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Overcoming the Challenges of Managing Mind: The Bhagavad Gita Way

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ABSTRACT

“To enjoy good health, to bring true happiness to one's family, to bring peace to all, one must first discipline and control one's own mind. If a man can control his mind he can find the way to enlightenment, and all wisdom and virtue will naturally come to him.”
Gautam Buddha.

This paper attempts to relate the intense meaning of Bhagavad Gita shlokas with the lives of managers marked with stress and unhappiness. On dwelling on certain shlokas, focusing on mind management we can unveil the fact that the key to happiness of life is the quality of thoughts he has. It is the quality of thoughts that one entertains decides the quality of his life. It is a conceptual paper interconnecting the readings from various books on Srimad Bhagavad Gita

Key Words: Bhagavad Gita, Mind, Thoughts

INTRODUCTION

According to Swami Vivekananda “the integrated personality of any man is but the summation of his predispositions, the sum total of the inclinations of his mind. We are what our thoughts have made us. Thoughts live; they travel far and so one should be careful of what one thinks. Every action carried by us, every movement of the body, every thought that crosses our mind very strongly impacts our life.”

According to Indian Vedic literature our personality is composed of the following entities:

The **body** is the outer layer which receives stimuli from the world and responds to them by way of actions.

The **mind** is the home of emotions and feelings. It generates love and hate, creates whim and fancy and functions on impulse.

The **intellect** is that which differentiates between pairs of opposites. It is the abode of rationality, analysis, judgment.

The **Spirit**- referred to as Atman- is our real Self. It breathes life into the lifeless body, mind and intellect.

Sri Krishna in Chapter 3 of the *Bhagavad Gita* illustrates the arrangement of these elements in sequential order:

इन्द्रियाणि पराण्याहुरिन्द्रियेभ्यः परं मनः ।

मनसस्तु परा बुद्धिर्यो बुद्धेः परतस्तु सः ॥ ४२ ॥

It is declared the sense are superior but more than the sense the mind is superior but more than the mind the intelligence is superior and more than the intelligence that which is superior is the individual consciousness.

On arranging the elements in sequential order it is seen that the mind rules the senses, the intellect is above the mind and the atman is at the highest order.

Foundation of managing mind

The ancient Indian vedic literature highlights that an integrated personality is developed when the panch koshas (five sheath) are effectively streamlined towards harmony with the supreme self.

This paper aims at handling the challenges that a mind poses to a rational human being while he wishes to take a sound and unbiased decision.

The human race suffers from the virus of attachment and aversion, greed and envy, lust and jealousy and a host of other baneful emotions. *An uncontrolled mind can wreck a human being.* Most people succumb to the pressures of the mind which has proven detrimental even fatal. The devastating nature of mind is because of the following issues

- Likes and dislikes: The mind is constituted of one's likes and dislikes. People strive and put in their relentless efforts to acquire what they like and at the same time drain themselves out of energy to avoid what they dislike. They are caught in the trap of their own attractions and aversions. Their conduct is based on their mind's preferences rather than what their intellect guides them towards. They are carried away by the whims and fancies of their mind. Handicapped by their intellectual strength and guidance. Humans face a grave problem in the indiscriminate pursuit of their likes and dislikes. The problems stem from a strange paradox in life. Whatever experience is pleasurable in the beginning turns out to be detrimental in the end. And what is detestable in the beginning becomes beneficial even delightful in the end.
- Worry and Anxiety: Another disturbing attribute of the mind is worry and anxiety. The mind is worried over what has happened in the past and anxious with what will happen in the future. This leads a person towards frustration. It is worry and anxiety that takes away human energy. It tears a person apart and you become tired and fatigued. We believe that work tires us. Work never tires us. It is our worry and anxiety that causes fatigue.
- Desire and Attachment: An uncontrolled mind produces endless desires. The mind is like fire. We may feed fire with logs and logs of wood. It consumes them all and ready for more. So is our mind insatiable. Brimming with desires. All the stress that human suffer is caused by unfulfilled desires.. In *Srimad Bhagavad Gita* (Chapter II, *Shloka* 62 and 63) the fatal nature of desire has been explained in detail.

ध्यायतो विषयान् पुंसः संगस्तेषूपजायते ।

संगात्सञ्जायते कामः कामात्क्रोधोऽभिजायते ॥ ६२ ॥

While concentrating on the objects of the senses a person develops attachment to the sense objects, from attachment desires are born, from desire anger arises.

क्रोधाद् भवति सम्मोहः सम्मोहात्स्मृतिविभ्रमः ।
स्मृतिभ्रंशाद् बुद्धिनाशो बुद्धिनाशात्प्रणश्यति ॥ ६३ ॥

From anger delusion occurs, from delusion bewilderment of memory, after forgetfulness of memory the loss of spiritual intelligence and losing spiritual intelligence one perishes.

Hence it can be clearly seen that how one's mind wreaks havoc. How an individual's personality is destroyed by one or more of mind's corrosive phases. A being's likes and dislikes can drive him up to a precipice and bring about a fall. How the worries and anxiety of a person can drain his energy and leave him exhausted and miserable. How one's mind's uncontrolled desires and attachments can ruin an individual

Managing Mind

The need to manage mind is highlighted in the following verse of the *Bhagavad Gita*:

बन्धुरात्मात्मनस्तस्य येनात्मैवात्मना जितः ।
अनात्मनस्तु शत्रुत्वे वर्तेतात्मैव शत्रुवत् ॥ ६ ॥

"For the being who has conquered the mind; that being's mind is the best of friends; but for one whose mind is uncontrolled that very mind acts as the worst of enemies" (6:06)

We allow thoughts to come to our mind at random, not realising their power. We underestimate the power of a thought but actually a thought strongly places itself in our system which in case if negative can be extremely detrimental. Therefore, what we require in spirituality is the ability to scan thoughts. We need to carefully examine the quality of every thought that comes in our mind. Our happiness and peace depends on the quality of thoughts we entertain. If we will be able to control our thoughts we will be fine. If not, the force of your thought flow can jeopardise the quality of your life.

इन्द्रियाणां हि चरतां यन्मनोऽनुविधीयते ।
तदस्य हरति प्रज्ञां वायुर्नावमिवाम्भसि ॥ ६७ ॥

"When the mind runs after the roving senses, it carries away the understanding, even as a ship carries away a ship on the waters" (2: 67)

Here Sri Krishna uses a comparison used in the vedic literature to signify a human being's journey from mortality to immortality. The comparisons are as follows:

- Boat- An individual's journey through life.
- Ocean- the world with its crests and lows. Just as the ocean is described by waves.
- Wind - Stormy cravings in the mind
- Captain- the intellect, 'buddhi'. During challenges you are guided by your intellect just like the captain who guides the boat through the choppy sea.
- Compass- the conscience. The compass always points north. Similarly the conscience always points towards the higher- Atman. Irrespective of the fact that

whether a person is a sage or a criminal everyone has a conscience. When you are flooded with desires, the voice of your conscience gets drowned and engulfed by your yearnings.

- Harbor- If your conscience guides you, you reach the harbor, the peace that emerges when you steadfastly follow your path.
- Other shore - The shore of immortality.

