actions accordingly.
2. Social Network Analysis-: Analysing social media conversations about your brand and converting the negatives into positive.
3. Content Development and Promotion-: Writing and publishing positive content about your brand on high authority sites and blogs.
4. Online Reviews and Forums-: Obtaining positive customer reviews on relevant sites and forums, and suppressing negative results.
5. Search Engine Participation-: Promoting positive content for your brand onto the first page of Google and other search engines.
6. Social Media Participation-: Addressing concerns of your audience on social media channels and building trust among users.

How Online Reputation is not Optional but Mandatory?

1. 85% of consumers use the Internet for research before making a purchasing decision.
2. 87% of people believe the CEO’s reputation is an important part of a company’s reputation

3. 88% of consumers trust online reviews and make decisions based on that.
4. 83% of companies will be at risk of falling prey to negative publicity and scams.

Social media platforms, online reviews and blog articles have made it ever so easy for members of the public, or for other companies, to leave online comments or negative reviews that make your business' reputation.

Of course, there is nothing any business can do to stop people doing this; however, there are many things that businesses can do to prevent this from happening.

This is where an online reputation management strategy comes in.

Step 1-: Research

The goal is to gain an understanding of your company's corporate sentiment and, in response, create a list of positive coverage, negative coverage, similar companies, and industry influencers.

Step 2-: Assimilate

List down the series of questions of the information you've collected in the preceding step. You may not have clear answers to each of the questions, but you should be able to pencil in ideas that will point you to a final strategy.

Examples-:

What is your overall brand sentiment?

How does your brand sentiment compare to the brand sentiment of competitors? Better? Worse? Middle of the pack?

Step 3-: Plan

In this final phase of reputation strategy, you will assemble a list of action items for each of four categories. These categories roughly parallel the strategic planning technique known as the SWOT analysis. Identify the single most damaging factor in your reputation, and create a list of remedies. This point should come first, especially for an organization that has suffered from some reputation misadventure. Example: Your brand has an average of two-star reviews, stemming from a failed product launch six months ago. This is your weak point and should be addressed immediately.

- Once you have your editorial plan in place, assign you or your team members to execute the plan.

- There are two strategies to consider, reactive and proactive. Reactive is to have accounts set up and people in place to quickly respond to conversations (positive or negative) that come up. In this case, a policy should be put in place on what should and should not be said as team members respond to comments and feedback.

- Additionally, you should identify at what point is an issue serious enough that it should be escalated to a higher level for the correct response. Issues can happen overnight and you need to have a plan in place and be ready to act at a moment's notice.

- Acting proactively is an important part of any reputation strategy as you plan positive messages, articles, press releases, etc. to ensure you have a constant flow of content that you have planned in advance from your editorial calendar. In our case, the negative complaints are 40% so our content posting should be around 60-70%.

Also, there are various tools available online like Hootsuite The system's user interface takes the form of a dashboard, and supports social network integrations for Twitter, Facebook, Instagram, LinkedIn, Google+ and YouTube.

Another aspect of monitoring is to type the keywords into a search engine and see what results appear. If you have negative listings that appear next to your brand, you may want to develop an SEO campaign to suppress the negative ones with fresh positive content.

ONLINE REPUTATION MANAGEMENT TOOLS

The ability to track what people say about you online has several benefits.

You can leave timely feedback on comments about you. It can help improve your products and services.
Most of all, monitoring what people say about you online will help you maintain a good reputation.

5 tools that can help you monitor your online reputation, irrespective of your niche.

1. Google Alerts

   Google has several valuable free tools for marketers and SEO pros, and Google Alerts is one of them. If you're a seasoned marketer, then you probably already know and use it, either for monitoring your brand or for content creation. Simply enter your company name the same way you'd enter terms in your niche you want to get alerts for. For example, this is an alert for "search engine marketing".

2. Social Mention

   Social Mention monitors more than 80 social media sites, including Facebook, Twitter, and YouTube.

The results also display the following information to help you measure, monitor, and improve your brand's reputation:

- Strength: The likelihood that your brand is discussed on social media.
- Sentiments: The ratio of positive mentions to negative mentions.
- Passion: The likelihood that people talking about your brand will do so repeatedly.

- Reach: The number of unique authors who write about or mention your brand.

3. Reputology

Reputology is a review management and monitoring platform for multi-location businesses. Put simply, it helps businesses manage and monitor reviews online.

Apart from social media sites, you can “listen” to what customers are saying about your site from industry-specific review sites in the hospitality, dining, healthcare, fitness, and real estate niches. Block fraudulent clicks on your Google Ads.

Automatically protect your ads from competitors, bots, click farms and other forms of click fraud. Simple setup. Start your free trial today.

To ensure you handle negative reviews efficiently, Reputology converts them into customer service tickets.

4. Review Push

This online review management software helps businesses with multiple locations to monitor social media and popular review sites (e.g., Facebook, Yelp, Google, Yellowpages, Foursquare).

The best part isn’t only that you’ll get all reviews from any site in one place, but when you set up email alerts, you can respond to any review, positive or negative, directly from your inbox with Review Push.

5. Chatmeter

Chatmeter was designed to help companies collect and analyse customer feedback and improve the customer experience for multi-location brands and agencies. It notifies you via email of any reviews found on over 20 local search and review sites. In addition, you'll get notifications when there's new content about your brand.

CHAPTER 9-: THE FUTURE OF ONLINE MARKETING

The segment has seen a positive growth of more than 200% and it is expected to get even more in the upcoming years. Almost everyone in the industry is now keen to work upon their social media marketing and website optimization.

technology marketing has a huge role to play, the principles of online marketing are still the same. The online marketing future depends on technology as well as the latest marketing strategies. Just check the current trends which will evolve in future :

1. Personalized marketing – The digital marketing future will depend a lot on personalized marketing. It ensures that the content is relevant and accurate as per the needs. Coca Cola's "Share the Name" campaign is one such example.
2. Location-based marketing – This means using our mobile device's location to alert the device owner about maybe some restaurants or deals or anything nearby. Coca-Cola uses such a strategy

3. Market Segmentation – This is dividing a market of potential customers into groups subject to taste, preferences, gender, and age.
4. Intent marketing – It ensures customers get what they intend to, It aims at meeting the customer intent.
5. Evolving Technology – It has a role to play on which the digital marketing future depends. Human creativity along with technology must club together to change online marketing.

Effective changes which can revolutionize the online marketing vertical

The online marketing future is exciting and everlasting. Let's discuss the useful tools that can revolutionize online marketing below:

1. Artificial Intelligence and online marketing: Technology has a huge role to play in online marketing. AI has started making inroads in digital marketing as well. The online marketing future depends on both human creativity and technology. AI is evolving and will be used more in the future. AI has ensured better ROI, engaging advertisements, easy and smoother search sessions, Error reduction and Personalization.

2. Virtual Reality in online marketing: Virtual Reality is nothing new, but its implementation in online marketing is probably, the online marketing future depends on the usage of VR. Any brand can use VR to market and promote its products. Toms and Excedrin use VR used in a good effect.

Therefore, the future of online marketing in India is too bright and exciting. Because Indian youth has taken up a lot of innovative steps which has helped in transforming marketing. With more and more startups whose business model is web-based, improving online marketing standards and it has become a necessity. finally, the use of mobile phones and tabs has also helped in making marketing more portable than before. due to which AI and VR, are going to play a significant role in the marketing vertical in the near future.
As a result, it is essential to collaborate these technologies with innovative ideas and strategies which will pave the way for an exciting digital marketing future.

CHAPTER 10-: FINDING & SUGGESTIONS

- Study reveals that most of the people(80.5%) search for brands on Social Media Platforms which makes the presence of brands on social media platforms important.
- It also reveals that people not only search for brands on social media but also it affects the purchase decisions of the consumers which makes brand awareness on social media essential.
- Study reveals that 34 respondents (44.2%) believe that Social Media Platform helps businesses grow which ensures that business should invest the right amount of resources to benefit from social media marketing and online presence.

- According to the findings, Instagram and Facebook are the most effective social media platforms. Understanding of the Algorithms for the various social media plays a significant role in social media marketing.
- According to the findings, we found that people follow brands for Informational (55%) and Entertainment Purposes(47%) basically. Brands should always focus on creating content on their social media platforms which appeal to their target audience the most.
- It also reveals that negative online presence of brands tends to create a negative perception of brands in the mind of people. According to our findings, 41.6% of respondents trust online available content and reviews on brands which makes online reputation management essential.
- According to the responses received 53.2% of the respondents communicate with brands on social media. Today brands are working hard to reduce the gap between the consumer and the company in order to gain a competitive edge and better customer experience.
- It also reveals that 77.9% of respondents find it important for the brands to have a clean, effective and easily discoverable website in order to have the best customer experience.
- Today, when people want to find a product/service their first resort is the INTERNET, mostly “Google”. If your brand is not ranking on the first page of Google it affects your brand awareness and image of the brand. As shown in our finding 93% of respondents search for brands on Google.

CONCLUSION

Social Media are new ways for knowing customers in a better way and it has
become an important medium which creates brand awareness among the masses as well as target customers It is increasingly becoming beneficial for the Companies in their marketing campaigns as it enhances the communication and interactivity with the customers.

We can also see that there is a huge gap between buying behaviour or intentions and the way in which ads effectiveness works ,it is proven from the fact that most respondents choosing social medium as a way to communicate, interact and knowing the brands and its products or services .so it will be hard for Social Media Marketing to replace Traditional Marketing but Traditional Marketing and Social Media needs to be integrated .

Social media marketing campaigns are becoming important for companies as more
and more peoples are spending a huge amount of time indulging in different types of facilities and services associated with these Sites. Some of the most influential social networking sites reached 500 million users worldwide and numbers are increasing day by day. Eminent personalities from specialized as corporates, Sports, Politics, NGO's etc are increasingly joining these sites and sharing their ideas and comments with the general public as well as their target customers.

Some of the sites, For Example Facebook, Facebook pages are even handling customers queries and accepting customers feedback and comments.

For Global Companies, it has almost become an essential marketing medium to market their products as their customers and prospects are present all over the world.

The cheap marketing cost as compared to many traditional marketing mediums has also contributed largely to the success and boom of social media marketing. Almost all the companies have tapped this potential and numbers are increasing day by day.

FUTURE SCOPE OF STUDY

The Scope of this Research is to analyse the Correlation between various Social Networking

- Sites and attitudes of Individuals which are using them, the document identifies the emerging trends of Marketing and technology which is taking the world by storm in the 21st century. This would also help identify the target customers and the most effective medium to Advertise and Promote the product or services.

- The Consumers attitude Towards Networking and view in vary based on many factors such as Content, Ease of Access, frequency of ads, Size of ads etc. These factors Comprise the general attitudes of viewing, following, investigating and finally purchase of the brand or product.

- The Sample for Primary research has been Collected online. The age Group is not taken into consideration. covers both male and female. Almost all of the Respondents in the survey are exposed to a lot of internet usage, therefore have more probability of showing a positive attitude towards the Social Media Marketing and online presence of Brands in the Web space.

- Research in common terms means a search for knowledge. Research is the

Manipulation of things, concepts or symbols for the purpose of generalizing to extend, correct or verify knowledge and whether that knowledge aids in the construction of theory or in the practice of an art.

BIBLIOGRAPHY

Website references :

1.http://nielsen.com/nielsenwire/consumer/global-advertising-consumers-trust-real-friends-an-virtual-strangers-the-most

2.https://www.forbes.com/sites/tjmccue/2018/06/26/social-media-is-increasing-brand-engagement-and-sales/#268d27b7cb31

3.https://www.forbes.com/sites/ryanerskine/2019/01/16/heres-how-major-brands-measure-social-media-impact/

4.https://www.searchenginejournal.com/

5.https://www.thebrandingjournal.com/

6.https://www.searchenginejournal.com/category/social-media-marketing/

7.https://www.searchenginejournal.com/category/seo/

ANNEXURE (QUESTIONNAIRE)

1.NAME

2.AGE

- Under 18
- 18-22
- 22-35
- 35 or above

3.GENDER

- Male
- Female
- Other

4. Do you ever search for a brand on Social Media Platforms(Facebook, Instagram, Twitter. etc.)?

- Yes
- No
- Maybe

5. Has Social Media Marketing influenced your purchase decisions?

- Yes
- No
- maybe

6. How much do you agree with the statement “Social Media Marketing help businesses grow”.

- 1
- 2
- 3
- 4
- 5

7. Which Social Media site do you find most effective?

- Facebook
- Instagram
- Linkedin
- Snapchat
- Twitter
- Other

8. Why do you follow brands on Social Media Platforms?

- Informational
- Entertainment
- Reviews

9. Did you ever end up a negative perception of a brand because of its online presence?

- Yes
- No
- Maybe

10. Do you ever communicate with brands on Social Media(through tweets, Facebook, Instagram, Snapchat or any social network)?

- Yes
- No

11. Do your research about brands or products on Google?

- Yes
- No

12. Does a brand website with clean, effective user experience and easily discoverable in search affect your purchase decision?

- Yes
- No
- maybe

13. Do your purchase decisions affect if your brand is not ranked on the first page rankings of Google?

- Yes
- No
- maybe

14. Do you read about product reviews on google or quora before making a purchase decision?

- Yes
- No
- Maybe

15. How much do you agree with the statement? “Positive Online Presence of Brands help attract more customers and increase brand awareness”.

- 1
- 2
- 3
- 4
- 5

A PROJECT REPORT ON

"MARKETING STRATEGY OF VODAFONE"

SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

GANESH PAL

SEAT NUMBER : 1162789

UNDER THE GUIDANCE OF

ASST. PROF. DRAKSHA KHAN

BGPS'MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

ACADEMIC YEAR: 2019 – 2020

A PROJECT REPORT ON

"MARKETING STRATEGY OF VODAFONE"

SUBMITTED

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF DEGREE OF

BACHELOR OF MANAGEMENT STUDIES

SEMESTER VI

(2019-2020)

SUBMITTED BY

GANESH PAL

SEAT NUMBER : 1162789

UNDER THE GUIDANCE OF

ASST. PROF. DRAKSHA KHAN

BGPS'MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI – 400037

ACADEMIC YEAR: 2019 – 2020

DECLARATION

I the undersigned **MR.** GANESH PAL the student of T.Y.B.M.S. hereby declare that the work embodied in this project work **"A PROJECT REPORT ON MARKETING STRATEGY OF VODAFONE",** forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DRAKSHA KHAN.**

Is a result of my own research work and has not been previously submitted to any other university for any other degree/ diploma to this or any other university.

Wherever references has been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Place: Mumbai Ganesh Pal

Date: Seat number : **1162789**

BGPS'

MUMBAI COLLEGE OF ARTS, COMMERCE & SCIENCE,

J.K. KNOWLEDGE CENTER, WADALA (EAST),

MUMBAI: - 400037

CERTIFICATE

This is to certify that **MR. GANESH PAL** has worked and duly completed his project work for the degree of bachelor of management studies under the faculty of commerce in the subject of and his project is entitled, **"A PROJECT REPORT ON MARKETING STRATEGY OF VODAFONE",** under the guidance of **ASST. PROF. DRAKSHA KHAN.**

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any degree and diploma of any university .

It is his own work and facts represented by his personal findings and investigations.

Place: Mumbai
Date:

ASST.PROF. Draksha Khan — ASST. PROF. DRAKSHA KHAN

BMS Course Coordinator — Internal Project Guide

Principal — External Examiner

Signature & Date

ACKNOWLEDGMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project. I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal,** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Course Co-ordinator ASST PROF. DRAKSHA KHAN**, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Asst. Prof. Draksha Khan** whose guidance and care made the project successful. I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my **Parents and Peers** who supported me throughout my project.

EXECUTIVE SUMMARY

India, like many other countries of the world, have adopted a gradual approach to telecom sector reform through selective privatization and managed competition in different segments of the telecom market. The Indian telecommunications industry is one of the fastest growing in the world and India is projected to become the second largest telecom market globally.

Vodafone Essar in India is a subsidiary of Vodafone Group Plc and commenced operations in 1994 when its predecessor Hutchison Telecom acquired the cellular license for Mumbai. In one of the biggest brand transition exercises in recent times, Hutch, country's fourth-largest mobile service provider was renamed Vodafone. With the entry of Vodafone, which is the world's leading international mobile communications company in the Indian Telecom sector the Indian consumers have benefited in terms of better products and services? This has had a considerable impact on the users as well as the service providers like Airtel, Reliance, Idea and Tata Teleservices.