The metaphor explains that when there is a storm, the ocean is turbulent and the boat capsizes. The same thing happens to you when you unintelligently allow the passions of your mind to take over your personality. You entertain a thought here, for a desire there and it seems harmless. If you continue in the same manner it overturns your personality. But a strong intellect guided by the conscience enables you to rise above the challenges of life and you reach the harbor of peace. With a peaceful mind you meditate. Meditation removes the last traces of thought and you reach the shore of realization. This is the purpose of our existence. All of us are born in this world only to reach this destination. So the choice is yours. Do you want to be tossed and turned by the waves of life and shipwrecked, like so many other? Or do you want to follow the intellect, ride smoothly through life and get to the other shore? You can fulfil all your aspirations of pursuing a successful profession, having a family, enjoying life but while doing so do not lose the focus of your life. Always remember the purpose of your existence. Your mission is not merely to live a mechanical life. Why have you taken birth as a human being? Understand that the scriptures have emphasized that the only purpose of human existence is to reach the Supreme Self. When you start on this journey certain hindrances and challenges will shake your faith. You must overcome them and chase the goal with genuineness and commitment. Offer your mind a higher mission. When you focus on the higher goal, the mind automatically abstains itself from sensory pleasures. It is not possible to control senses just by withdrawing yourself. You are required to substitute the basic desire with a greater one.

Is it easy to manage mind

चञ्चलं हि मनः कृष्ण प्रमाथि बलवद्दृढम् ।
तस्याहं निग्रहं मन्ये वायोरिव सुदुष्करम् ॥ ३४ ॥

"For the mind is restless, turbulent, obstinate and very strong, O Krishna, and to subdue it, I think, is more difficult than controlling the wind." (6:34)

Even Sri Krishna agrees to the restless nature of mind but he then advises two very critical and important method of controlling mind.

श्रीभगवानुवाच

असंशयं महाबाहो मनो दुर्निग्रहं चलम् ।
अभ्यासेन तु कौन्तेय वैराग्येण च गृह्यते ॥ ३५ ॥

"Lord Sri Krishna said: O mighty-armed son of Kunti, it is undoubtedly very difficult to curb the restless mind, but it is possible by suitable **practice** and by detachment." (6:35)
The two important methods given by Sri Krishna to control Mind are:

- Practice

- Detachment from sense enjoyment

Now the question arises:

- Practice what and how?
- How to detach from sense enjoyment?

The answer to these two very critical questions is:

- Let your Intellect guide your mind and senses
- Do it again and again
- Align your intellect to the Atman. In other words, let your Transcendental Self manage your ephemeral self.

It is here we come to know that the key to self actualization is Spiritual Intelligence.

शनैः शनैरुपरमेद् बुद्ध्या धृतिगृहीतया ।

आत्मसंस्थं मनः कृत्वा न किञ्चिदपि चिन्तयेत् ॥ २५ ॥

“By spiritual intelligence and concentrated meditation establish the mind fully within the self; gradually step by step become focused within not thinking of anything else.” (6:25)

Gradually, step by step, one should become situated in bliss by means of intelligence fortified by full faith, and thus the mind should concentrate on the self alone and nothing beyond it.

Further in the next verse Sri Krishna says, “all your sorrows are destroyed in that peace which you have obtained as a result of practicing self control”. In a peaceful, calm mind the intellect develops sharpness. You gain clarity of thinking only with a relaxed mind. You flourish and become proficient and successful.

प्रसादे सर्वदुःखानां हानिरस्योपजायते ।

प्रसन्नचेतसो ह्याशु बुद्धिः पर्यवतिष्ठते ॥ ६५ ॥e

“When one attains the precious mercy of the Ultimate personality; certainly the end of all miseries occurs and very soon this happy minded person has his spiritual intelligence fully established”

The pathway of success and happiness is controlling of ones senses. These two aspects are almost every time reciprocally exclusive. A person who achieves success seems to loose happiness and success dodges a happy person. But everybody aspires to get combination of both. You achieve that right mix of both through the *Gita*. So the endeavour should be to train your mind to be in state of continual peace and possess focussed intellect. Having these two will enable you to achieve both material and spiritual excellence. External enrichment is possible only when the mind is fortified.

In the following verses of *Gita*, Sri Krishna guides us how we can control our mind:

संकल्पप्रभवान् कामांस्त्यक्त्वा सर्वानशेषतः ।

मनसैवेन्द्रियग्रामं विनियम्य समन्ततः ॥ २४ ॥

“One’s eternal duty is to perfect the science of uniting the individual consciousness with the ultimate consciousness by perseverance, dedication and conviction; abandoning all desires

for sense gratification arising from the stimulus of mental energy by withdrawing all of the senses completely on all sides by the mind.” (6:24)

यतो यतो निश्चलति मनश्चञ्चलमस्थिरम् ।
ततस्ततो नियम्यैतदात्मन्येव वशं नयेत् ॥ २६ ॥

*“To whatever and wherever the restless and unsteady mind wanders; this mind should be restrained **then and there** and brought under the control of Self alone” (6:26)*

Jaya Row highlights the methods by which we can control our mind are:

- Perseverance: Perseverance means steadfastly adhering to a course of action, a belief, or a purpose.
- Dedication: Dedication here means the act of setting apart or consecrating to a divine Being
- Conviction: a fixed or firmly held belief, opinion
- Spontaneity: Doing it then and there when the situation arises

We know the challenges that a person faces while controlling his mind. His mind wanders again and again; it tends to be pleasure seeking; it is overwhelmed when his selfish interests are met and gets annoyed when his desires are not fulfilled.

In such a situation we need to again and again with conscious efforts try to pull back the mind towards inner self. Now the catch word over here is that we should pull back the mind the moment we see it going astray towards momentary pleasure. For this to take place our intellect needs to be very strong and alert. Moreover we should also be absolutely convinced with the fact that an uncontrolled mind leads to disaster and the mind controlled by spiritual intelligence takes us towards long term infinite happiness.

It is often strongly expressed that it our sense organs that feel happiness and sorrow, But a person can experience true happiness by reflecting within himself and awakening his consciousness. Once when a person reaches this level of consciousness and has understood the true spirit of spirituality he would not consider external pleasure as happiness. In their view, external happiness is very weak and dull as compared to internal peace, but if a person has never understood the inner Self, how can he understand this?

He cannot understand it at all. Looking within and awakening the true self leads to such realization. A person can truly have faith in religion and spirituality can exist only when he has realised it from the very depth of his consciousness. Meditative attention leads to peace and bliss. Bliss is felt in the form of electric vibrations that exist within combined with our mind. Actually, true or divine happiness is experienced only when our inner vibrations get stimulated when is completely under our control devoid of irrelevant thoughts. Actual bliss lies within, though we have assumed this to be available outside in the routine world.

It is only when our mind has spread its wings beyond the world of short term gains and losses, we experience happiness. When the state of the mind changes the state of

happiness also changes. This truth is realized and celebrated only when we are aware of our inner Self differentiating it with the external world.

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Reengineering the Business of Banking in India

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ABSTRACT

Banks are one of the most vital financial institutions that play a key role in funds transfer from savers to borrowers. Indian financial system has been traditionally dominated by the banking system. After independence and particularly post nationalization, banks have played a critical role in India's economic development. Priority sector lending targets given by the Reserve Bank of India has ensured to certain extent flow of credit to the sectors of economy which needed funds. After the entry of private sector in banking, in nineties, business of banking has seen major changes in terms of services provided to the customers and technology used in banking. However, the Indian banks, particularly the public sector banks, have been plagued by numerous problems which have escalated to a crisis like situation in past decade. These problems are related majorly to the management of the banks. This has forced the government to relook at the way banking business is being carried out in India and it has ushered a way for a wave of reforms in the banking sector. This paper attempts to study the problems faced by Indian banks and the steps taken to tackle them.

Key Words: Reengineering of banks, Banks reengineering

Introduction

Financial system is defined as a system in an economy which helps in transferring funds from saver to borrowers. This transfer is necessary for effective utilization of country's wealth for creation of productive assets which in turn create employment, growth, financial inclusion and public welfare. There are four basic components of a financial system: Institutions, instruments, markets and services. Banks are one of the most vital financial institutions that play a key role in transfer of funds from savers to borrowers. Indian financial system has been traditionally dominated by the banking system. After independence and particularly post nationalization, banks have played a critical role in India's economic development. Priority sector lending targets given by the Reserve Bank of India has ensured to certain extent flow of credit to the sectors of economy which needed funds. After the entry of private sector in banking, in nineties, business of banking has seen major changes in terms of services provided to the customers and technology used in banking. However, the banks in India, particularly the public sector banks, have been plagued by numerous problems which have escalated to a crisis like situation in past decade. These problems are related majorly to the management of the banks. This has forced the government to relook at the way banking business is being carried out in India and it has ushered a way for a wave of reforms in the banking sector. This paper attempts to study the problems faced by Indian banks and the steps taken to tackle them.

Literature Review

Financial regulator, RBI and others have done several researches on various issues relating to banking such as NPAs, capital adequacy requirements, branches expansion, credit, deposit mobilization, quality of service, technological upgradation, performance evaluation, etc.

SBI Research Department of the SBI in 2000 analyzed the Performance of the 27 Public Sector Banks for the year 1999-2000 as compared to the previous financial year. Four different parameters - Business Performance, Efficiency, Vulnerability and labor productivity indicators, were analyzed. Approximately 39 indicators were selected for this study. Analysis suggested that the problem areas are the NPAs and maintenance of the required capital adequacy ratios. The authors were also in favour of granting autonomy and operational flexibility for improving the capital base. They also suggested the increased generation of non-interest income. Other research studies; Singh (2003) and Nair KNC (2006) also opined the same.

Objectives of the study:

1. To identify the problems faced by the Indian banking sector.
2. To compare the gravity of problems faced by public and private sector banks.
3. To study the steps taken by the government and the regulator to overcome the problems and reform the sector.
4. To analyze these reforms and suggest additional corrective measures, if any.

Research Methodology:

This research is descriptive in nature which attempts to present clearly the issues faced by the banking sector and steps taken by the government to resolve these issues. Data pertaining to the entire population of public and private sector banks has been studied in this paper. Secondary data has been collected basically the website of the Reserve Bank of India. Since the entire population has been studied, hypothesis testing is not required. Suitable statistical parameters have been calculated wherever applicable.

Hypotheses:

1. There is no significant difference in capital adequacy of public and private sector banks in India.
2. There is no significant difference in credit and stressed assets management of public and private sector banks India.

Limitations of the study:

The study is focused on the banking services of the formal sector only. The study excludes the banking and similar services provided by foreign banks, co-operative banks, microfinance institutions and non-banking financial companies.

Challenges faced by Indian banks:

Over the last decade there have been major changes in the banking sector in India. Some of the key challenges faced by banks in India are listed hereunder.

Capital Adequacy

The capital adequacy ratio is calculated as sum of tier 1 capital and tier 2 capital and dividing the sum by risk-weighted assets. Tier 1 capital is the core capital of a bank. It consists of the equity capital and disclosed reserves. It can absorb losses without affecting the bank operations. Tier 2 capital aims to absorb loss in the circumstances of liquidation.

Under Basel III norms, a bank's must have tier 1 and tier 2 capital at minimum of 8% of its risk-weighted assets. The minimum CAR (including the capital conservation buffer) is 10.5%. The

capital conservation buffer recommendation is aimed to build up banks' capital base, which bank could use in periods of financial difficulty.

The RBI has mandated the banks to maintain a capital adequacy ratio of 11.5% by March 2019.

CAPITAL ADEQUACY (as on 31.03.2017)		
	Public Sector Banks	Private Sector Banks
Average of Capital Adequacy Ratio	11.67%	14.55%
Standard Deviation of Capital Adequacy Ratio	0.95	3.57
<i>Source: www.rbi.org.in</i>		

It can be observed that private sector banks are maintaining a higher capital adequacy (14.55%) as compared to the public sector banks (11.67%). Highest capital adequacy in public sector banks is maintained by Indian bank (13.64%) whereas the lowest capital adequacy is maintained by State Bank of Bikaner & Jaipur (9.00%). In case of private sector banks highest capital adequacy is maintained by Bandhan bank (26.36%) whereas the lowest capital adequacy is maintained by Dhanlaxmi bank (10.26%).

Non-Performing Assets (NPA)

NPA is an asset that stops generating income for a bank. NPA not only impact banks profitability but also erodes their capital. According to a master circular issued by the Reserve bank of India (RBI) in July 2015, banks should classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter. NPAs can be recovered and don't always amount to a loss. Strict provisioning norms of RBI seriously hamper the lending potential of banks.

NON PERFORMING ASSETS (as on 31.03.2017)		
	Public Sector Banks	Private Sector Banks
Total Net NPAs	3,83,042 CR	47,780 CR
Average Net NPA Ratio	9.08%	1.94%
<i>Source: www.rbi.org.in</i>		

We can see a huge difference in the Net NPA ratios of public and private sector banks. The ratio is at an unacceptable level in case of public sector banks. Writing off the bad loans will erode the capital of these banks which will affect their capital adequacy and thereby further reducing their lending potential. It is a danger signal and an ominous harbinger for Indian economy's growth.

Profitability

PROFITABILITY (as on 31.03.2017)		
	Public Sector Banks	Private Sector Banks
Net Interest Margin	2.05%	3.34%
Return on Assets	-0.5%	1.04%
Credit-Deposit Ratio	64.97%	78.12%
<i>Source: www.rbi.org.in</i>		

Poor profitability of public sector banks can be attributed to the high level of NPAs. To be sustainable in the business of banking this situation needs to be improved. A question arises that do we need so many weak banks in the public sector?

Access to population

Population group	Branches of public sector banks			Branches of private sector banks		
	March 2017	March 2007	% increase	March 2017	March 2007	% increase
Rural	29052	16661	74%	4865	834	483%
Semi-urban	25866	12226	112%	7868	2096	275%
Urban	19738	10664	85%	5318	1977	169%
Metropolitan	21522	12667	70%	7283	2560	184%

Population group	Total branches of public & private sector banks		
	March 2017	March 2007	% increase
Rural	33917	17495	94%
Semi-urban	33734	14322	136%
Urban	25056	12641	98%
Metropolitan	28805	15227	89%
Total	121512	59685	104%

Licensing policy of the RBI has led to a substantial increase in the number of branches in rural and semi-urban areas during the last decade. Both the public sector as well as private sector banks have increased their networks across different population groups. We can also see that the total number of bank branches is more than 1.21 lakhs. If we compare it with the fact that there are

more than 6 lakh villages in India, there is definitely a scope for more penetration by public as well as private sector banks. However, banks have been complaining about the financial viability of branches in semi-urban and rural areas.