The project work was undertaken to evaluate the marketing strategies of Vodafone in India. The data for the thesis was collected using both primary and secondary data.

Secondary data regarding growth of Indian Telecom Industry, Vodafone and its strategies in India and other related facts was collected from the website of TRAI, DOT and Vodafone.

Primary data for the thesis was collected using a structured questionnaire which was filled by 110 mobile users in Navi Mumbai region. The information collected thereon was analysed the impact of marketing strategies on the churn rate at Vodafone. I have also collected some information from Vodafone Officials using structured interview.

It was found that in Navi Mumbai, Airtel leads the subscriber tally vis-à-vis Vodafone.

TABLE OF CONTENTS

INTRODUCTION TO INDIAN TELECOM SECTOR

INTRODUCTION

The telecom industry is one of the fastest growing industries in India. India has nearly 200 million telephone lines making it the third largest network in the world after China and USA. With a growth rate of 45%, Indian telecom industry has the highest growth rate in the world. History of Indian Telecommunications started in 1851 when the first operational land lines were laid by the government near Calcutta (seat of British power). Telephone services were introduced in India in 1881. In 1883, telephone services were merged with the postal system. Indian Radio Telegraph Company (IRT) was formed in 1923. After independence in 1947, all the foreign telecommunication companies were nationalized to form the Posts, Telephone and Telegraph (PTT), a monopoly run by the government's Ministry of Communications. Telecom sector was considered as a strategic service and the government considered it best to bring under state's control.

The first wind of reforms in telecommunications sector began to flow in 1980s when the private sector was allowed in telecommunications equipment manufacturing. In 1985, Department of Telecommunications (DOT) was established. It was an exclusive provider of domestic and long-distance service that would be its own regulator (separate from the postal system). In 1986, two wholly government-owned companies were created: the Videsh Sanchar Nigam Limited (VSNL) for international telecommunications and Mahanagar Telephone Nigam Limited (MTNL) for service in metropolitan areas.

In 1990s, telecommunications sector benefited from the general opening up of the economy. In addition, examples of telecom revolution in many other countries, which resulted in better quality of service and lower tariffs, led Indian policy makers to initiate a change process finally resulting in opening up of telecom services sector for the private sector. National Telecom

Policy (NTP) 1994 was the first attempt to give a comprehensive roadmap for the Indian telecommunications sector. In 1997, Telecom Regulatory Authority of India (TRAI) was created. TRAI was formed to act as a regulator to facilitate the growth of the telecom sector. New National Telecom Policy was adopted in 1999 and cellular services were also launched in the same year.

Telecommunication sector in India can be divided into two segments: Fixed Service Provider (FSPs), and Cellular Services. Fixed line services consist of basic services, national or domestic long distance and international long distance services. The state operators (BSNL and MTNL), account for almost 90 per cent of revenues from basic services. Private sector services are presently available in selective urban areas, and collectively account for less than 5 per cent of subscriptions. However, private services focus on the business/corporate sector, and offer reliable, high- end services, such as leased lines, ISDN, closed user group and videoconferencing.

Cellular services can be further divided into two categories: Global System for Mobile Communications (GSM) and Code Division Multiple Access (CDMA). Airtel, VodafoneHutch, and Idea Cellular dominate the GSM sector, while Reliance and Tata Indicom dominate the CDMA sector. Opening up of international and domestic long distance telephony services are the major growth drivers for cellular industry. Cellular operators get substantial revenue from these services, and compensate them for reduction in tariffs on airtime, which along with rental was the main source of revenue. The reduction in tariffs for airtime, national long distance, international long distance, and handset prices has driven demand.

Telephone penetration in India (Total working lines)

1968	1998	2008	2010	2014
0.8 million	18.6 million	333.84 million	650 million	970.97 million

Source: Indian Department of Telecommunication

Indian Telecom: A Tale of Stupendous

The past decade has seen an exponential growth in the Indian Telecom Sector. In the year 2000, Telecom Regulatory Authority of India (TRAI) Act was amended and in 2001, Telecom Disputes Settlement and Appellate Tribunal (TDSAT) started its functioning. In 2002, Bharat Sanchar Nigam Limited (BSNL) entered into GSM cellular operation and made incoming calls free for the first time and since then there is no looking back. Currently, the call rates in India are one of the lowest; to the extent where some operators are even offering Per-Second-Billing. Despite the financial slowdown, the industry continued its high growth rate. In 2009, the Indian Telecom sector contributed 5.65 to the country's Gross Domestic Product (GDP) and attracted a Foreign Direct Investment (FDI) of over $2 billion. India is Third in the world in terms of the number of Telecom subscribers. In addition to this, India has the second largest wireless network in the world, next only to China. The government initiatives like announcement of 3G policy and WiMAX rollout are bold steps in serving mass communications. Sharing of the basic telecom infrastructure among the major telecom players such as Airtel and Vodafone has also resulted in a pan India reach.

The Telecom Scenario can be broadly dissected into four categories:

1) Rural India: Bridging the Telecom Divide.

The emergence of Rural Market in India provides an extensive market place for mobile industry. The adoption of 3G and Broadband Wireless Association (BWA) is likely to galvanize competition and expand network coverage into the hinterlands of the country. Within a short span of 3 years, the rural tele-density has jumped from 4.5% to 19%. ExCommunications Minister A. Raja believes that the continued participation of private sector will help us achieve the target of 40 percent rural tele-density well before the set timeline of 2014.

2) India as hub for Telecom Equipment Manufacturing and Exports.

In order to make the latest technology available in the market, focus is on commercialization of telecom innovation and technology. This can contribute towards inclusive growth by making low cost handsets available that support affordable access in rural areas. The production of telecom equipments as of March 2009 was INR 518 billion with a CAGR of 29% during the last five years. At the same time INR 81 billion of telecom equipments were exported with a CAGR of 100% during the last five years.

3) VAS, Mobile Banking and M-commerce

Value Added Services (VAS) has an immense potential to grow with services like Mobile banking and Mobile -commerce. Content development, pricing and innovative strategies are the key factors for driving the VAS demand.

4) Exploring New Frontiers

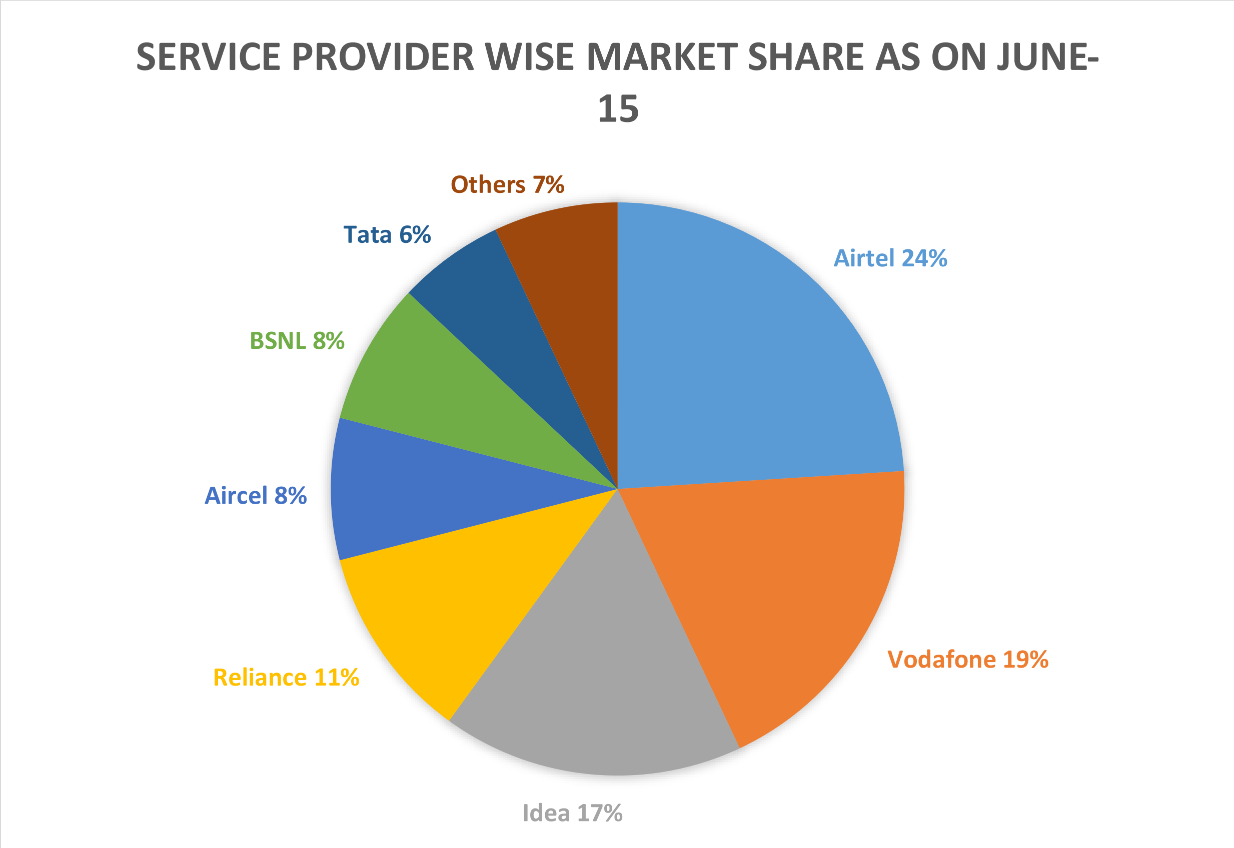
With growing competitive pressure on all fronts and the inevitable need to keep pace with emerging technologies globally, telecom operators are re-examining their traditional business models and are making substantial investments in upcoming technologies. These include 3G Band Allocation, Worldwide Interoperability for Microwave Access (WiMAX) and Future Generation Networks.

Considered to be the fastest growing telecommunications industry in the world, India is divided into a total of 22 telecom circles with multiple carriers operating in each circle. Private operators control 87.9% of the wireless market share while state-owned operators BSNL and

MTNL hold 12.1% of the market share. The number of mobile phone subscribers in India rose to 975.98 million in May, 2015 with the addition of 2.44 million connections.

GSM Operator	**Total Subscriber Base – December 2014 (in millions)**	**Market Share**
Bharti Airtel	217.22	24.38%
Vodafone	178.68	20.06%
IDEA Cellular	150.54	16.90%
Reliance	79.03	8.87%
BSNL	79.34	8.91%
Aircel	78.67	8.83%
Tata	51.36	5.77%
Telewings	43.63	4.90%
Videocon	6.45	0.72%
MTNL	3.36	0.38%
Loop Mobile	0.00	0.00%
Quadrant	2.51	0.28%
All India	**890.78**	**100%**

Graph below shows Service Provider wise Market Share as on June-15.



<u>New Players in the Telecom Industry</u>

The stupendous growth of the telecommunication companies in India over the last fifteen years can be attributed to the liberal government of India, economic policy. The economic renaissance affected in the early 1990s brought around a paradigm shift on the overall business scenario of India. The telecommunication companies in India went through a huge makeover during the implementation of the open-market policy of India.

A more liberal form of economic policy replaced the erstwhile closed market policy. A completely new form of Indian Telecommunication Policy was drafted to compliment the change effected in the economic policy of India. The amendment affected the new telecommunication policy of India made huge changes with respect to investments and entry of Foreign Direct Investments (FDI) and Foreign Institution Investors (FII) respectively, into the virgin Indian telecommunication market. This resulted entry of private, domestic and foreign telecommunication companies in India.

The economic contribution made by these newly formed telecommunication companies of India is really mentioned worthy and this industry witnessed highest growth after the Indian Information Technology industry. The robust growth of Indian economy after the economic liberalization in the 1990s induced massive change in the telecom policy and new draft was framed and implemented by the 'Telecom Regulatory Authority of India' (TRAI) and 'Department of Telecommunication' (DOT), under the Ministry of Telecommunication government of India. The main aim of these telecommunication companies in India is to provide basic telephony services to each and every Indian.

Following are the new players in Telecom Industry in India

VODAFONE INDIA LTD.

COMPANY PROFILE

Vodafone Group plc is a global telecommunications company headquartered in London, U.K. It is the world's largest mobile telecommunications company measured by revenues and the world's second-largest measured by subscribers (behind China Mobile), with around 341 million proportionate subscribers as of November 2010. It operates networks in over 30 countries and has partner networks in over 40 additional countries. It owns 45% of Verizon Wireless, the second-largest mobile telecommunications company in the United States measured by subscribers. Vodafone had about 178.68 million customers as of December 2014 in India.

The name Vodafone comes from **Voice data fone**, chosen by the company to "reflect the provision of voice and data services over mobile phones."

Mission:

Vodafone will enhance value for its stakeholders and contribute to society by providing our customers with innovative, affordable and customer friendly communications services. Through excellence in our service, we aspire to be the most respected and successful telecommunications company in India.

Vision:

Our Vision is to be the communication leader in an increasingly connected world.

Vodafone India Ltd.

Vodafone India Ltd. is an Indian subsidiary of Vodafone group and commenced its operations in 1994 when its predecessor Hutchison Telecom acquired the cellular license for Mumbai. The company now has operations across the country with over 118.04 million GSM mobile customers. Over the years, Vodafone Essar, has been named the 'Most Respected Telecom Company', the 'Best Mobile Service in the country 'and the 'Most Creative and Most Effective Advertiser of the Year'.

Vodafone acquired an indirect controlling interest in Vodafone Essar, their local operating company in India, in 2007-08. Vodafone currently has equity interests in 31 countries across five continents and around 40 partner networks worldwide.

Vodafone Essar is now largest operating company for Vodafone when measured by customer numbers and its sheer scale and rapid growth makes it unique. It has nearly 10,000 employees and employs more than 90,000 contractors. The network is rapidly expanding to meet demand and extend telecommunications to more rural areas, with more than 2,500 new base stations deployed each month.

MARKETING STRATEGIES IN INDIA

a) Core Competencies:

Vodafone's primary aim is to be a world leader in mobile communication and at the same time provide a unique experience to the customers who use their services. By analysing the overall structure of the company, it can be understood that reliable innovative services and the customer centric passion are the core products of the company.

The brand image of Vodafone is very strong in the market and a continuous recycling of their campaigns from the pug to Zoo zoo's to the present blackberry boys advertisements has guaranteed their brand a high recall value.

Their innovative products like "Chota recharge", handsets priced as low as ₹ 700, the new solar powered phone VF247, Android mobile phone HTC and the soon to be launched iPhone 4 in the Indian market or services like Vodafone Tuesdays has made it sure that Vodafone stays ahead of its competitors and at the same time, their subscriber base goes on increasing.

Vodafone has also been successful in creating synergies by acquiring companies around the globe. In India, also, Vodafone entered the market by acquiring Hutch and in no time established itself as a leading player in the telecom market.

b) **Market Prospects / Penetration:**

Vodafone's intention to tap the price sensitive rural market comes with its low cost offerings such as low priced Magic Box which has a bundled low priced handset along with prepaid card and various freebies. Products like Vodafone 150 priced at ₹ 799 and eco-friendly solar charging handset VF 247 will help Vodafone to penetrate the rural market in a big way. To penetrate the urban market, Vodafone is coming up with Apple iPhone 4 and Blackberry Services for everyone.

The FIPB has also cleared the Vodafone's applications for national and international long distance (NLD & ILD) and internet service provider (ISP) license which will further take its market in a new domain.

c) **Competitive Advantage:**

From product innovation to technological advantage, Vodafone as a brand keeps on improving and coming up with new plans. Vodafone adjusts according to the changing market which gives them a competitive advantage. Vodafone has from time to time come with creative advertising campaign for its various plans which has captured the imagination of millions. Vodafone's plans like "Chota Recharge" and number of add on plans like these has made it sure that it maintains an edge over its competitors. Vodafone pursues a global international corporate-level strategy and has heavily focused on acquisitions like Hutch acquisition in India. Vodafone has also pursued a focused cost leadership business-level strategy of exclusive focus on the mobile telephony industry in India with no distractions that faced their competitors (such as fixed-line telephony).

PORTERS FIVE FORCES MODEL

Bargaining Power of Buyers:

The buyers in the mobile telephony industry are strong. These powerful buyers can reduce the cost leaders prices, but not past the level of their closest competitor. This ensures Vodafone will continue to profit at above average returns compared to its closest competitor.

Bargaining Power of Suppliers:

Suppliers of the mobile telephony industry are strong. Vodafone, by being a cost leader, operates with margins greater than its competitor's do, which, in turn, allows them to absorb price increases from its suppliers easier than its competitors. By being a large, focused player of the mobile telephony industry, Vodafone could hold suppliers costs down, and it could make a profit even if its competitors are making only average returns.

Potential Entrants:

While the threat of new entrants is weak, Vodafone must continue to reduce costs below that of its competitors. By maintaining high levels of efficiency, Vodafone can help make the entrance into the Mobile telephony industry unattractive to its potential competitors.

Product Substitutes:

Vodafone faces a low threat of product substitutes. The focused cost leadership strategy that Vodafone operates under makes it difficult for a comparable substitute to be produced at a lower rate by their excellent use of economies of scale, their buying power, and their absorption of temporary price increases that come from suppliers that don't need to be passed on to the consumer.

Industry Rivalry:

Vodafone faces a very high industry rivalry from its competitors because as the different mobile operators slashes its rate per call or provides any new services then they also have to provide to its customers.

SWOT ANALYSIS OF VODAFONE

Strength:

The main strength of Vodafone within the telecommunications market lies in its brand image and recognition. Vodafone, having established a global presence and having invested highly in marketing a differentiated image by promoting a Vodafone life style, currently enjoys a differentiating advantage that, if exploited properly, can offer a lead in competition. The presence of Vodafone in numerous countries within Europe as well as in all part of the world enhances this image. It allows customers to travel and enjoy easily the services of their home country operator. It has established strategic alliance to provide better service to client.

Weaknesses:

The expansion of Vodafone has been completed at the expense of direct control of its operations. The company grew through a process of acquisitions of national telecommunications companies (e.g. the acquisition of the third biggest Czech mobile phone operator, Cesky mobile) rather than organic growth. This increased its subscribers' base quickly, offering direct market knowledge and immediate additions of customer bases at the expense of direct effective control of the subsidiaries. At the same time though, it implicitly imposed a centralized operational structure for the group, nominating the UK headquarters as the leading business unit running a much centralized marketing and handset procurement at group level. This has resulted in the neglect of local markets and local differences, allowing market share to be gained by smaller local competitors. Due to the highly saturated Western European market this has resulted in an increase in the price elasticity of demand, with consumers becoming continuously price oriented. This has resulted in high customer churn rates reaching the level of 32.8% in the UK compared to O2's 24%.

Opportunities:

The telecommunications market, even though highly saturated in some regions offers great potential due to the ageing population and the sophistication of the consumers. It offers great opportunities through a careful market segmentation and exploitation of particular profitable segments. Different strategies should be pursued – simple phones and simplified pricing plans to the ageing population and more updated, sophisticated solutions for younger generations.
The expanding Boundaries of the market could provide further opportunities by allowing Vodafone to enter more aggressively into fixed-line service and to better enjoy the benefits of its high investment in 3G technology. Moreover the company has undertaken its first steps in establishing strategic alliances to develop customized solutions for end users.

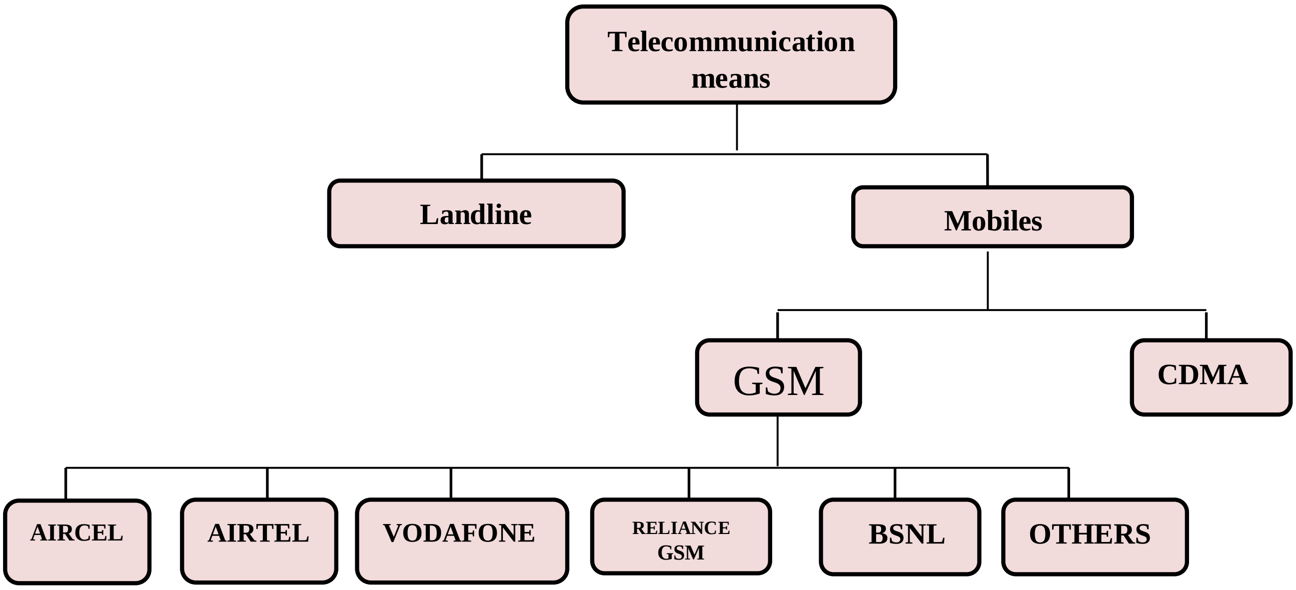
Threats:

The European part of Vodafone's market is characterized by existing high levels of competition. Major brands such as O2 and T-Mobile are exploiting the price sensitivity of customers and in this way they are building a stronger image and presence in the market. Indirect competition is also increasing further, through the presence of Skype and other related (not only voice) Internet-based services. This combined with the upcoming European legislative measures is expected to limit further the tariffs for the network providers imposing further need for price cuts which could harm the bottom line profitability of the company.

STP ANALYSIS

SEGMENTATION

Product Segmentation:



Consumer Segmentation:

Customers are typically classified as prepaid or contract customers. Prepaid customers pay in advance and are generally not bound to minimum contractual commitments, while contract customers usually sign up for a predetermined length of time and are invoiced for their services, typically on a monthly basis. Increasingly, Vodafone offers SIM only tariffs allowing customers to benefit from the Vodafone network whilst keeping their existing handset. The following segmentation variables are used by Vodafone in order to segment the market:

Geographic:

Vodafone segments its market as metros, A-circle, B-circle and C- circle. Here, the segmentation is done on the basis of regions in which they operate. Also, rural and semiurban markets are fast emerging as profitable market segment, so Vodafone is trying to enhance its operations effectively further in these segment.

Demographic:

Income: Vodafone further segments its market according to various income levels and have various plans for every strata of society.

Age: Vodafone does not primarily segment its market on the basis of age but they have specific plans for youth.

Nature of the Customer: Depending on the fact that whether the customer is institutional or sole, the services and plans provided by Vodafone varies and thus, it forms an important bases for segmentation.

Psychographic:

Lifestyle and Personality: Vodafone segments its users on the type of service they use based on their lifestyle such as different plans for students, professionals etc.

Behavioural:

Benefits Sought: Vodafone segments its customers on the basis of the benefits sought by them such as such as: local call, STD call or ISD call makers; users of value added services, connectivity and coverage.

Usage Rate: Vodafone also classify its users as one with heavy usage rate, medium usage rate and light usage rate and have different targeting schemes for each of them.

Type of the service: The Type of the service provided by Vodafone to its customers also plays a crucial role in deciding the segmentation strategy implemented by Vodafone.

Business Segmentation:

The Group continues to grow usage and penetration across all business segments. VGE manages the Group's relationship with Vodafone's 270 largest multinational corporate customers. VGE simplifies the provision of fixed, mobile and broadband services for MNCs who need a single operational and commercial relationship with Vodafone worldwide. It provides a range of managed services such as central ordering, customer self-serve web portals, telecommunications expense management tools and device management coupled with a single contract and guaranteed service level agreements.

The Group continues to expand its portfolio of innovative solutions offered to small office home office ('SoHo'), SME and corporate customers. Increasingly these combine fixed and mobile voice and data services integrated with productivity tools.

TARGETING

Vodafone has full market coverage with differentiated offerings. Market is targeted through many different tariffs, services and propositions for every segment according to specific customer preferences and needs. These often bundle together as: voice, messaging, data and increasing value added services. The various examples for this include:

- Home calling cards for the family of those professionals who use to work abroad.
- Rs.10 recharge for small users Cheap SMS facility for

  youths Facilities for circle users etc.

POSITIONING

Vodafone has continued to build brand value by delivering a superior, consistent and differentiated customer experience. Their tagline **"Where ever you go our network follows"** gives the customer indication of their vast coverage.

They differentiated themselves from other mobile service providers by delivering the promise of "helping customers make the most of their time" and their communication strategy has always focused on **"Happy to help"** which tends to strike an emotional chord with the customer.

The Group's vision is "to be the communications leader in an increasingly connected world" expanding the Group's category from mobile only to total communications. To enable the consistent use of the Vodafone brand in all customer interactions, a set of detailed guidelines has been developed in areas such as advertising, retail, online and merchandising.

In April 2009 a campaign, focusing on the different value added services (VAS) offered by the company was launched, introduced new characters called the Zoo zoos who seem to be in between the world of animation and reality. Several advertisements in which the Zoo zoos featured were shown on television during the Indian Premier League (IPL) Season 2 and were instant hit among the customers but the conversion of this excitement into revenue is yet to be seen.

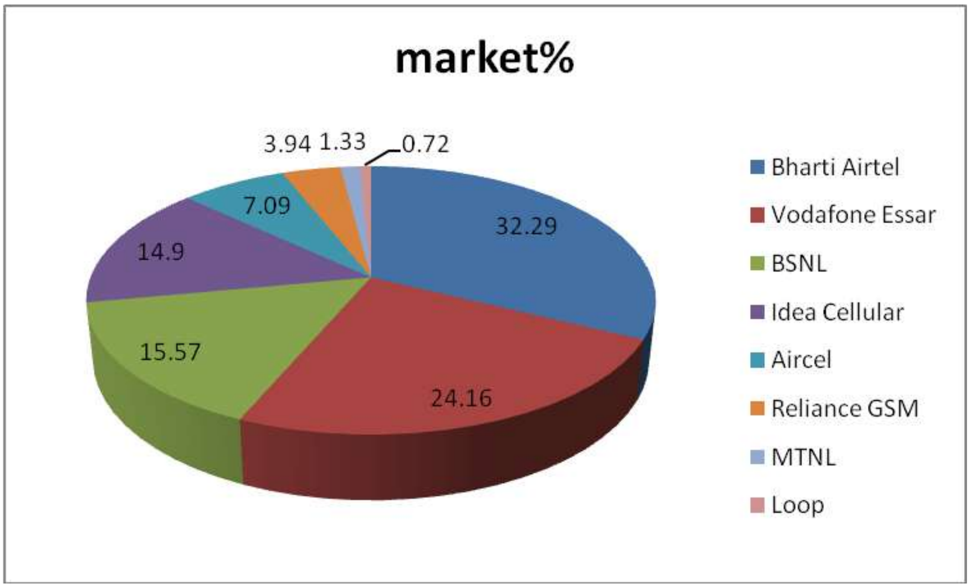
ENTERPRISE SERVICES

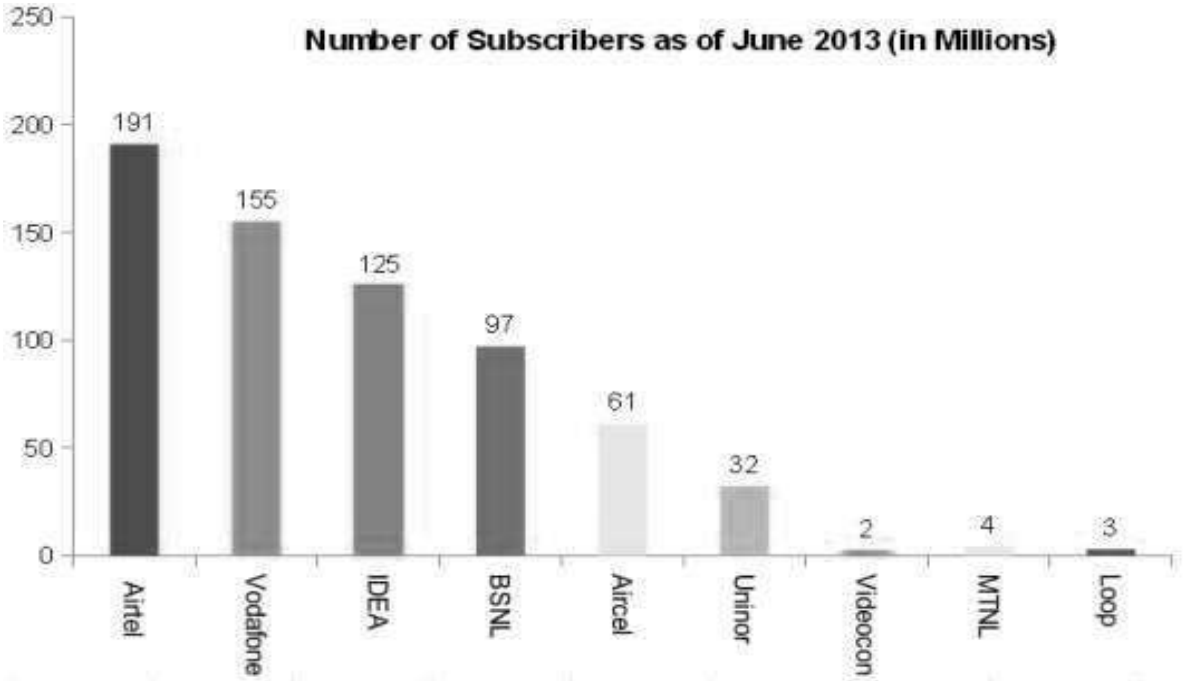
- **Voice services**
  - Pre – Paid
  - Post – Paid
- **Value Added Services**
  - Tunes and downloads
  - Entertainment
  - Devotional
  - Sports
  - News and Updates
  - Call Management Services
  - Astrology

- Finance
- Travel
- Mail, Messaging
- Dial in Services
- Bill Info

- **Vodafone Live**
- **Vodafone Business Solutions**
    - Mail on the move
    - Business application
    - Vodafone Office
    - Vodafone Business Solution

MARKET AND COMPETITIVE ANALYSIS





Vodafone Essar is the second largest GSM operator in India after Airtel from the perspective of market share and subscriber base and is increasingly expanding its share (the detail figures are given in Appendix). It still is quite far from Airtel due to Airtel's strong presence in rural areas and loyal customer base along with larger reach and first mover advantage.

BRANDING, ADVERTIZING, PRICING AND DISTRIBUTION

STRATEGY

Vodafone's products and services are available directly, via Vodafone stores and country specific Vodafone websites, and indirectly via third party service providers, independent dealers, distributors and retailers, to both consumer and business customers in the majority of markets under the Vodafone brand. **Customer Strategy and Management**

Customer Delight Index:

The Vodafone Group has created a Global Customer Value Management team to support operating companies with their aim to engage with customers directly through a data driven approach. Recent examples of this include: rollout of a consistent and innovative store, successful trial of an innovative handset based self-service solution and creation of a global training academy for customer facing staff.

Vodafone continues to use a customer measurement system called "customer delight" to monitor and drive customer satisfaction in the Group's controlled markets at a local and global level which identifies areas for improvement and focus.

Marketing and brand:

- 178.68 million Vodafone subscribers across India (2014).
- 2 million new subscribers a month on average
- 20% market share

Logo a new visual identity—from the deep pink logo of Hutchison-Essar to Vodafone's trademark deep red speech mark introduced in 1998.

Advertisement:

The inaugural TV commercial showed the trademark pug (minus the boy) moving out of a pink kennel into a red one. An energetic version of Hutch's signature 'You and I' tune played towards the end, as the super concluded, 'Change is good. Hutch is now Vodafone'. There were four more commercials featuring Hutch's animated boy and girl, introducing the new brand's logo to consumers.