Cyber threats and bank frauds

“An estimated 95% of transactions in India are paid for in cash but with the growing penetration of computers and smart phones, and increasing access to the internet, Indians are taking to digital channels for their banking needs. Cybercrime is becoming a greater threat as a result” says RBI. The Financial Stability Report released by RBI on 30.06.2017 declared cyber-attacks as a high-risk zone for India’s banking sector. “Bank fraud are transactions involving any cheating, negligence, misappropriation of funds, or forged documents, not only simple attacks using phishing, vishing and social engineering, but also increasingly audacious attacks by organised gangs with or without backing by state players have come to light,” the RBI said in this report.

Another critical concern for the RBI is the increased number of frauds at Indian banks. To add to that banks often seem reluctant to report fraudulent transaction cases.

“Almost all corporate loan-related fraud cases get seasoned for two to three years as NPAs before they are reported as fraud,” the RBI said in the report.

In the last five years, the volume of bank fraud has increased by 19.6% to 5,064 cases.

Reforms initiated in the banking sector:

Challenges mentioned above are not an exhaustive list. There are more problems which are specific to certain banks. However, the key issues facing the sector are listed above. There is an overall agreement that banking sector needs to be reformed not superficially but drastically. The government has initiated various steps to tackle the problems faced by banking sector in general and public sector banks in particular.

Recapitalization of public sector banks

In order to meet the capital adequacy norms and enable lending by public sector banks, government of India has come up with a comprehensive capital infusion programme. However, this is not the first time that capital infusion is being done. In the past 31 years, between 1985-86 and 2016-17, the government had infused much almost Rs 1.5 trillion in state-owned banks. Now the government is planning to infuse Rs 2.11 trillion capital into public sector banks (PSBs) which roughly have a 70% share of the assets of Indian banking industry. It is estimated that this will increase the lending potential of public sector banks by almost 5 lakh crores. Highlight of this recapitalization programme is that it is performance linked.

Insolvency & Bankruptcy Code (IBC)

India was lacking appropriate institutional and legal mechanism to deal with debt defaults as per global standards. The recovery proceedings by creditors through various acts has not had desired outcomes. Also, action through the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) & the winding up provisions of the Companies Act, 1956 have not effectively helped in recovery of outstanding debt, nor restructuring of debts. The Presidency Towns Insolvency Act, 1909 and the Provincial Insolvency Act, 1920, dealing with individual insolvency, are almost outdated.

There were about 12 laws concerning insolvency. In the current setup, records show that it takes on an average 4 years to wind up a company in India.

Government of India, therefore undertook a plan to replace existing insolvency laws with one comprehensive law which will facilitate easy and time-bound closure of business. Before the code was enacted, lenders were at the mercy of big borrowers. The plethora of laws that was supposed to resolve stressed assets only resulted in interminable delays in the courts. According to World Bank statistics, it took an average of 4.3 years to resolve a soured account. Lenders recovered an average of 26.4 cents to the dollar. These were among the poorest numbers in emerging economies.

The new framework is supposed to change all that. It is a time-bound process. Cases once admitted are supposed to be resolved within 270 days; if not, companies go into liquidation. During the resolution process, management control is taken away from promoters and vested with a resolution professional. On 11th May, 2016 the parliament of India passed the major Economic Reform Bill moved by the Government i.e. 'Insolvency and Bankruptcy Code, 2016'. However, it is too early to decide if the Insolvency and Bankruptcy Code has been successful in reducing the banks' problems, but it has created a sense of urgency, amongst all stakeholders, to resolve bad loans.

Consolidation of public sector banks

The government is working on a strategy for the consolidation of the banking industry to create bigger and stronger banks. The consolidation of banks will have to move parallel to the objective of strengthening the banks. Government is in advanced stages of coming out with a strategy for consolidation. The objective of consolidation is to create a bigger and stronger bank.

Small Banks and Payment Banks

“The purpose of the small banks will be to provide a whole suite of basic banking products such as deposits and supply of credit, but in a limited area of operation. · The objective for these Small Banks is to increase financial inclusion by provision of savings vehicles to under-served and unserved sections of the population, supply of credit to small farmers, micro and small industries, and other unorganized sector entities through high technology-low cost operations” says the IBA. “Resident individuals with 10 years of experience in banking and finance, companies and Societies will be eligible as promoters to set up small banks. NFBCs, micro finance institutions (MFIs), and Local Area Banks (LABs) can convert their operations into those of a small bank. Local focus and ability to serve smaller customers will be a key criterion in licensing such banks” says the RBI.

“Objective of payments banks is to increase financial inclusion by providing small savings accounts, payment/remittance services to migrant labour, low income households, small businesses, other unorganised sector entities and other users by enabling high volume-low value transactions in deposits and payments/remittance services in a secured technology-driven environment. · Those who can promote a payments bank can be a non-bank PPIs, NBFCs, corporate's, mobile telephone companies, super market chains, real sector cooperatives companies and public sector entities. Even banks can take equity in Payments Banks. · Payments Banks can accept demand deposits (only current account and savings accounts). They would initially be restricted to holding a maximum balance of Rs 100,000 per customer” according to RBI. Based on performance, it could enhance this limit. “The banks can offer payments and

remittance services, issuance of prepaid payment instruments, internet banking, functioning as business correspondent for other banks” said RBI.

These steps will lead to increasing access of unbanked population to banking services.

Conclusion:

It may be concluded that the Indian banking sector is indeed going through a turbulent phase. Data presented above reveals that the problem is more serious in case of public sector banks. Banks have to pull up their socks and bring in more efficiency in their operations. Government must ensure that the recapitalization funds should actually strengthen the banks. There are too many public sector banks. Consolidation is must in the public sector. Furthermore, government may also consider the option of privatization of certain banks. Banks on their part need to improve their usage of technology and attempt to serve the large unbanked population. Cyber security is an issue where government has not come up with any specific policy for banks. There is scope for government intervention in this area

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REFLECTION OF FIRM PERFORMANCE THROUGH RETURN ON EQUITY: A STUDY OF NIFTY COMPANIES

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ABSTRACT

Financial performance of Firm indicates about how well the firm uses its assets and liabilities for generation of revenues for the organization. Here in this paper, 50 components companies which are some of the largest and actively traded stocks in NSE are taken. Research objectives is to assess the performance of 50 Nifty companies by using return on equity measures and to study the smoothness in the forecasted value of return on equity by comparing the actual return on equity. For the above research the study period is 2008 to 2017

Key Words: Financial Performance, ROE & NIFTY

Introduction

Profitability ratios indicates how the company generate profit and these ratio used by the company, financial institution, non banking financial institution etc to determine the performance of the company. Therefore it is important to evaluate the ratio, which is crucial for the company shareholders- the return on equity. Return on equity effectively measures how much profit company can generate on the equity capital investors has deployed in business, and can be used over time to evaluate changes in the company's financial situations. Shareholder equity is the value that the owner of the company have invested that has not be paid out in dividend. In other word ROE indicates the amount of earning generated by each dollar of equity. It is valuable insight int company's operations. In general, the higher the return on equity the better, as high ROE companies will produce more earning and free cash flows that can be used to support a high level of growth, keep the companies financially strong and provide cash returns to shareholders.