Vodafone put in close to ₹ 150 crore into the first phase of the rebranding exercise—with ₹ 60 crore in mass media and another ₹ 90 crore in retail activities.

In the second phase, Vodafone ushered in its global strapline—"Make the most of now", which replaced "How are you?" in 2001. By then it was apparent, the boy-and-pug chapter would soon be over. In 2008, Vodafone used the platform of cricket when it unveiled the 'Happy to Help' series during the first season of the Indian Premier League (IPL).

This season the Zoozoos are all the rage. These characters have virtually hijacked the online media as well as television—to convey a value added service (VAS) offering in each of the new commercials.

In Indian scenario when other major telecom service providers are using celebrities(AirtelShahrukh Khan, BSNL-Deepika Padukone, Aircel-Mahendra Singh Dhoni, Idea-Abhishek Bachchan) as their brand ambassadors, Vodafone is standing out proudly with Zoozoos and pug as successful ad campaign.

Products and services in India:

- Average cost of calls: 2 US cents per minute
- Average revenue per customer: US$6.4 per month
- 853,039 points of sale, covering 65% of the population
- With more than 3 million Vodafone-branded, affordable handsets sold in 2008/09, Vodafone ranks among the top five handset brands in India

Brand and customer communications:

- In the Brands most powerful brands ranking: **Ranked 11th globally.**
- In telecom industry it proudly stands as world no. 2 after China no. 2 GSM service provider in India after Airtel

A new Marketing Framework has been developed and implemented across the business, which includes a new vision of expanding the Group's category from mobile only to total communications "**to be the communications leader in an increasingly connected world".** Brand and customer experience continues to implement Vodafone's promise of "helping customers make the most of their time". The brand function has also developed a methodology to develop competitive local market brand positioning, with local brand positioning projects now implemented in 12 markets.

In September 2007, Vodafone welcomed India with the "Hutch is now Vodafone" campaign. The migration from Hutch to Vodafone was one of the fastest and most comprehensive brand transitions in the history of the Group, with 400,000 multi brand outlets, over 350 Vodafone stores, over 1,000 mini stores, over 35 mobile stores and over 3,000 *touchpoints* rebranded in two months, with 60% completed within 48 hours of the launch.

Brand Health Tracking:

Vodafone regularly conducts Brand Health Tracking since 2002, which is designed to measure the brand performance against a number of key metrics and generate insights to assist the management of the Vodafone brand across all Vodafone branded operating companies.

Sponsorships:

Vodafone majorly sponsors the following teams and events, apart from various regional and timely sponsorship:

Kshitij, Annual Techno-management festival of IIT Kharagpur, Strategic Partner 2008

- Indian Premier League (Cricket), Associate sponsor
- England cricket team
- Vodafone McLaren Mercedes Formula One team, title sponsor
- Triple 8 Race Engineering, V8 Supercars team, primary sponsor (since 2007)

Distribution:

Direct distribution-Number of directly owned stores - 1150

Vodafone directly owns and manages over 1,150 stores. These stores sell services to new customers, renew or upgrade services for existing customers, and in many cases also provide customer support.

A standard store format, which was tested in 2006, was rolled out in 11 markets during the 2008 financial year. All stores in India were rebranded as Vodafone and over 40 stores were refurbished to the Group’s standard format.

The Group also has 6,500 Vodafone branded stores, which sell Vodafone products and services exclusively, by way of franchise and exclusive dealer arrangements.

The *internet* is a key channel to promote and sell Vodafone’s products and services and to provide customers with an easy, user friendly and accessible way to manage their Vodafone services and access support.

Additionally, in most operating companies, sales forces are in place to sell directly to business customers and some consumer segments.

Indirect distribution:

The extent of indirect distribution varies between markets but may include using third party service providers, independent dealers, distributors and retailers.

The Group hosts MVNOs in a number of markets. These are operators who buy access to existing networks and resell that access to customers under a different brand name and proposition. Where appropriate, Vodafone seeks to enter mutually profitable relationships with MVNO partners as an additional route to market.

Presence in India:

- Presence in all 23 Indian telecom circles (up from 16 in 2007/08)
- Over 78,000 base stations across India
- Around 2,600 new base stations deployed each month
- Network deployment and maintenance of 56,933 base stations in 16 circles outsourced to Indus Towers, of which Vodafone Essar has a 42% shareholding
- 8,163 base stations directly managed by Vodafone Essar in the remaining seven circles
- A further 13,225 base stations shared with other operators

MACRO AND MICRO ENVIRONMENTAL FACTORS

Factors affecting growth of mobile telecommunication

- Market potential
- Buying decision process
- Infrastructure
- Country’s political, social and economic scenario
- Government policies and business climate(Interest rates and Inflation)
- Technology and Special zones
- Competition
- Income levels
- Employee skills and unionization of employees
- Ethical considerations
- Changing Lifestyles of Consumers

PRINCIPAL RISK FACTORS AND UNCERTAINTIES:

The following discussion of principal risk factors and uncertainties identifies the most significant risks that may adversely affect the Group’s business, operations, liquidity, financial position or future performance.

Adverse macro-economic conditions in the markets in which the Group operates could impact the Group’s results of operations.

Adverse macro-economic conditions and further deterioration in the global economic environment, such as a **deepening recession or further economic slowdown** in the markets in which the Group operates, may lead to a reduction in the level of demand from the Group’s customers for existing and new products and services. In difficult economic conditions, consumers may seek to reduce discretionary spending by reducing their use of the Group’s products and services, including data services, or by switching to lower-cost alternatives offered by the Group's competitors. Similarly, under these conditions the enterprise customers may delay purchasing decisions, delay full implementation of service offerings or reduce their use of the Group's services. In addition, number of the Group's consumer and enterprise customers that are unable to pay for existing or additional services might increase, having material adverse effect on the Group's results of operations.

The continued volatility of worldwide financial markets may make it more difficult for the Group to raise capital externally, which could have a negative impact on the Group's access to finance.

The Group's key sources of liquidity in the foreseeable future are likely to be cash generated from operations and borrowings through long term and short term issuances in the capital markets as well as committed bank facilities. Due to the recent volatility experienced in capital and credit markets around the world, new issuances of debt securities may experience decreased demand. Adverse changes in credit markets or Vodafone's credit ratings could increase the cost of borrowing and banks may be unwilling to renew credit facilities on existing terms.

Regulatory decisions and changes in the regulatory environment could adversely affect the Group's business.

As the Group has ventures in a large number of geographic areas, it must comply with an extensive range of requirements that regulate and supervise the licensing, construction and operation of its telecommunications networks and services. In particular, there are agencies which regulate and supervise the allocation of frequency spectrum and which monitor and enforce regulation and competition laws which apply to the mobile telecommunications industry. Decisions by regulators regarding the granting, amendment or renewal of licences, to the Group or to third parties, could adversely affect the Group's future operations in these geographic areas. Additionally, decisions by regulators and new legislation, such as those relating to international roaming charges and call termination rates, could affect the pricing for, or adversely affect the revenue from, the services the Group offers.

Increased competition may reduce market share and revenue.

The Group faces intensifying competition and its ability to compete effectively will depend on, among other things, network quality, capacity and coverage, the pricing of services and equipment, the quality of customer service, development of new and enhanced products and services, the reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Group adds new customers, a decrease in the size of the Group's market.

The focus of competition in many of the Group's markets continues to shift from customer acquisition to customer retention as the market for mobile telecommunications has become increasingly penetrated. In addition, the Group could face increased competition should there be an award of additional licenses in jurisdictions in which a member of the Group already has a license.

The Group uses technologies from a number of vendors and makes significant capital expenditures in connection with the deployment of such technologies. The introduction of software and other network components may also be delayed. The failure of vendor performance or technology performance to meet the Group's expectations or the failure of a technology to achieve commercial acceptance could result in additional capital expenditures by the Group or a reduction in profitability.

The Group may experience a decline in revenue or profitability notwithstanding its efforts to increase revenue from the introduction of new services.

As part of its strategy, the Group will continue to offer new services to its existing customers and seek to increase non-voice service revenue as a percentage of total service revenue. However, the Group may not be able to introduce these new services commercially, or may experience significant delays due to problems such as the availability of new mobile handsets, higher than anticipated prices of new handsets or availability of new content services. In addition, there is no assurance that revenue from such services will increase ARPU or maintain profit margins.

Expected benefits from cost reduction initiatives may not be realised.

The Group has entered into several cost reduction initiatives principally relating to network sharing, the outsourcing of IT application, development and maintenance, data centre consolidation, supply chain management and a business transformation programme to implement a single, integrated operating model using one ERP system. However, there is no assurance that the full extent of the anticipated benefits will be realised in the timeline envisaged.

Changes in assumptions underlying the carrying value of certain Group assets could result in impairment.

Vodafone completes a review of the carrying value of its assets annually, or more frequently where the circumstances require, to assess whether those carrying values can be supported by the net present value of future cash flows derived from such assets. This includes an assessment of discount rates and long term growth rates, future technological developments and timing and quantum of future capital expenditure, as well as several factors which may affect revenue and profitability identified within other risk factors in this section such as intensifying competition, pricing pressures, regulatory changes and the timing for introducing new products or services.

The Group's geographic expansion may increase exposure to unpredictable economic, political and legal risks.

As the Group increasingly enters into emerging markets, the value of the Group's investments may be adversely affected by political, economic and legal developments which are beyond the Group's control.

Expected benefits from investment in networks, licences and new technology may not be realised.

The Group has made substantial investments in the acquisition of licences and in its mobile networks, including the roll out of 3G networks. There can be no assurance that the introduction of new services will proceed according to anticipated schedules or that the level of demand for new services will justify the cost of setting up and providing new services.

The Group's business would be adversely affected by the non-supply of equipment and support services by a major supplier.

Companies within the Group, source network infrastructure and other equipments as well as network-related and other significant support services, from third party suppliers. The withdrawal or removal from the market of one or more of these major third party suppliers could adversely affect the Group's operations and could result in additional capital or operational expenditures by the Group.

FUTURE STRATEGIES

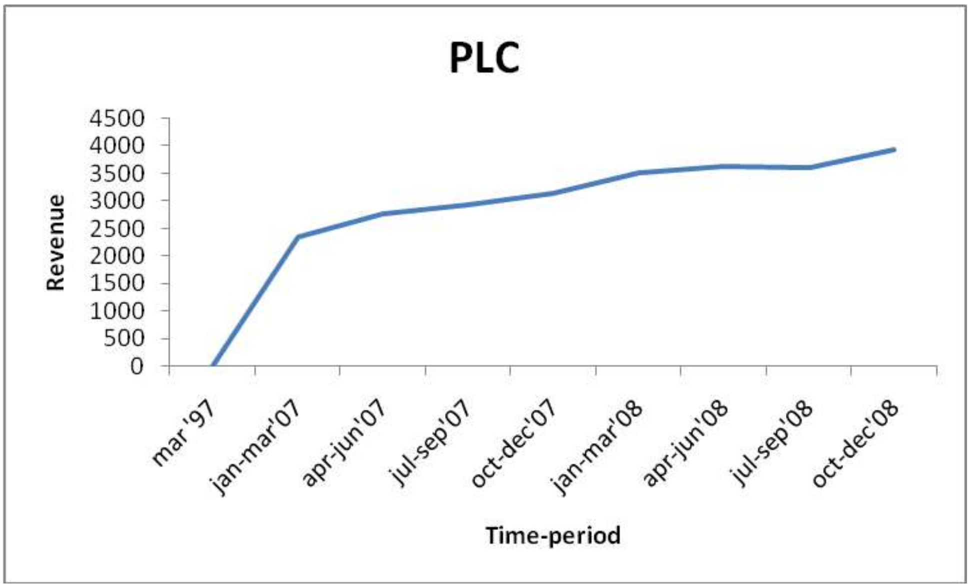
Factors and Trends Relevant for Future Policy Initiatives

- Based on global trends and Indian experience, the rate of growth of cellular mobile services would continue to be higher for a number of years. Its two important implications are further lowering of **average cost per line** and **cellular mobile.**

- **The capital requirement for investments** in the next five years are expected to be lower than the present cost due to continuing decline in equipment cost as well as lower network costs due to competition resulting from entry of infrastructure providers, Railways, Power Grid Corporation, etc. and huge capacity addition by other players.
- **A small portion of the subscriber base provides a large share of call revenue**. High revenue subscriber category would form the core of competition among operators which may lead to a fall in the tariffs applicable to this type i.e. long distance calls.
- **Margin of surplus** will decline over time due to competition. However, the break-even revenue per subscriber will also be lower due to decline in costs.
- **Data services** are expected to grow much faster than voice telephony. This underlines the need in due course to focus on broad-band linkages to enable the provision of these services at the required rate.
- Due **to large uncovered areas in rural and remote regions** of the country which are also expected to be low paying is going to bring the next revolution in the telecom sector.

The trend towards convergence of services may lead to major changes in the structure of industry and markets. The new mantra for the Telecom sector is: **"ROTI, KAPDA, MAKAAN AUR MOBILE"**

PRODUCT LIFE CYCLE



Marketing Strategies: Growth Stage

- **Rapid increase in sales if product has acceptance:**

The current perception of Vodafone in India is that of a brand that provides high quality customer service at reasonable prices. Even though Vodafone has not hired a known face to endorse itself, it has still managed to establish a very high "emotional connect" with its customers through its brilliantly conceived marketing strategies. Excellent examples of this would be the recent "Zoozoo" campaign and the well-received "Vodafone Pug" campaign. In the case of the "Pug" campaign, Vodafone managed to project itself as a service provider which would always be "following" the customer through the tagline "Wherever you go, our network follows." And in the case of the "Zoozoo" campaign, Vodafone further strengthened their image among their customer base and the market in general.

- **New competition enters as opportunity presents itself:**

Vodafone currently faces stiff competition since new players have also entered the fray recently. Players like Loop, Hash10, MTS etc. are set to roll out their services due to which Vodafone may find it difficult to maintain its current share of customer base in India.

Expansion, further focusing on its current segments, implementation of a revised business model and intensive marketing would be the key features Vodafone should be concentrating on in order to retain its current position in India.

- **Introduce new product features:**

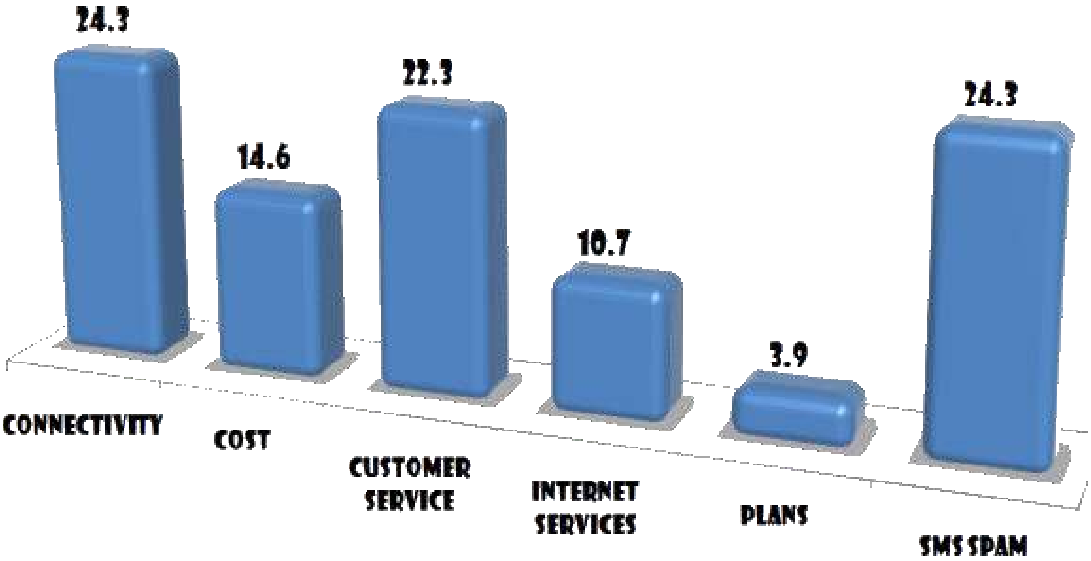
Vodafone is currently in the process of adding further verticals to its market portfolio in order to increase its presence and expand its customer base. 3G services are currently in the pipeline. Also Vodafone can venture into providing broadband and WiMAX services which have a very high potential for revenue generation. M2M or Machine to Machine platform is also present on Vodafone's strategy for market diversification. The platform, which is an enterprise solution designed by Vodafone for providing automation and wireless controlling is still under the process of patenting.

- **Expand distribution:**

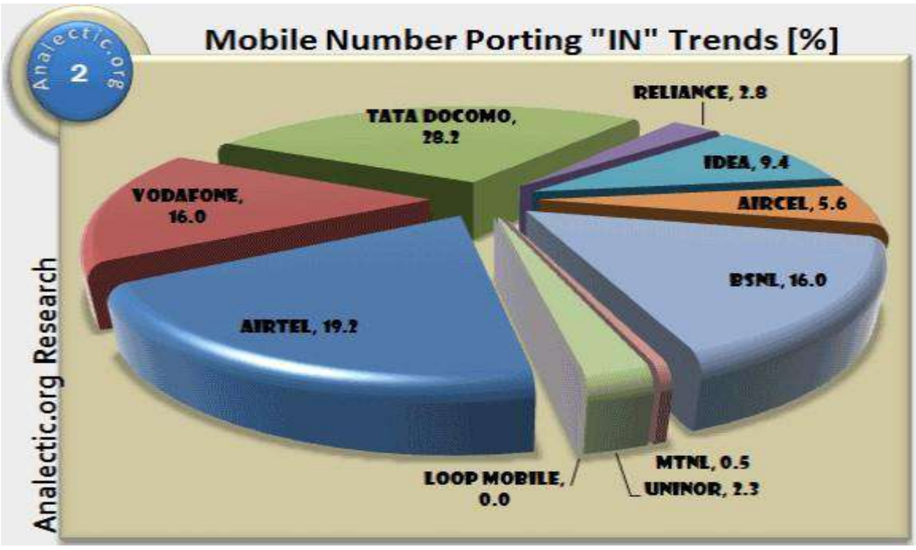
The current distribution model of Vodafone has been very successful in penetration of the urban segment. It has a presence in all the 23 Indian telecom circles and has set up 78,000 base stations spread across India. And Vodafone is still deploying 2,600 base stations each month.

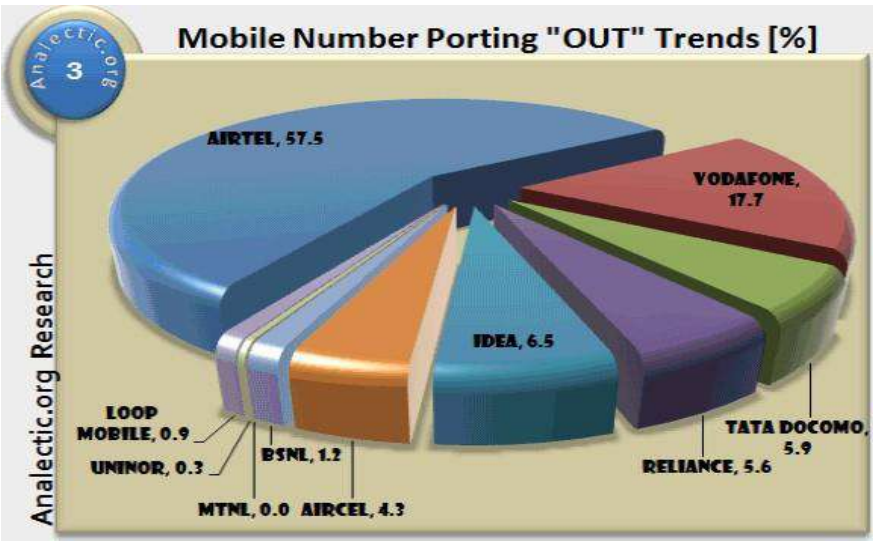
Even in Mumbai, Vodafone has a total of 25,000 distribution outlets, out of which 35 are Vodafone Stores. Even though the presence is considerable, Vodafone needs to focus on a more intensive distributional model in order to keep up with competitors like Airtel etc.

IMPACT OF MOBILE NUMBER PORTABILITY



MOTIVATIONS BEHIND MOBILE NUMBER PORTABILITY (%)





INTERVIEW

Vodafone India is barely old. Can you see the direction in which it is heading?

Vodafone has experienced a fairly good run in the past few years. It has emerged as one of the premium players in the telecom. Within a short period being second in the industry is a tremendous achievement. It is one of the few players which has a pan-India presence and it caters to not only the Premium segment but also to the rural segments as well. Plus, Vodafone is at the forefront of ushering in new technology e.g. 3G and Wi-max is about to roll out within the next few months so Vodafone is on solid-turf.

What are your strategies for penetrating rural market?

For entry into any sector, say rural or urban, there should be focus on **network coverage** and **distribution**. In addition to that, the affordability and penetration also comes into picture. Considerable effort is being put in from our side to increase our network coverage, customer satisfaction. We have one of the best and largest customer support service which is twice the size of our nearest competitor.

The telecom sector already is experiencing cut-throat competition. With new competitors introducing how difficult will it be for other players?

It is very difficult already for the existing players as profit margins are reducing with increase in number of players. The profits have reduced due to the slashing of call rates. However, the profits realized are due to increasing usage rates. New competitors are a very good launch and I believe it will change the rules of the game altogether.

What are your future strategies?

Our strategies are more towards customer service, value added services etc. rather than changing tariffs frequently. For instance, Vodafone India has 35 owned stores in Mumbai to provide help and customer services. This believe has made Vodafone the leading player in Mumbai. Our next competitor does not have half the number of service centres that we have.

How are your strategies in India different from those of other countries?

Strategies are very different not only from country to country but also from region to region. Our strategy for Europe which is a mature market is different from that for India and Africa which are developing markets. While Europe market is important in terms of revenues, Indian market is promising in terms

Can you say something about the effect of Zoo-Zoo campaign on the customers?

It has almost created a wave and impact has been very encouraging. Existing customers loved the campaign and many responded to the campaign through phone and internet. The Zoo-Zoos' effect has caught the public's imagination so much that there were Zoo-Zoo Ganapati and Rakhis selling. We also captured the attention of the public through our pug dog advertisements. Advertising is something which differentiates Vodafone from others. While the rates of all the service providers are almost same, you need to do something so that the customer chooses your service over your competitors' while opting for a mobile connection.

What measures do you take to measure customer satisfaction?

We maintain a very good relation with customers through our customer satisfaction surveys, customer delight studies. The sample drawn is random sampling and not done only for Vodafone customers.

Can you throw some light on the distribution network of Vodafone India?

Vodafone India has a very good distribution network. We have 25000 operators functioning now. We also undertake special programs to drive better distribution in every circle. Since we have better distribution network in the country we are the benchmark of the Indian telecom sector.

What are the other external factors that you feel had affected the telecom sector in the recent past?

Every national event affects the industry as a whole. The drought in India affected the disposable income in rural India. Naturally the spending on these services will decrease. The sector is not immune to terrorist attacks or even Swine flu scare as it affects the movement of tourists and in turn adverse effects our revenues from roaming charges.

Why did you choose to enter India through Hutchinson Essar rather than entering directly?

It is a strategical move by Vodafone. It is a way of faster routing. For instance, for DOCOMO it took them 2 years after getting license to start their operations. It involved building of newer infrastructure whereas we chose to cut costs by operating through Hutchinson Essar.

CUSTOMER RELATIONSHIP MANAGEMENT

Vodafone Launches Phones for the Poor

From now, onwards millions of people all through the world could access mobile phones for the first time with the release of Vodafone's first ultra-cheap own-branded phones. It is said by the company that these phones are cheap enough for poor people to have. Plus the Vodafone

125 and 225, released recently, are aimed at expanding the availability of affordable mobile phones in increasing markets.

Chinese manufacturer ZTE Corporation has produced the mobile phones for Vodafone - the first handsets resulting from an agreement between the two companies announced in December. They will come into view first on Vodafone networks in Egypt, Romania and South Africa. The Vodafone 125 and 225 are reported to be consisting with a similar set of basic features, although the 125 has a monochrome display whereas the 225’s display is colour.

Vodafone is also planning to open access to mobile services for more people in countries where mobile networks are the most viable and cost-effective communications service available. The phones are said to be coming with the price tag of around 1200-2500.

Happy To Help:

This is an online 24*7 helpline service for the customers of Vodafone. This provides help to the customer queries related to the products & services like VAS, talk time, recharge & etc.

Customer Care Centre:

This is one of the best way of maintaining a healthy customer relationship adopted by VODAFONE. They have their own customer care centers all over India wherein the customers directly come to the center’s regarding the problems they face related to the products & services.

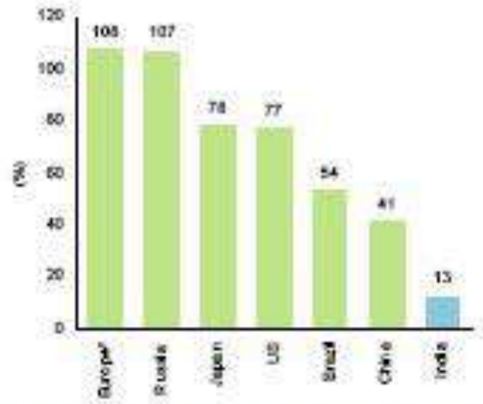
A very large market with significant growth potential

India is the world's 2nd most populated country…

Population (Dec-08)

…where mobile penetration remains low

Mobile penetration (% as of Dec-08)

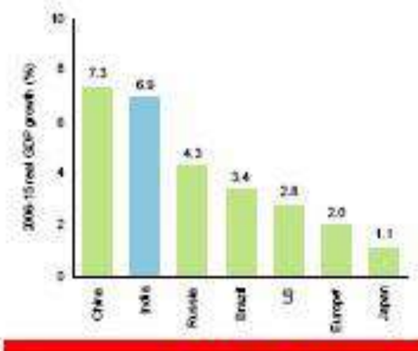


Penetration expected to exceed 40% by FY2012 and exceed 50% in the longer term

Underpinned by strong fundamentals

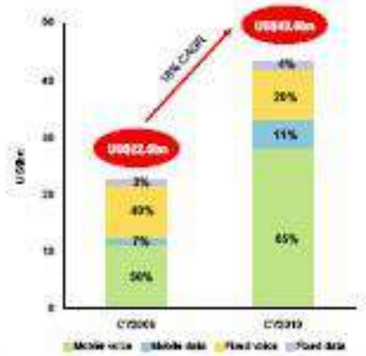
India is the 2nd fastest growing major economy…

2006-2015 real GDP growth



…with a fast growing telecoms market

Indian telecoms market revenues



Sustained economic and telecoms market growth

One of only 4 major mobile operators in India

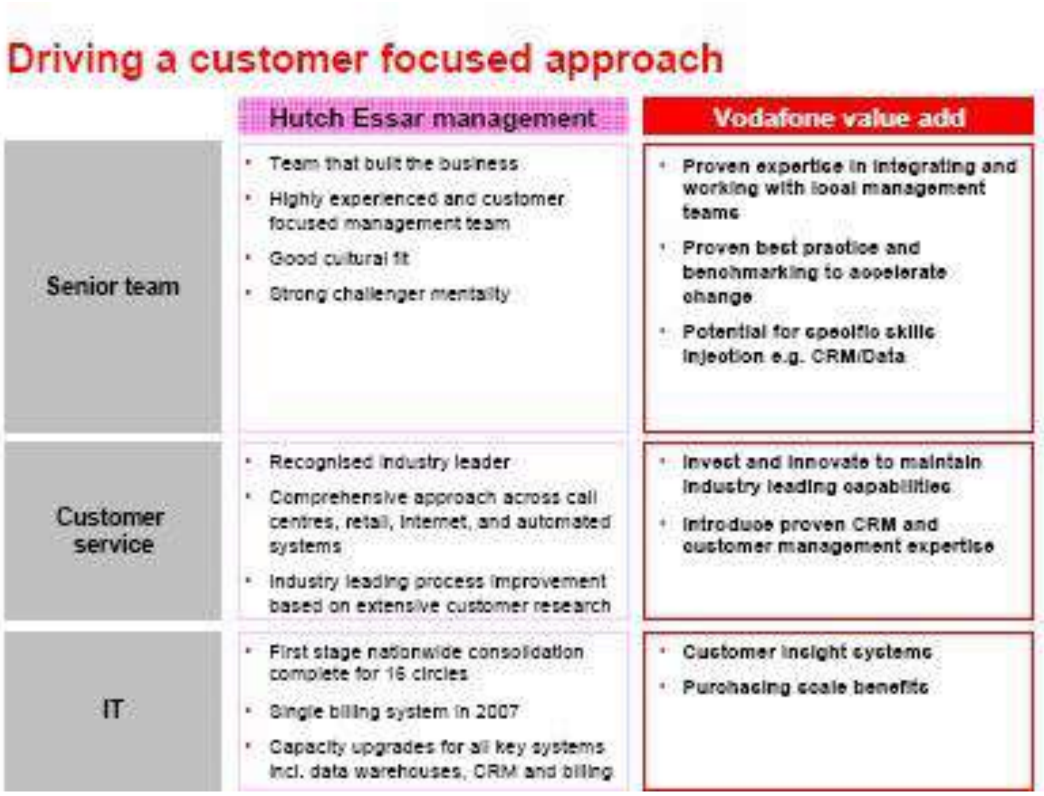
National ⟷ Regional

	bharti	Reliance Communications	BSNL	HUTCH	idea	TATA	AIRCEL	spice
Customers (000s)[1]	32,456	29,990	25,551	23,366[2]	12,442	10,249	4,513	2,450
Market share[1] (%)	22.0	21.1	18.0	16.4	8.0	7.2	3.2	1.7
No. of circles/total	23/23	23/23	23/23	23/23	13/23	20/23	3/23	2/23
Technology	GSM	CDMA/GSM	GSM	GSM	GSM	CDMA	GSM	GSM

Developing consumer and business propositions

	Hutch Essar management	Vodafone value add
Brand	• Hutch brand across 16 circles • Strong consumer focus • Recognised major business brand	• **Move to dual brand and ultimately to Vodafone**
Consumer	• Historically strong in Metros and A circles • Comprehensive customer segmentation – much lower HVC churn • Leadership in contract segment • Mass market prepaid focus e.g. low value INR10 "sachet" recharge • Successful VAS – premium SMS and ringback tones	• **Introduce ultra low cost handsets** • **Bring Vodafone live! to India** • **Global partnerships including content** • **Mobile payments including balance transfer** • **Address total communications opportunities**
Business	• Critical first mover advantage in Mumbai/Delhi • Well established National Corporates business – leading market share • Investment required for SME/SOHO	• **Only operator in India integrated into an international mobile company** – international voice and data roaming – unique offers for multinational corporate accounts • **Access to proven product portfolio** • **Mobile office expertise**

Source: Hutch Essar data



Driving a customer focused approach

	Hutch Essar management	Vodafone value add
Senior team	• Team that built the business • Highly experienced and customer focused management team • Good cultural fit • Strong challenger mentality	• Proven expertise in integrating and working with local management teams • Proven best practice and benchmarking to accelerate change • Potential for specific skills injection e.g. CRM/Data
Customer service	• Recognised industry leader • Comprehensive approach across call centres, retail, Internet, and automated systems • Industry leading process improvement based on extensive customer research	• Invest and innovate to maintain industry leading capabilities • Introduce proven CRM and customer management expertise
IT	• First stage nationwide consolidation complete for 16 circles • Single billing system in 2007 • Capacity upgrades for all key systems incl. data warehouses, CRM and billing	• Customer insight systems • Purchasing scale benefits

Coverage

Feel at home with the widest coverage in the country. Present all over India, we have you covered no matter where you are.