Objectives of the Research

1. To assess the performance of 50 Nifty companies by using the ROE measures.
2. To study the smoothness in the forecasted value of ROE by comparing with actual ROE

Review of Literature

Porter (2005) analyzed 31 Industries and found that investment returns are highly correlated with the industry portfolio returns. It was also found that portion of investment return orthogonal to equity returns is associated positively with changes in profitability and negatively with lagged differences between equity and investment return.

Herciu, ocrean and Belascu (2011), says in his research paper that company profit are not relevant to investors except to the extent that they relate to other indicators. He used ROS,ROA and ROE in order to identify a relation between effect and effort, where effect is profit while effort is given by sales, total assets or other stakeholder equity.

Berman,knight and Case (2013) ROE says about the company's profitability that earned from shareholders's investment, but it depends on the company to distribute or reinvest.

Swain & Kumar (2017) in his study found that average ROE of Sensex companies follows the bearish trend. As Sensex, being the Indian's capital market Indicators, is directly reflected by the financial performance of the largest and most actively traded stocks, is not growing in comparison with the global capital market.

Kabajeh, Al Nu'aimat and Dahmash (2012) examined a small sample (28 companies) for the period of 2002 to 2007. The results showed a positive relationship between the ROA, ROE, ROI and share prices.

Nunes, Viveiros and Serrasqueiro (2012) used two samples of young SMEs and old SMEs in order to verify if age is an important factor of profitability. It was found that age, size, liquidity and long-term debt are important and positively correlated with profitability.

On the basis of above review of literature we can concluded that ROE can be considered as one of the measures to evaluate companies or firm performance. It should not be kept in isolated

NIFTY Listing Criteria Basic Guidelines

Nifty states about the S &P CNX Nifty is the headline index on National stock exchange of India Ltd.(NSE). The index track the behavior of a portfolio of the blue

chip companies, the largest and most liquid Indian Securities. It includes 50 of the approximately 1600 companies listed on NSE, captured approximately 65% of its floated market capitalization and it's a true reflection of the Indian stock market.

The Nifty 50 covers major sectors of the Indian economy and offers an investment manager exposure to the Indian market in one efficient portfolio. The index has been trading since April 1996 and is well suited for benchmarking, index funds and index based derivatives.

It is owned and managed by India Index Services Product Ltd.(IISL).IISL is India's first specialized company focused on an index as a core product.

Listing criteria in NIFTY

Factors	Listing Norms
Domicile	The company must Domicile in India and listed on NSE.
Eligible Securities	Constituents of NIFTY 100 index that is available for trading in NSE's Future and Options segment are eligible for inclusion in the NIFTY 50 Index.
Liquidity	Security should have traded at an average impact cost of 0.50% or less during the last six months for 90% of the observations for a portfolio of Rs 10 Crore.
Float-adjusted Market Capitalization	Companies will be eligible for inclusion in the NIFTY 50 index provided the average free- floated market capitalization is at least 1.5 times the average free-float market capitalization of the smallest constituents in the Index.
Listing History	A company which come out of IPO is eligible for inclusion in index if it will fulfills the normal eligibility criteria of the index – impact cost,free float market capitalization for three-month period instead of six month period.
Trading Frequency	The company's trading frequency should be 100% in the last six months.

Index reconstitution	The index is reconstituted semi- annually considering six-month data ending January and July respectively. The replacement of stock in NIFTY- 50 if any is generally implemented from the first working day after F & O expire of March and September. In case of any replacement in the index, a four weeks' prior notice is given to the market participants.
Timing of change	<p>The index is reviewed semi-annually, and a six –week notice is given to the market before making any changes in the index constituents.</p> <p>Additions: - the complete list of eligible securities is compiled based on the float-adjusted market capitalization criteria. After that, the liquidity (impact cost) and float adjustment filters are applied to them, respectively. The top ranking companies from the replacement pool. The top stocks, in terms of size (float adjusted market capitalization)are, then identified for inclusion in the index from the replacement pool.</p> <p>Deletions :- stocks may be deleted due to the mergers, acquisitions and spin- offs. Otherwise, as noted above, twice a year a new eligible stock list is drawn up to review against the current constituents. If this new list warrants changes in the existing constituents list, then the smallest existing constituents are dropped in favor of the new additions.</p>

ROE is usually calculated by dividing Net Profit after tax by average shareholder equity. It represents the percentage of profit that the company makes for every monetary unit of equity invested in a company

The following table highlights the ROE of 30 Sensex Companies for the period 2008- 2017.