- Andhra Pradesh
- Chennai
- Delhi & NCR
- Gujarat
- Karnataka
- Kerala
- Punjab
- West Bengal
- Kolkata
- Maharashtra & Goa (except Mumbai)
- Mumbai
- Tamil Nadu
- Haryana
- UP(E)
- UP(W)
- Rajasthan

RESEARCH METHODOLOGY

It is well known fact that the most important step in marketing research process is to define the problem. Choose for investigation because a problem well defined is half solved. That was the reason that at most care was taken while defining various parameters of the problem. After giving through brain storming session, objectives were selected and the set on the base of these objectives. A questionnaire was designed major emphasis of which was gathering new ideas or insight to determine and bind out solution to the problems. This research consists of following element:

Data Source

Research included gathering both primary and secondary data. **Primary data** is the first hand data, which are selected a fresh and thus happen to be original in character. Primary Data was crucial to know the customers satisfaction of various Vodafone Sim card users. **Secondary data** are those which has been collected by someone else and which already have been passed through statistical process. Secondary data has been taken from internet, newspaper, magazines and companies web sites.

Research Approach

The approach adopted for the entire project was –

1. Capturing marketing insights – identify the market and opportunities in it.
2. Connecting with Customers – to improve customer engagement
3. Building stronger brands
4. To identify ways to deliver products, services and value better.
5. Creating long term growth – by improving customer loyalty

Hence, these objectives were translated into three key focus areas –

 Improving customer satisfaction and customer experience

 Reducing complaints flowing in.

- Reducing costs.

The project was carried out in two parts. The first part involved Churn Analysis. The second part included studying customer engagement and life cycle analysis. The methodology for getting information /Sources of information –

- Gathering knowledge from the available data and reports (MIS team)
- External information through public sources like TRAI and the Internet
- Customer surveys and client visits – to get opinions from the customer directly

Gathering information from employees across various functions.

Sampling Unit

It gives the target population that will be sampled. This research was carried in Vashi, Navi Mumbai. These were 100 respondents.

Data Completion and Analysis

After the data has been collected, it was tabulated and findings of the project were presented followed by analysis and interpretation to reach certain conclusions.

Scope of the Study

My project was based on the **"Marketing Strategies of Vodafone India"** and data was taken in the **Area Vashi, Navi Mumbai** only.

Limitations of the Study

1. Research work was carried out in one area of CITY of NAVI

MUMBAI only the finding may not be applicable to the other parts of the country because of social and cultural differences.

2. The sample was collected using connivance-sampling techniques. As such, result may not give an exact representation of the population.
3. Shortage of time is also reason for incomprehensiveness.
4. The views of the people are biased therefore it does not reflect true picture.

FINDINGS AND ANALYSIS

Churn is frequently spoken of in a communications context, where it refers to the tendency of Internet and cell phone subscribers to switch providers. In a general context, churn is a synonym for agitation or turnover. This project that is a part of my BMS course that I am pursing at Tilak College of Science And Commerce in Vashi, Navi Mumbai, involves studying the Churn of Enterprise customers and customer satisfaction. The project was aimed at identifying effective measures to reduce the churn rate and improve overall customer
satisfaction.

This project was carried out in two phases. The first phase involved understanding churn rate in the Enterprise segment and studying alternative to reduce churn. The second phase included studying the lifecycle of an enterprise customer and customer engagement.

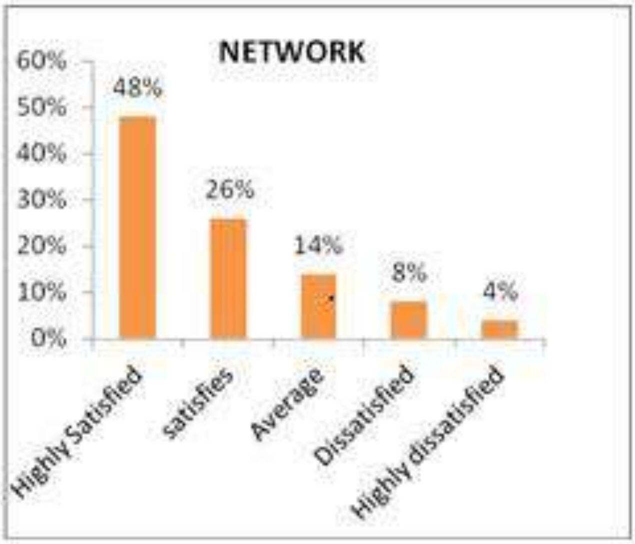
Through this report, I shall elaborate the details of my project and my approach that I adopted to arrive at the recommendations.

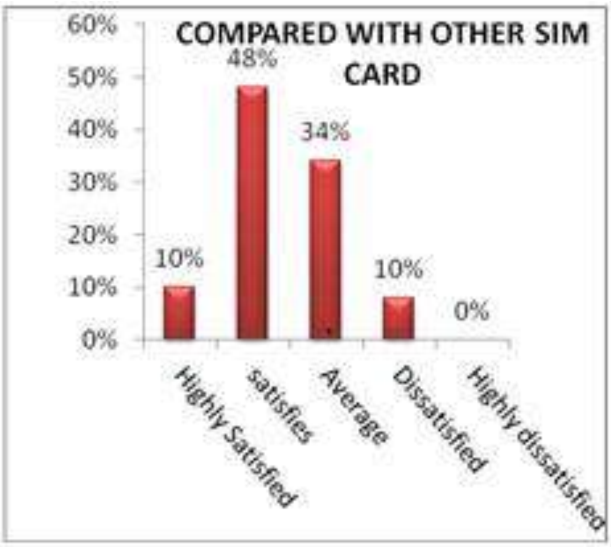
The objectives outlined for this project involved

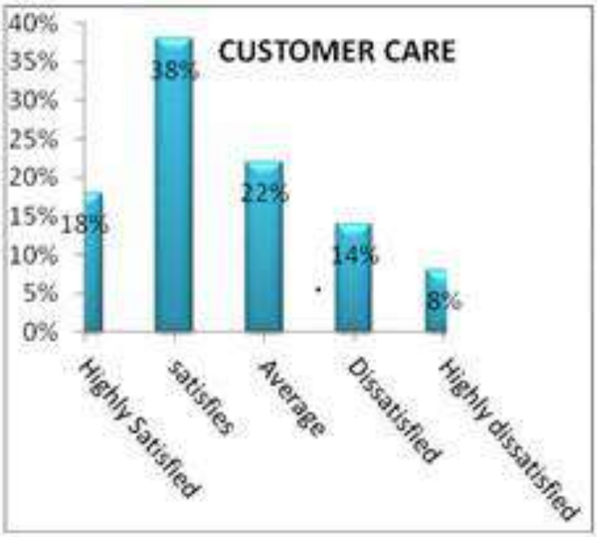
1. Churn Analysis and Recommendation - Understand the reasons behind churn and identify ways to reduce it.
2. Life cycle of an Enterprise customer – Customer life cycle is a term used in CRM(Customer Relationship Management) to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. The task was to understand how Vodafone handles each aspect and where we could do more to improve customer satisfaction.
3. Improve Customer Engagement
4. Reduce cost to serve and back office influx.

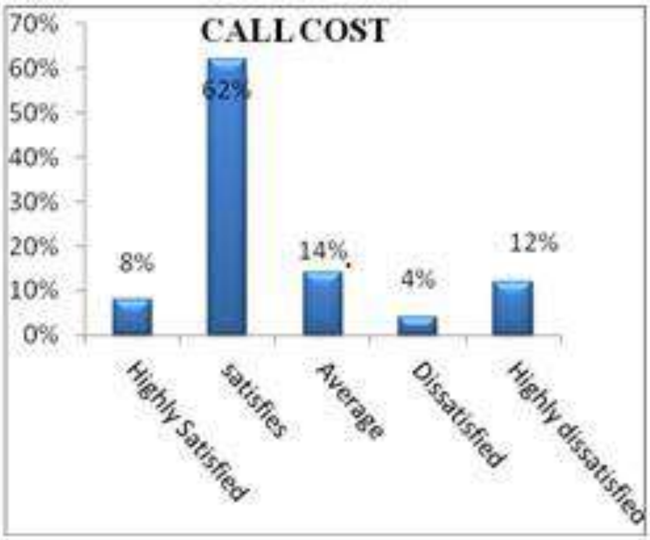
SURVEY RESULTS

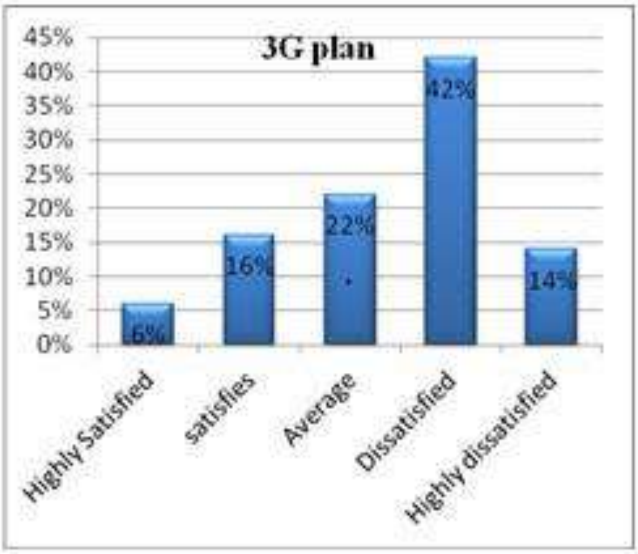
No	Vodafone simcard	Highly satisfied	Satisfied	Average	Dissatisfied	Highly dissatisfied
1	Network	48	26	14	8	4
2	Customer Care	18	38	22	14	8
3	Compared with other simcard	10	48	34	8	0
4	Call cost	8	62	14	4	12
5	Mobile Internet	24	58	10	6	2
6	3G plan	6	16	22	42	14

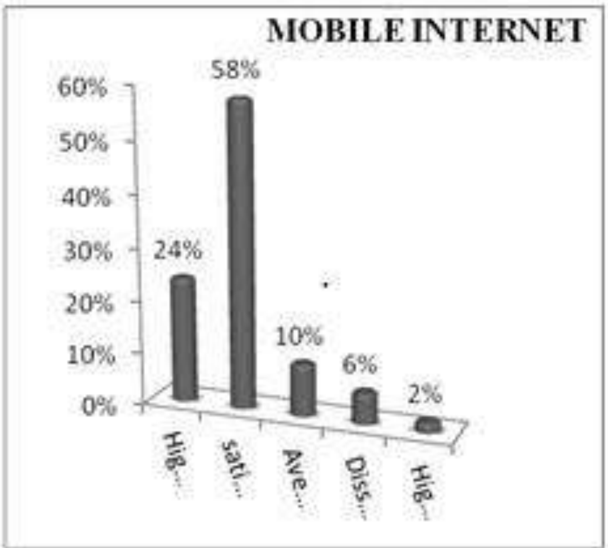












CHURN ANALYSIS

Churn analysis can be done by

1. Understanding - data, reports and getting the customer feedback

2. Predicting – studying the predictive churn model, understanding the key factors considered for the predictive churn model and measuring the effectiveness of the model.

Churn should also be studied as Actual Churn and Partial Churn. Actual Churn is related to the disconnections. Partial churn can be denoted by delayed payments, complaints increase and lower usage of VAS services or voice or data usage. The Predictive Churn Model uses these factors as indicators to identify their threat base. Out calling is done to these numbers to identify the reasons for low usage.

Predictive churn modeling (Predictive churn modeling is the process by which a model is created or chosen to try to best predict the probability of an outcome of a churn.) although effective in reducing churn, suffers due to certain practical issues. Most of the subscribers who are identified as the threat base (Base of customers who are likely to churn based on a modelbased prediction.) are not contactable. Either they choose not to speak or they cannot be reached. Moreover, by the time these subscribers are identified in the threat base, they have already churned.

CHURN FIGURES – MONTH ON MONTH

	COCP	IOIP	Total
Mar' 10	1414	5268	6682
Feb' 10	4283	4424	8707
Jan' 10	1057	5220	6277
Dec' 09	1342	4522	5864
Nov' 09	1310	4113	5423
Oct' 09	1536	4689	6225

February saw an increase in COCP churn due to a large number of disconnections from ICICI. Whereas March saw a larger number of IOIP disconnections mainly owing to involuntary churn especially due to unpaid bills.

Month	Sub Base	Rev (in Cr)	Churn Rev (in Cr)	Churn count	Rev Churn %	Sub churn %
Jan-10	315575	29.68	0.44	5409	1.48%	1.71%
Feb-10	314872	29.66	0.60	7918	2.03%	2.51%
Mar-10	323389	26.23	0.48	6682	1.85%	2.07%

The above table shows the churn in terms of numbers and in terms of revenue. It is essential to understand churn in both number and revenue.

COCP CHURN				
CH REASON DESC	Jan-10	Feb-10	Mar-10	Inc/Dec
In Vol	87	259	237	**-8%**
Vol	904	3925	1177	**-70%**

IOIP CHURN				
CH REASON DESC	Jan-10	Feb-10	Mar-10	Inc/Dec
In Vol	2296	1853	2543	**37%**
Vol	2122	1881	2725	**45%**

CHURN REASONS

Churn reasons can be studied in two categories – Voluntary and Involuntary churn. The table below shows the breakup of Voluntary and Involuntary churn reasons.

In Vol Churn Reason Trend							
CH_REASON_DESC	March	Feb	Jan	Dec	Nov	Oct	Total
IV - UNB Unpaid Bills	2176	1863	2037	1897	1891	2100	11964
IV - TWO	372	290	332	263	250	306	1813
IV - OOE Old outstanding existing a/c	67	16	22	76		77	258
IV - CHR Cheque Return	25	18	35	31	22	32	163
IV - CLE Credit limit exceeded	23	11	17	23	16	34	124
IV - CPR Cash payment required	30	16	27	35	10	3	121
IV - SFR Suspected Fraud	20	14	20	15	19	22	110
IV - NOD No documents	22	6	14	25	9	4	80
IV - OON Old outstanding - new a/c	13	11	8	8	17	7	64
IV - ENS PV Existence not sure	8	5	3	4	10	8	38
IV - ADF PV Address fictitious	3	1	5	1	3	5	18
IV - ADI PV Address incomplete	3	1	3	3	2	5	17
IV - FRC Fraud Control	2	1	2	4	1	3	13
IV - COA PV C/o address	7	1	1	1	1	2	13
IV - SHA PV Shifted from given address	2	2		3	3	2	12
IV - NEA PV No such person at given add	2	1	2	1	1	1	8
IV - RTM Return Mail	2		3			1	6
IV - CWD PV Credit worthiness doubtful	1	1		1		3	6
IV - MCN Multiple connection unjustified	1						1
Grand Total	**2780**	**2258**	**2531**	**2391**	**2255**	**2616**	**14831**

Observations: Involuntary Churn

1. Unpaid bills are the major reason for involuntary churn. March saw a 16% increase over Feb. One explanation to this is that Feb has only 28 days. In comparison to Jan, the churn numbers almost remains the same. In general, the UNB disconnections in 2010 are on the rise. The subscriber base is also on the increase every month at an average of about 1.8%.
2. UNB and TWO together (unpaid bills) attribute to more than 90% of the disconnection cases.
3. There are cases wherein the customer has not received the bill or wherein he has a bill dispute. Hence, he has not made the payment. This was observed by analyzing the complaints that the customer has logged in.

4. The top 3 reasons for IV disconnections are the same across all AON categories of subscribers.
5. It is interesting to note that there are no UNB disconnections for those customers who are on Direct Debit. Hence, this can be looked as one way to reduce UNB disconnection.
6. Most of these unbilled cases are primarily from BPO and call centers. Most of the subscribers choose to not pay the last bill before they leave the organization. As understood from the collections department, attempts to trace them are also in vain, since their alternate contact numbers are not reachable.
7. It was also noted that most of the subscribers in the UNB disconnections are in the age group of 25 – 30 years (about 40%). Moreover, they are mainly from companies like TCS, Reliance Infostream, Accenture, Intelenet, Reliance Group etc. It is also interesting to note that this segment is also the biggest revenue churners.

Recommendations

1. Direct Debit - should be promoted.
2. E-Bill should be encouraged– It was observed that many companies and individuals were open to E-Bills. However, they were not taking the initiative themselves for subscribing to E-Bill. Hence, I feel that if there were an active campaign to promote EBill in all companies, there would be many lesser complaints over bill delivery delays and payment delays.
3. E-Bills could also be sent proactively to all those subscribers whose email address we have in the system along with their hard copy of their bills.
4. Early payment - This campaign was once carried out and it saw a surge of 4% in ontime payments. Such initiatives help in reducing UNB disconnections.

5. Alternate Contact Numbers and Reference Checks- should be obtained and verified too in order to improve contactability. Presently, reference numbers are ID proofs are being obtained. However, reference checks should be done in especially companies like call centers where the subscribers are not traceable after they leave.
6. Alternate contact numbers should not be company board line numbers. Ideally, they should be mobile numbers.

Vol Churn Reason Trend							
CH_REASON_DESC	March	Feb	Jan	Dec	Nov	Oct	Total
V - COO Change of ownership	1986	4081	1793	2092	2031	1924	13907
V - LOP Lost phone/SIM	428	368	401	377	346	424	2344
V - OUT Out of Town	137	968	107	122	109	460	1903
V - NUE No usage - Existing accounts		293	448	328	256	256	1581
V - PD - Post To Pre Retention	545		501				1046
V - SAC - Safe Custody valid for 1 year	108	83	115	126	138	136	706
V - SAC - Safe Custody - OT 6 months	62	55	69	61	70	83	400
V - NUN No usage - New accounts	359		2				361
V - RUN Reason Undisclosed	85	56	76	27	55	57	356
V - SAC - Safe Custody - OT 3 months	46	35	44	41	58	121	345
V - LPR Leaving permanently/relocation	67	50	63	38	19	51	288
SUSPENSION-REFUND IN PROGRESS	1	6	44	58	42	58	209
V - PRR Personal reasons	40	19	44	13	20	16	152
V - CCP Customers company policy	1	6	29	2	14	16	68
V - VPO Vodafone Postpaid available	17	4	4	3	2	2	32
V - OFV Opting new Vf postpaid scheme	6	5		3	3	4	21
V - CCA Competitors Connection Available	2	1	2	13	3		21
V - DRP Dealer related problem	2	1	1			3	7
V - CSI Customer Service Issues	4		1		1		6
V - TEU Temporary Use	2	2					4
V - BLD Bill dispute	2			1	1		4
V - OFC Opting for competition		2		1			3
Grand Total	3902	6038	3746	3307	3168	3613	23774

Observations: Voluntary Churn

1. Almost all enterprise voluntary churn is tagged under COO Change of ownership. This practice makes it difficult to identify the real reason for Churn. E.g., Taj and TCS have churn because of competition from TATA and Essar group has churn since they do not give away their numbers when employees leave the organization. Hence, they are kept in safe custody.

2. From the retention team, it is understood that most of the COCP disconnection reasons are not gathered. Partly because the authorized signatory in the organization sends out an email for disconnection without stating the reason. Moreover, some companies do not want to be disturbed by retention team. Hence, for such companies retention attempt is not made.

3. Only a very few of these COCP numbers could be contacted for retention efforts. Mostly the reasons for disconnection given were – moving out of town or personal reasons. This additional information is not captured when tagging under COO.

4. The retention count for COCP is very low. Only about 1 or 2 cases out of 10 are retained.

5. Also, noted in many corporates where tariff is low (like Godrej); there are many disconnections due to multiple connections (in a single individual's name). Many connections are taken for others in the same corporate tariff, but then there connections are churned since the individual does not want to take responsibility against nonpayment and other issues.

Recommendations

1. Disconnection codes for Enterprise need to be revised and clearly indicate the actual reasons.
2. To make the retention effort more effective, enterprise should have a separate retention call center. Presently, only email requests for disconnection are handled separately. Moreover, for the IOIP customers, they are treated on par with the regular postpaid subscribers.
3. Alternate contact numbers should be obtained.
4. For COCP disconnection requests from the authorized signatories (Generally, the SPOC (Single Point of Contact) in an organization for dealing with mobile connections. This could be an individual in the admin department or the HR department.), the reason should be obtained and the churn should be tagged with the real reason. This can be done either by issuing a disconnection request form to the authorized signatories or by taking the request along with the reason through the e-mail.
5. Research indicates that the 4 most important factors that cause churn are - Service, Tariff, Network and Brand Image. Service and tariff are the two things that we can improve on a relatively shorter period of time in order to reduce dissatisfaction.

Revenue Churn

The actual number of disconnections in a month can be a good indicator of Churn. However, it does not fully represent the actual loss to Vodafone. Hence, there is a need to study churn in terms of Revenue loss too. Revenue churn is obtained by taking the sum of all the ARPU of all the subscribers churned for a Company X for that month.

The table below shows the revenue churn for the month of March for the top companies. Though the data is sorted in the descending order of the number of churns, the revenue churn numbers don’t arrange themselves in the same order.

Observations

1. A month on month analysis of revenue churn would reveal that there are some companies that are the major revenue churners every month.
2. Number of churn doesn’t indicate the revenue loss to Vodafone. E.g., Tata Power may show more number of churn than say Barclays (Ref Table above). However, in terms of revenue, the loss from Barclays exceeds Tata Power by virtue of the larger ARPU from Barclays.
3. Churn can also be tackled by treating important customers or high value users differently. This would include
   a) Loyalty schemes for high value users
   b) Having a separate customer care for high value users.
   c) Promotional campaigns that target this group specifically.

Company name	Total	ARPU	Total Revenue Chrun
RELIANCE INFOSTREAMS PRIVATE LIMITED	161	782.69	126013.01
ICICI PRUDENTIAL LIFE INSURANCE	86	1038.93	89348.15
ACCENTURE INDIA PRIVATE LIMITED	84	876.82	73653.01
TATA CONSULTANCY SERVICES	75	951.07	71330.55
TATA POWER TRADING COMPANY LIMITED	72	102.86	7405.90
RELIANCE GROUP	64	641.20	41036.83
CAPGEMINI CONSULTING INDIA PVT LTD	61	1033.00	63013.26
INTELENET GLOBAL SERVICES PRIVATE LIMITED	56	914.27	51199.23
BARCLAYS BANK PLC	52	2057.01	106964.35
MAX NEWYORK LIFE INSURANCE COMPANY LIMITED	46	573.57	26384.32
RELIANCE ENERGY LIMITED	44	831.33	36578.44
GODREJ & BOYCE	39	750.75	29279.24
CITI GROUP	38	996.27	37858.44
BRIHAN MUMBAI MUNICIPAL CORPORATION (BMC)	37	673.59	39275.36
PATNI COMPUTERS	37	1061.50	24922.97
WORLD NETWORK SERVICES PRIVATE LIMITED	31	922.84	28608.03
HSBC LTD	29	1302.35	37768.20

Suggestions

1. Database and MIS improvements – Superior information gives the competitive advantage. Hence it is essential that our database cater to the additional information that is required today.

   a) Marketing intelligence/ Competition Data - We should gain knowledge of what our competition does in terms of not only tariffs and schemes they offer to corporates, but also in terms of promotional activities and products, they have.

   b) Customer demographics -

      i. Get to know certain lifestyle information about customers so that you could offer tailored retention packages ii. This can be obtained whenever the customer interacts with a call center, or when he signs up for a service. Make him fill out a small questionnaire that will help us build this information.

iii. This information could be on their Interests, Profile, and Job etc.

iv. The importance of user profiling based on mobility has also been elaborated on white papers at Vodafone global enterprise solutions website. http://enterprise.vodafone.com/insight_news/whitepapers/

c) VAS Subscription information – Collect information on the type and frequency of VAS one has subscribed for. VAS has huge potential. Hence, it shall be covered separately.

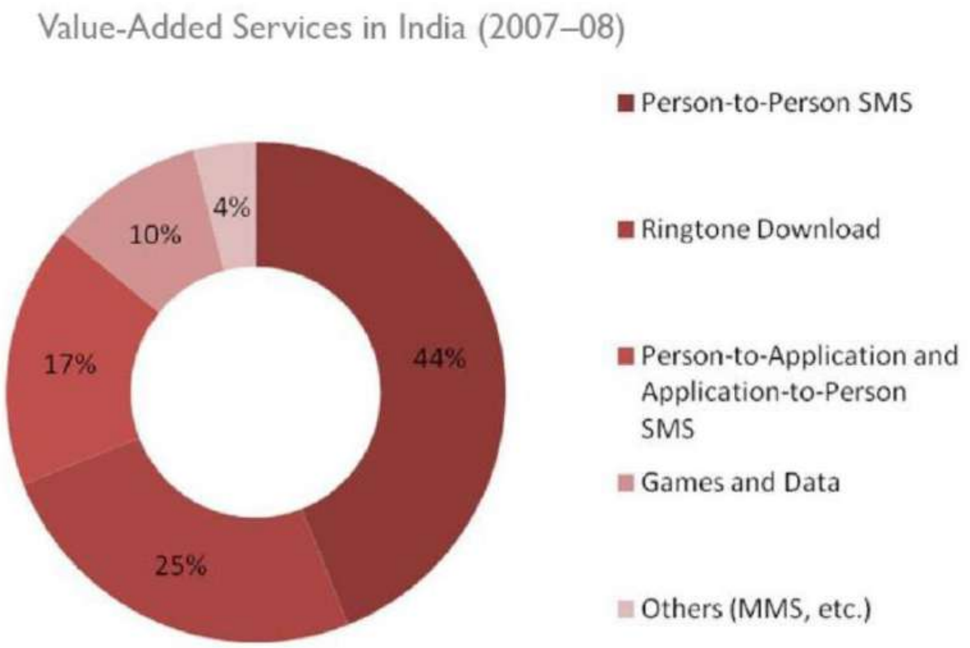
2. Churn should be studied separately for Black Berry, Data Cards, Voice and VAS.

3. Increasing Data Usage / VAS – Bharti Airtel has launched their online application store called App Central with over 1200 application for download (most of them being free) across 25 categories for business, games, books, social networking and other needs. The reason being – VAS has tremendous potential.

   The VAS industry in India generated revenue of US$ 1.2 billion in 2007–08 and is expected to reach US$ 4.0 billion by 2015.

   Major growth drivers for VAS in India

   - Increasing focus on localization and availability of content in local languages
   - Development of M-commerce applications, such as booking tickets and making bill payments
   - Availability of mobile TV and development of shows, films, images, news, etc.,
   - Availability of complete subscriber data has helped in reaching niche audience leading to a growth in advertising revenue through M-marketing
   - Development of video-based applications, such as video SMS and podcasts



Suggestions	Description	Purpose
Customer Profiling	Gathering more information especially on Interests, Profile, Job, Mobility of the user and alternate contact numbers would help in tailoring retention programs and customer engagement much better.	Helps in tailoring retention process Targeting VAS services to a right customer base.
Process Improvements	Taking a leaf out of Six Sigma practices, we could look at MOM (Minutes of the Meeting) trackers, RCA (Root Cause Analysis) Matrix and Issue Trackers (for SMs to ensure compliance with deadlines). Such tools will help in improving customer satisfaction and track service levels. E.g. The Six Sigma project implemented by	Self-management practices to track and improve. Will be useful in measuring output and effectiveness.

	Airtel helped the company gain Rs.200 and increased the customer satisfaction index from 61 % to 82 %.	
Address Verification through SMS or Email	We could ask the user to confirm the address in the system through sms. The user could respond by saying YES or NO to confirm the address. (toll free)	To reduce first bill and further bill delivery failures/delays
Welcome and first bill call management - ideal for gathering more information	There should be a first bill and welcome call especially for enterprise customers. This is also an ideal opportunity to gather additional customer information (like interests, or if he would use roaming frequently etc...)	Primarily for customer engagement and gathering additional information
Awareness campaigns	Low users of a particular service should be targeted by awareness campaigns	ARPU can be increased.
Mail or SMS online access Ids and passwords	We should proactively send customers User IDs and Passwords (like most banks do). It is then up to the customer to use the online portal or leave it.	To encourage the customer to start using the online portal.

Developing 12 to 18 months contracts	In order to push the customer into staying with Vodafone for longer periods, we could give them more incentives to go for 12 to 18 months contract. This could be with blackberry or iPhone or regular voice services.	Retention becomes more effective

Having a sepa call center for Enterprise	Enterprise customers need to be treated differently from regular postpaid customers. Separate call center can be looked at even for a specific set of customers within the enterprise customers (like higher value customers or those belonging to specific companies)	Call center executives will be better trained to handle the enterprise accounts and tariff details better. Retention call center will be more effective
Loyalty Programs	T Mobile has tied up with Lufthansa airways for converting their mobile usage into air miles. Similarly, Hutch had it with Jet Airways.	To promote loyalty especially in the wake of MNP regulations coming into effect soon.

Enterprise specific promotions and ad campaigns	Most of the Zoo Zoo campaigns are targeted at the prepaid segment and on VAS services. There should be ads and promotions to reach for the enterprise business as well.	To reach to customers and position Vodafone as a telecom partner for Enterprise Business Solutions Provider
Focus on other enterprise solutions	We could study where other enterprise solutions could fit into the scheme of our clients. Proactively, we could then approach the client with this proposal for these services. These may include bulk SMS to mailing solutions to FCTs.	To provide not only voice, but data and a host of services to our clients.

CUSTOMER LIFECYCLE

In customer relationship management (CRM), customer life cycle is a term used to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. In layman's terms, this means getting a potential customer's attention, teaching them what you have to offer, turning them into a paying customer, and then keeping them as a loyal customer whose satisfaction with the product or service urges other customers to join the cycle. CLC focuses upon the creation of and delivery of lifetime value to the customer i.e. looks at the products or services that customers NEED throughout their lives. It is marketing orientated rather than product orientated. That is, the concept is much broader. A product concept would look at a customer buying a voice connection. A marketing concept would look at it as a customer purchasing a communication or a mobility solution. Hence, it could be anything from a regular voice connection, a blackberry, or a data card etc.

When you calculate the present value of the future cash flows attributed to the customer relationship, you arrive at the *Lifetime Value of a Customer.* Simply put, it represents exactly how much each customer is worth in monetary terms, and therefore exactly how much a marketing department should be willing to spend to acquire each customer.

Customer Lifecycle Stages

This Customer Engagement Journey consists of 5 different stages:

- Awareness – Awareness drives engagement. The more customers are aware of your brand and offerings, the more likely they will begin to engage with you (if they find that the brand is interesting and engagement worthy).
- Consideration – This includes all the buying decisions that the customer would like to consider before choosing a product.
- Inquiry – How and from where does the customer get information for the products that he needs?
- Purchase – Potential buyer becomes a client by purchasing products and services.
- Retention – Ensuring that the customer does not churn and continue to use more products and services.

Marketers tend to focus on the latter two stages: purchase and retention, because this is their end-goal. However, we have to keep in mind that if we really want to ‘engage’ people, not just to ‘persuade’ them to buy something, we have to include the first three stages as well.

Awareness

Awareness of the existence of a product or organization is necessary before the purchase behavior can be expected. Once the awareness has been created in the target audience, it should not be neglected. If there is neglect, competing messages and the level of awareness of focus product may distract the audience or organization will decline.

Awareness needs to be created, developed, refined or sustained, according to the characteristics of the market and the particular situation facing an organization at any one point of time.

There are many ways of going about it. The simplest way to go about is by using surveys to measure the effectiveness of all the promotional activities. The DAGMAR (Defining Advertising Goals for Measured Advertising Results) model suggests the same. It required you to know your present state (say through surveys) and then measure your result after the promotion. Goals should be realistic and measurable, like increasing awareness levels from 10% to 35%.

There is hence a strong need to have enterprise specific ads.

1. Vodafone as a brand is very prominent for all mobile subscribers. But where Vodafone lacks is the awareness of Vodafone's Enterprise Solutions. This was observed during several interactions with individual clients and authorized signatories.
2. Presently, there are no promotions done on the different solutions that we offer. Apart from promoting voice connections, there are very few promotions in the market for blackberry and data cards and almost nil for the rest.
3. Product innovations are poor and hence we do not have the first mover advantage in the market either. Our competitors also offer most of our products that we offer and hence, the differentiations in the products are less.
4. Magazine and Print ads should be the preferred choice as they have many advantages over television ads. In addition, print ads are more effective in the segment that Enterprise solutions operate – the corporate customer.

Consideration

Studying consideration factors or purchase decisions helps us develop a deeper understanding of consumer behavior. It tells us when, why, how, and where people do or do not buy product. Through this understanding, products and services can be tailored to suit different people's needs.