Table No. 1 NIFTY 50 Companies Return on Equity from 2008-2017

Sr. No	Name of Company	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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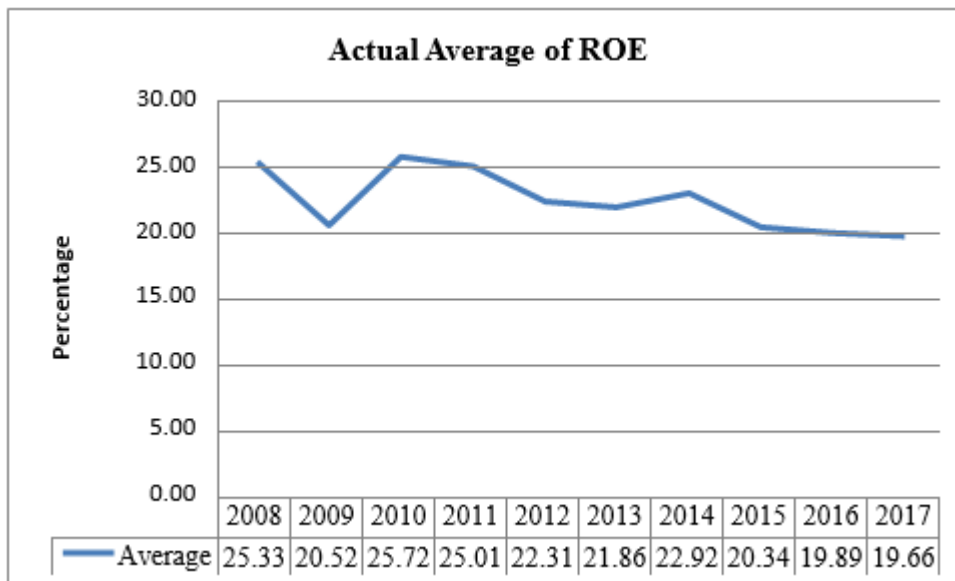
1	Adani Port & Special Economic Zone Ltd. (Services Shipping)	12.50	15.59	21.10	24.20	24.41	28.90	22.94	23.69	23.90	25.44
2	Ambuja Cement Ltd. (Construction Cement)	26.39	20.05	18.31	15.95	15.34	14.00	15.22	7.94	7.52	10.20
3	Asian Paint Ltd. (chemical Paint & Varnishes)	46.55	36.41	57.37	43.27	40.06	36.33	32.84	31.77	33.36	29.37
4	Aurobindo Pharma Ltd. (Healthcare Drugs & Pharma)	23.73	8.48	36.70	26.37	-5.16	11.88	36.91	35.39	32.46	28.02
5	Axis Bank Ltd. (Financial Banking)	17.45	19.14	18.89	19.12	20.30	18.75	17.64	17.87	16.95	7.19
6	Bajaj Auto Ltd. (Automobile Two & Three wheeler)	9.30	31.18	70.52	91.83	55.94	44.29	37.08	28.46	31.35	26.40
7	Bajaj Finance Ltd. (Financial Hire Purchase)	1.95	3.15	7.98	19.67	23.97	21.90	19.54	20.43	20.92	21.57
8	Bharat Petroleum Corp. Ltd. (Energy Crude Oil & Natural Gas)	14.58	4.83	12.18	11.06	4.89	11.52	21.60	22.89	31.55	29.64
9	Bharti Airtel Ltd. (Communication Telecom services)	39.11	66.14	43.72	13.64	8.57	4.51	5.04	8.52	8.55	6.92
10	Bharti Infratel Ltd. (Communication Telecom services)	38.29	30.2	26.27	13	5.16	6.32	8.62	11.37	13.47	16.23
11	Bosch Ltd. (Automobile Auto Ancillaries)	26.46	22.40	18.23	22.96	25.44	18.60	14.91	15.36	14.97	20.39
12	Cipla Ltd. (Healthcare Drugs & Pharma)	20.05	19.03	21.11	15.38	16.00	18.55	14.56	11.33	13.29	8.25
13	Coal India Ltd. (Energy Coal & Lignite)	28.09	10.76	42.75	36.71	40.19	39.04	33.26	33.17	38.45	31.72
14	Dr. Reddy Laboratories Ltd. (Healthcare Drugs & Pharma)	10.54	-11.60	2.51	24.84	27.58	25.71	26.25	21.95	16.70	9.54
15	Eicher Motors Ltd. (Automobiles Commercial Vehicles)	5.67	7.68	16.42	22.66	19.97	20.68	26.92	31.59	36.88	31.19
16	GAIL (India) Ltd. (Energy Crude Oil & Natural Gas)	21.87	19.47	20.04	20.61	19.27	16.29	15.63	9.51	6.49	9.02
17	HCL Technologies Ltd. (Technology Computer Software)	36.77	25.49	28.93	22.42	23.62	27.70	35.13	39.80	33.43	26.12
18	HDFC Bank Ltd. (Financial Banking)	14.23	8.19	8.85	12.64	13.43	14.32	15.86	15.48	14.56	14.83
19	Hero Motorcorp Ltd. (Auto Mobile Two & Three Wheelers)	35.48	37.77	61.43	60.05	65.64	45.57	39.57	38.88	42.69	39.24
20	Hindalco Industries Ltd. (Metals Aluminium)	15.85	2.94	21.00	9.72	11.15	9.00	5.73	2.16	0.12	4.50
21	Hindustan Petroleum Corpn Ltd. (Energy Crude Oil & Natural Gas)	13.42	6.91	12.60	13.33	1.32	3.74	7.83	10.73	31.50	42.90
22	Hindustan Unilever Ltd. (FMCG Cosmetics & Toiletries)	127.0 2	117.2 0	80.81	85.38	87.34	116.9 9	123.2 6	115.4 4	102.1 5	83.54

Source: - NSE Database

From the above data, the average ROE of 50 companies has been computed.

The average ROE for the year 2007-08 is found 25.33 % which is highest during the study period. However the average return on equity for the year 2016-17 was found i.e 19.6 % The movement of average return on equity during the period 2007-08 to 2016-17 is shown in the following graphs

Graph 1



From the above graph, it is found that the behavior of average ROE of 50 NIFTY companies during the period from 2007-08 to 2016-17 was in bearish trend. This result has negative repercussion on Indian capital market under global view.

Actual and expected average ROE: A diagnostic comparison

To make the study more meaningful, a comparison between actual average ROE and expected average ROE has been made. For forecasting the expected average ROE, exponential smoothing Model is used.

Exponential smoothening Model: A conceptual Framework and application.

It is a technique or method of forecasting data without following any trend or seasonality. We consider the recent data to forecast rather than old data like in any other forecasting tools.

Traditionally will denote the observed frequency as Y and smoothed average as S

S1 undefined

S2 = y1

S3 = $\alpha y_2 + (1-\alpha) S_2$

And generalized

$S_t = \alpha Y_{t-1} + (1-\alpha) S_{t-1}$

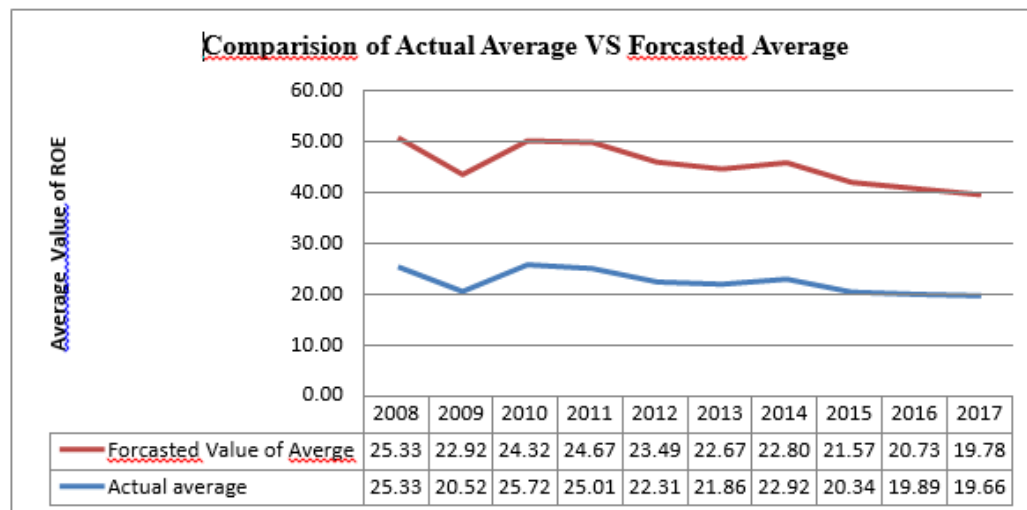
Where α , the smoothing constant takes the value from the range (0 :1)

In this exponential smoothing model the α is taken as 0.5. The forecasted value of average ROE for the 10 years has been computed and presented in the following table

Table No. 2 Forecasted value of Average ROE by Exponential smoothing model

year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Average	25.33	20.52	25.72	25.01	22.31	21.86	22.92	20.34	19.89	19.66
Forecasted value of ROE	25.33	22.92	24.32	24.67	23.49	22.67	22.80	21.57	20.73	19.78

From the above table, it can be interpreted that the actual average of ROE and forecasted value of ROE both declining and follow bearish trend. In the recent past. i.e for the year 2016-17 the forecasted value of ROE is found 19.78% which is higher than the actual average of ROE i.e 19.66%



Above graphs showing the comparison lines between the actual average ROE and Forecasted ROE

Results

The result of present studies shows that the average ROE of 50 companies follows the bearish trend. As NIFTY being the India's capital market indicators, is directly reflected by the financial performance of the largest and most actively traded stocks is not growing in comparison with the global capital market.

Conclusions

The responsibility of management of any company, the obligation of NSE or BSE for creating infrastructure facility is to make the capital market more efficient and finally the duty of the regulators and policy makers (SEBI & RBI) is to simplify the regulatory

framework so that it would have a positive synergy effect on the performance of all the listing companies with an objective to put our NIFTY or SENSEX as benchmark index in the global capital market.

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Study of Customer Satisfaction towards Organized Retail Stores in PCMC Area

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ABSTRACT

Customer satisfaction is widely recognized as a key pressure in the formation of consumers' future purchase intentions. Satisfied customers are also likely to tell others of their favorable experiences and thus engage in positive word of mouth advertising. The present study aims to investigate customer satisfaction in the organized retail stores in PCMC area of Maharashtra state in India. The objectives are to identify the determinants of customer satisfaction in the organized retail stores in PCMC area, to identify the demographic profile of the customers visiting organized retail outlets, and to suggest measures for improving the quality and efficiency in organized retail sector. Customer satisfaction is a significant subject for most marketers. A total of 100 questionnaires have been randomly distributed to retail customers & the data collected is analyzed. The result of this analysis suggests the degree of customer satisfaction in terms of services provided by organized retail stores in PCMC area

Key Words: *Customer satisfaction, organized retail store, Attitude, Behavior*

Introduction:

Retail consists of the sale of physical goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mall, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a "retailer" buys goods or products in large quantities from manufacturers or directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as a public utility, like electric power.

The retail industry is a sector of the economy that is comprised of individuals and companies engaged in the selling of finished products to end user consumers. There are 12 million retail outlets in India. The retail sector is the second largest source of employment in the country. It is broadly divided in two parts; organized retail and unorganized retail.

Customer satisfaction is the key factor in knowing the success of any retail store or business; therefore it is very important to measure it and to find the factors that affect the customer satisfaction. The growing speed of this sector has enhanced the neck to neck competition between the retail players so to sustain & enhance the market share they are trying to keep customers more happy & satisfied. A customer will be satisfied only when his/her expectations will be met. Customer satisfaction levels can be measured using survey techniques and questionnaires.

Objectives of the Study-

- i. To identify the demographic profile of the customers visiting organized retail outlets.
- ii. To identify the determinants of customer satisfaction in the organized retail outlets in the PCMC area.
- iii. To suggest measures for improving the quality and efficiency in organized retail sector.

Scope of Study:

The Organized Retail Industry in the world faces a situation where they are facing a challenge to satisfy the customers. The study would enable the researcher to find the marketing strategies that helps to satisfy these customers. This study would also enable the Organized Retail Industry to face the dilemma of customer satisfaction with a distinct strategy.

Research Methodology-

1. Research design-

The research design used for the study is descriptive research design.

2. Area of the study

The survey was conducted among the customers of various organized retail stores in PCMC area.

3. Research Instrument

Being a survey method, questionnaire was used as a research instrument.

4. Sample Size

The sample size for the present study is 100.

5. Response rate

The researcher got a response rate of 94% from the given sample.

6. Sampling Technique

The sampling method used is convenience sampling method and all the possible items are considered for the research.

Data Analysis and Interpretation –

TABLE 1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Sr. No.	Status	Number of respondents	Percentage
Gender			
1	Male	35	37
2	Female	59	63
	Total	94	100
Age			
1	<25 Years	3	3
2	25-35 Years	35	37
3	35-45 Years	30	32
4	>45 Years	26	28
	Total	94	100

Qualification			
1	SSC	1	1
2	HSC	3	4
3	UG	39	41
4	PG	51	54
	Total	94	100
Marital Status			
1	Single	39	41
2	Married	54	58
3	Divorced	01	1
	Total	94	100
Annual Income			
1	< Rs. 1,00,000	4	4
2	Rs. 1,00,000 – Rs. 2,00,000	12	13
3	Rs. 2,00,000 – Rs. 3,00,000	33	35
4	>Rs. 3,00,000	45	48
	Total	94	100

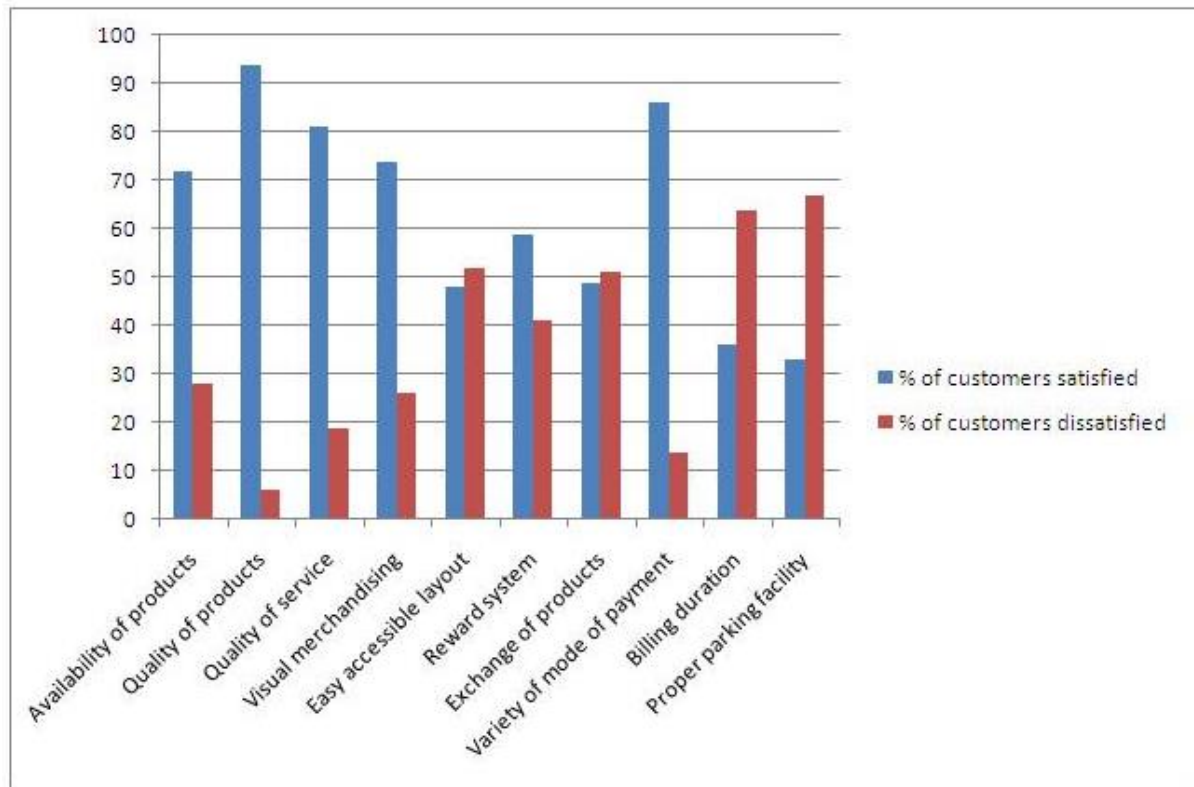
Interpretation- Table 1 shows the demographic profile of the respondents. It is clear from Table 1 that of the 94 respondents, 37 % respondents were male and 63% of the respondents were female. 3 % belonged to the age below 25 years, 28 % in the age group of above 45 years, 32 % in the age group of 35-45 years and 37 % in the age group of 25-35 years. Nearly 54 % of the respondents were Post graduates. 41 % of the respondents were graduates, 04 % were HSC, and 1 % was SSC qualified. 41 % of respondents were single, 58 % were married and 1% divorced. 4 % of the respondents had an annual income of less than Rs 1, 00,000. Respondents who were having an annual income of Rs.1, 00,000-Rs.2, 00,000 and Rs.2, 00,000-Rs.3, 00,000 were 13 % and 35 % respectively. Respondents whose income was above Rs.3, 00,000 amounted 48 %.