According to the survey conducted at Harvard University, the four most important factors that are taken into consideration before buying a new mobile are -

1. Tariff
2. Network
3. Service
4. Brand Image

This is also consistent with the feedback obtained at various touch points where customers walk in to get more information on new connections. Other factors include benefits, peer review, availability etc. Consideration factors are different for different types of customers like

Prospects, first time buyers, repeat buyers, core customers etc. Some of the ways to improve these factors would be

1. Tariff: To have more than one tariff plan at corporates (where the customer base is sufficiently large) so that there could more choice available for different set of people.
2. Network: Improving network coverage in other areas also. Many customers have coverage related problems in other outer areas or when they go on roaming. Hence, they wish to choose some other provider. This is one of the reasons observed for churn.

Inquiry

Once the customer knows that there is a product offering with a particular brand, he would like to learn more on the offering. This is where he would get in touch with the organization through various Touch Points (Encounters where customers and business engage to exchange information, provide service, or handle transactions.). It is this experience here at these touch points that push the customer to buying the product/service.

Some of the things that can be done to measure and improve customer inquiry at these touch points –

1. Obtain customer feedback at every touch point. Presently, it is done only at a few touch points.
2. Event Driven surveys – Get the customer to fill a short questionnaire or get his feedback to obtain a little more information about him after an event. Some of the scenarios where this could be done would be
   a) After online bill payment, a few questions could be asked along with the thanks you message.
   b) A new set of questions (2 or 3) behind the hard bill so that when they are submitted along with the check, this information could be obtained.
   c) After his interaction at the customer service desk or at stores etc.
3. CDI (Customer Delight Index) - CDI is used to measure customer satisfaction. The marketing team at Vodafone presently uses this for the regular consumer. The same process can be adopted to be used for Enterprise as well.

4. Effectiveness of touch points should also be measured to know which ones do and do not contribute to improving customer satisfaction. I have developed an *Engagement Matrix* that will help us identify most of the touch point and quantitatively measure their importance and effectiveness. All the steps have also been document in the spreadsheet. A snapshot of the matrix is shown below.

Touch Point	LifeCycle Stage	Operational Purpose	Role in Customer Experience	Touch Point Owner	Importance and Impact	Operational Effectiveness	Customer Experience Effectiveness

Purchase and Retention

Between purchase and retention, a lot of effort is put especially in servicing the customer for all his needs. Once the sale is done for a particular product, relationship managers are attached to each corporate account to service the needs of the customers.

Nevertheless, there are still many complaints, requests and enquiries flowing in every month. March saw a 22% increase in the total number of complaints. This was primarily dominated by service and billing complaints. Service complaints were higher than billing complaints particularly in the COCP segment. Service complaints were dominated by DND requests. Whereas, the IOIP customers had many bill disputes.

SR TYPE	SR SUB TYPE	Jan-10		Feb-10		Mar-10		Inc/ Dec	
		COCP	IOIP	COCP	IOIP	COCP	IOIP	COCP	IOIP
Service	C - Response To SMS / CALL	94	452	96	303			-100%	-100%
	C - DND / Service SMS or Call			17	113	149	529	776%	368%
	C - Feedback On Cust Service	2	64	7	81	4	88	-43%	9%
Service Total		96	523	121	501	153	620	26%	24%
Billing	C - Bill Dispute	36	395	29	431	17	528	-41%	23%
	C - Bills Not Received	7	66	8	67	6	92	-25%	37%
Billing Total		44	475	40	510	27	627	-33%	23%
Network	C - Coverage Problem	66	358	47	400	67	415	43%	4%
	C - Congestion	1	11		20	1	18	0%	-10%
	C - Network Down	9	9		2	6	17	0%	750%
Network Total		81	388	52	428	82	456	58%	7%
Tariff Plan	C - Tariff Dispute	8	112	7	122	5	207	-29%	70%
Tariff Plan Total		8	112	7	122	5	207	-29%	70%
Payment and Collection	C - Payment Updation	9	108	6	154	7	185	17%	20%
	C - Complaint Agency/Center		8		8	1	6	0%	-25%
Payment and Collection Total		9	117	6	164	8	194	33%	18%
Grand Total		238	1615	226	1725	275	2104	22%	22%

Sample Study

To study the criticality of these complaints, a sample of 100 numbers who churned in March were chosen randomly. These were mapped to the complaints they had logged in that month and the previous month and their AON category.

Using this information, the reasons for disconnections could be traced to the complaints they had in the past for different AON category of users. The following table summarizes the top 4 complaints.

AON Tag	Billing	Retention and Churn	Service	Network	Grand Total
2 months	1				1
3 - 6 months	7	3		2	16
7 - 12 months	4	3	3		12
13 - 24 months	5	3	3	3	18
25 - 36 months	10	4	6	4	29
37 and above	9	4	2	2	21
Grand Total	36	17	14	11	97

Following observations could be made from this –

1. Billing complaints are considerably higher than the rest of the complaints. This has led to dissatisfaction and hence the churn.
2. Billing complaints have caused both Voluntary and Involuntary churn.
3. Bill disputes tend to increase over the lifetime of the customer. Most of these disputes were related to tariff disputes, CUG installation errors and data usage.

This just goes to show that billing complaints are more critical than others are.

Customer Engagement

Engagement is one of the most powerful emerging business principles of this century, but historically it has been elusive, unmeasured and undisciplined. Customer engagement is the emotional connection or attachment that a customer develops during the repeated and ongoing interactions. Engagement accumulates through satisfaction, loyalty, influence, and excitement about your brand. Organizations who engage consumers to the point where they are moved to behavioral change do so by creating opportunities for emotional connections through ongoing, consistently positive experiences.

Customer satisfaction is a nice to have, but does not result in a secure customer. Satisfied customers may be pleased with a recent experience, but often do not have an emotional connection with the company. This lack of an emotional connection often results in customers with high levels of customer satisfaction switching to competitors for reasons such as a minor cost difference or a slightly more convenient location.

On the other hand, Customer Engagement is necessary have, and the best and most successful companies in the world use it. Four characteristics of Customer Engagement are

- Retention: Engaged customers will spend more with you over their lifetime than with your competition.
- Effort: Engaged customers will actually go out of their way to do business with you - even spend more to benefit from your products, service and brand.
- Advocacy: Engaged customers spread the good word, making it easier and cheaper for you to attract new customers.
- Passion: Engaged customers are passionate about the brand – so passionate that they may even spend time actively promoting the brand to others or defending the brand if others speak negatively about it.

Presently at Vodafone, C - Sat (Customer Satisfaction) is measured on a quarterly basis. Customer feedback is obtained after an interaction with the personnel at the store or at the call center. These are aggregated to obtain the overall C-Sat score. Again, the problem here is that, only a very few percentage of all customers respond to the feedback asked on the interaction. This is where engagement plays an important role. The more the number of responses obtained, the larger is the level of engagement.

Benefits of Engagement

1. Referrals
2. Frequent Purchase/ Re- purchase.
3. Provides frequent feedback
4. Cross-selling (Attempt to sell additional products to current customers, often based on their past purchases. These products could be related or unrelated.) and upselling (Upselling is a sales technique whereby a salesperson induces the customer to purchase more expensive items, upgrades, or other add-ons in an attempt to make a more profitable sale.) works better
5. Decrease in negative word of mouth
6. Customers stay longer with the Organization
7. Reduced Risk

The first three are the key indicators of customer engagement. Simply put, it would be adequate to look at the number of referrals, or the number of times the customer has given a feedback or his frequency of re-purchase to measure engagement.

Measuring Customer Lifetime Value (CLV) & Customer Engagement

Customer Lifetime Value is usually defined as the total net income a company can expect from a customer. The exact mathematical definition and its calculation method depend on many factors, such as whether customers are "subscribers" (as in most telecommunications products) or "visitors" (as in direct marketing or e-business).

The Business Intelligence unit of the CRM division at Amdocs tailors analytical solutions to business problems, which are a high priority of Amdocs' customers in the communication industry: churn and retention analysis, fraud, campaign management, credit and collection risk management and more. LTV plays a major role in several of these applications, in particular Churn analysis and retention campaign management. In the context of churn analysis, the LTV of a customer or a segment is important complementary information to their churn probability, as it gives a sense of how much is really being lost due to churn and how much effort should be concentrated on this segment. In the context of retention campaigns, the main business issue is the relation between the resources invested in retention and the corresponding change in LTV of the target segments.

In general, there are three factors we have to determine in order to calculate LTV –

1. The customer's value over time: In practice, the customer's future value has to be estimated from current data, using business knowledge and analytical tools.
2. A length of service (LOS) model: describing the customer's churn probability over time.
3. A discounting factor: that describes how much each $1 gained in some future time t is worth for us right now. This function is usually given based on business knowledge.

Each component can be calculated or estimated separately or their modeling can be combined. At present, this sort of study cannot be carried out at Vodafone since the data available is limited. However, I have tried to describe the approach that can be adopted to quantify the CLV. It is also understood that Vodafone is migrating to a new version of CRM that is provided by Amdocs. (Hence, the reference to Amdocs CRM above).

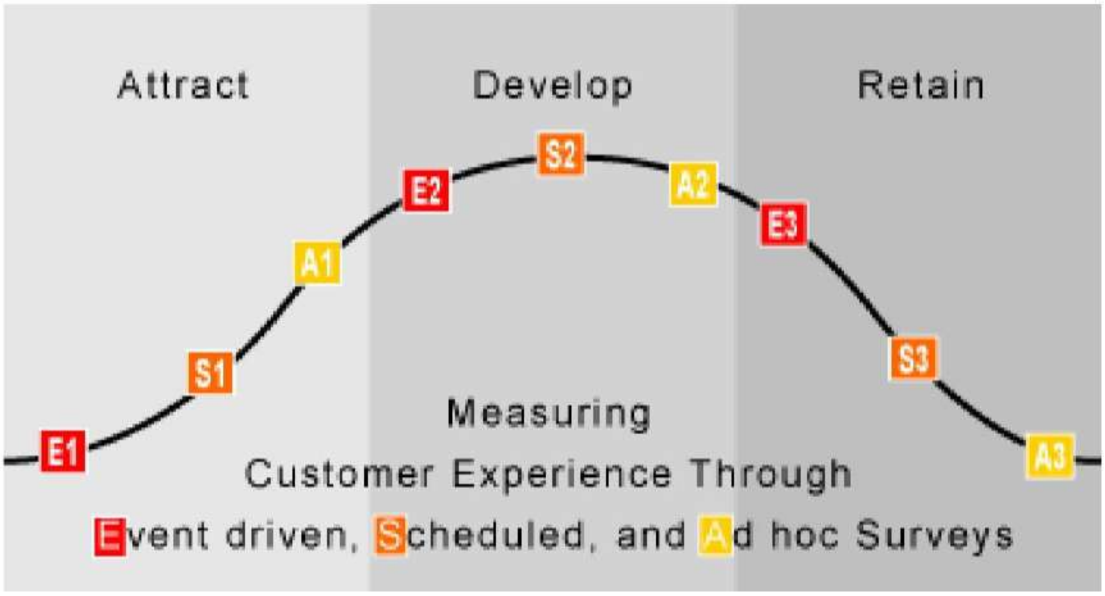
Engaged customers can be classified into three segments –

1. Engaged – Engaged customers report strong agreement with statements about product satisfaction, purchase intentions, intent to recommend products/services, and high regard for a company's products/services.
2. Disengaged –These customers answer survey questions with disagreeable or ambivalent attitude. Sometimes disengaged customers are compelled to continue purchasing product due to some externality, but continue to damage the reputation of the company with bad mojo.
3. Swing – These customers have the potential to be swayed to the Love or Hate Group depending on future experiences with the company. The Swing Group answered survey questions in ways that indicated passive satisfaction without active engagement. The Swing Group is where the action happens, where there is a great opportunity to win loyal customers for life.

Using surveys, we could identify the percentage of customers in each category. This sort of classification will help us in designing the engagement initiatives. Customer engagement can be measured by using surveys. By asking customers the right questions, we can arrive at the following information

1. Share of the wallet - "How many products do you use?"
2. Referrals – "In the last 12 months, did you have a delightful experience worth telling someone about?" If the answer was yes, "how many people did you tell?"
3. Likelihood to Churn – "I would continue to do business with this organization for at least the next year"
4. Frequency of feedback - depends on the how many customers gave their feedback and how many of them have been giving feedback regularly.

Share of the wallet indicates brand loyalty, referrals helps in word of mouth marketing and frequency of feedback helps brining in continuous improvements. Studies have shown that, Engaged customers have a larger share of the wallet, often influence more referrals, give regular feedback and are more likely to remain with the brand than disengaged customers are.



The above diagram shows how to use surveys as an effective tool at different stages of customer lifecycle.

CONCLUSION & RECOMMENDATIONS

Conclusion

Intense competition in the industry has resulted in a drastic reduction in tariff for services such as SMS, roaming and long distance. Number portability would give the consumers more choice in addition to increase in competition. According to experts, this would result in a further reduction in tariff.

Here is an idea for smaller operators like Tata, Idea and Aircel to churn high-ARPU customers away from the biggies.

Most the high-ARPU customers are with the biggies like Airtel, Vodafone etc., because these operators were early in the game and anyone who could afford a mobile phone three years ago should be either from a higher SEC segment or enterprise users.

Recent introduction of dual SIM phones in the market triggered this idea.

1. In Navi Mumbai market, Airtel is the top player followed by Vodafone.

2. Customers at Navi Mumbai are willing to switch Service provider if they are offered with a cheaper call rates and 3G plans.
3. Mobile Number Portability System has change the scenario of the telecom Industry. Earlier the only way a service provider was able to hold their customer was by the mobile number. Now with MNPS into action customer have freedom to switch with same number so customer will rule the market.
4. In this battle between customers and service providers, service provider will have to surrender against customers.

Assuming that the value and service being offered by the new operator is indeed better than the old one, it at least gives a chance to the new operator and a convenient option to user who is fed up of his current operator without losing his old number.

Recommendations

1. Enterprise specific promotions to increase awareness
2. Event driven surveys – as explained earlier in the report, this either online like after a bill payment through the internet or it could be offline, like after an interaction with personnel at a Vodafone store.
3. Verification problems and Billing disputes are problems that are more serious – Treat them with more severity.
4. Customer profiling based on engagement – Engaged, disengaged and swing
5. Measure/Quantify customer engagement and CLV to be able to track and improve.
6. Watching your competitor’s moves – Like tariff plans, promotional activities, process, product innovations etc.
7. Payment option at service desks – Service desks at corporates should include payment option too. At present, only check payment is possible. Having multiple payment options like payment through credit/debit card facilities would greatly help in payments.

8. Social networking is the next level of engagement – This is an emerging area today. Social CRM through social networking sites like Twitter, Facebook etc. have become very popular in the last few years. Companies like Nike claim to have converted 40% of their community members into the company's shoes. Through social networking, customers can be made aware of the latest news and product updates.

BIBLIOGRAPHY

References:

Marketing Management - Philip Kotler, Kevin Lane Keller

Marketing Research – G.C.Beri.

Websites:

www.vodafone.in www.vodafone.com

www.campaignindia.in/Brand/vodafone

http://www.blastradius.com/work/vodafone/

http://en.wikipedia.org/wiki/Telecommunications_statistics_in_India

http://www.vodafone.co.uk/about-us/selling-vodafone/

http://en.wikipedia.org/wiki/Customer_satisfaction

http://en.wikipedia.org/wiki/Hutch_(Indian_cellular_company) http://en.wikipedia.org/wiki/Vodafone

http://bora.nhh.no/bitstream/2330/1919/1/Saplitsa%202008.pdf

www.anacom.pt/render.jsp?contentId=606658

www.iimcal.ac.in/community/consclub/reports/telecom.pdf

APPENDICES

Questionnaire [Customer]

Dear sir/Madam,

I request to spare sometime to consider the following questionnaire. The intention of this project is purely academic; all information provided by you will be kept strictly confidential.

Be as truthful as you can.

Thank you for your co-operation.

Q.1 Are you a Vodafone User?

- Yes
- No

Q.2 Are you satisfied with the Network of Vodafone?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.3 Are you satisfied with the Customer Care of Vodafone?

- Highly Satisfied

- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.4 Are you satisfied with Vodafone compared to other Sim Cards?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.5 Are you satisfied with the Call Cost/Call Rates of Vodafone?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.6 Are you satisfied with the Mobile Internet of Vodafone?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied

Q.7 Are you satisfied with the 3G Plan of Vodafone?

- Highly Satisfied
- Satisfied
- Average
- Dissatisfied
- Highly Dissatisfied