TABLE 2: SATISFACTION LEVEL TOWARDS VARIOUS PARAMETERS PROVIDED AT ORGANIZED RETAIL OUTLETS

Parameters	Number of customers satisfied	Number of customers dissatisfied	% of customers satisfied	% of customers dissatisfied
Availability of products	68	26	72	28
Quality of products	88	06	94	06
Quality of service	76	18	81	19
Visual merchandising	70	24	74	26
Easy accessible layout	45	49	48	52
Reward system	55	39	59	41
Exchange of products	46	48	49	51
Variety of mode of payment	81	13	86	14

Billing duration	34	60	36	64
Proper parking facility	31	63	33	67

GRAPH 1: SATISFACTION LEVEL TOWARDS VARIOUS PARAMETERS PROVIDED AT ORGANIZED RETAIL OUTLETS



Interpretation-

From the above table it is clear that customers are satisfied with Quality of products (94%), variety of mode of payment (86%), quality of service (81%), visual merchandising (74%) and availability of product (72%). Whereas customers are not satisfied with the parking facility (67%), time taken for billing (64%) and layout (52%)

Findings-

In this study it is found that customers of organized retail stores have different demographic profiles. Respondents differ in the factors that affect their satisfaction. It was found that in most of the cases Quality of products (94%), variety of mode of payment (86%), quality of service (81%), visual merchandising (74%) and availability of product (72%) were the factors that lead to their satisfaction. While the respondents were dissatisfied with the parking facility (67%), time taken for billing (64%) and layout (52%).

Conclusion-

The study concludes that most of the customers are satisfied with the Quality of products, variety of mode of payment, quality of service, visual merchandising and availability of product

provided by organized retail stores. But their also exists dissatisfaction on few parameters like parking facility, time taken for billing and layout. So organized retailers have to work on these factors so that the customers remain satisfied. Also the suggestions provided shall be helpful for the retail store managers in gaining more customers.

Suggestions-

- i. Retail outlets should adopt the efficient inventory management system so that customers can find the merchandise available at the time of requirement.
- ii. The Management of retail outlets should make necessary arrangements towards amenities like parking, food courts, clock room etc to their customers.
- iii. The Management should encourage in-store promotions like lucky draws for entrants surprise winners and so on at random.
- iv. The Research indicates that the organized retailers should take effective steps to improve their billing as most of consumers complained about long queues for billing.
- v. Organized retail outlets may start home delivery to cater to the needs of consumers
- vi. The owners should ensure that there are some rest areas or human parking spaces so that people can relax while shopping.
- vii. Certain facilities like more number of trial rooms, home delivery on alteration of clothes, mall navigation, ATM facilities in mall etc. can be added to increase mall value.
- viii. Proper parking facilities should be there and parking should be made free for the regular customers or heavy purchaser's.
- ix. Special promotional activities should be there on weekdays so as to gather rush on weekdays and avoid the chaos and confusion on the weekends.

Free gift wrapping is a regular feature in organized retail outlets and lack of it has been observed to be a major source of discomfort among customers. It is suggested to offer this facility to enhance the level of customer satisfaction level and to expand the market share

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HRM Practices And Organizational Performance

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ABSTRACT

In an environment where human resources is an important source of competitive advantage, it is also the one that contributes to sustained competitive advantage through facilitating the development of competencies that are firm specific. Strategic human resource management (SHRM) concerns with the creation of a linkage between the overall strategic aims of business and the human resource strategy and implementation. The causal linkage between HR and organizational performance will enable the HR managers to design programmes that will bring forth better operational results to attain higher organizational performance. In this paper, after emphasizing that the human resources are an important source of competitive advantage, SHRM is defined. Through specific examples from academic research regarding the impact of SHRM practices on organizational performance, the conclusion is that the way an organization manages its human resources has a significant relationship with the organization's performance

Key Words: Human Resources; Strategic Human Resource Management; Organizational Performance; Human Resource Management Systems

INTRODUCTION

Economic environment is changing rapidly and this change is characterised by such phenomena as the globalization, changing customer and investor demands, ever-increasing product-market competition. To compete successfully in this environment, organizations continually need to improve their performance by reducing costs, innovating products and processes and improving quality, productivity and speed to market. The people who make up an organization - human resources - are considered to be one of the most important resources of today's firms. People and how they are managed are becoming more important because many other sources of competitive success are less powerful than they used to. Recognizing that the basis for competitive advantage has changed is essential to develop a different frame of reference for considering issues of human resource management and strategy. Traditional sources of success such as product and process technology, protected markets, economies of scale, etc. can still provide competitive leverage but an organization's human resources are

more vital for its sustainability. Parallel to the understanding that human resources are vital for an organization, human resource management function is also going up in organizational hierarchy. Human resource management aims to ensure that the organization obtains and retains the skilled, committed and well motivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance and develop the inherent capacities of people – their contributions, potential and employability – by providing learning and continuous development opportunities. It involves the operation of recruitment and selection procedures, management development and training activities linked to the needs of the business.

Strategic Human Resource Management (SHRM) represents a relatively new transformation in the field of human resource management. SHRM is concerned with the role human resource management systems play in firm performance, particularly focusing on the alignment of human resources as a means of gaining competitive advantage. Organizations are becoming aware that successful human resource policies and practices may increase performance in different areas such as productivity, quality and financial performance considered to be one of the most important resources of today's firms.

People and how they are managed are becoming more important because many other sources of competitive success are less powerful than they used to. Recognizing that the basis for competitive advantage has changed is essential to develop a different frame of reference for considering issues of human resource management and strategy. Traditional sources of success such as product and process technology, protected markets, economies of scale, etc. can still provide competitive leverage but an organization's human resources are more vital for its sustainability.

OBJECTIVES

The following are the objectives of this research paper:

- x. To review Strategic Human Resource Management and its benefits to the organization.
- xi. To provide key insights regarding implementation of HR Practices and improved Organizational performance.

- xii. To investigate the relationship between Human Resource Management practices and organizational performance.
- xiii. To recommend key HR Practices that may lead to the improvement of organizational performance.

Human Resources as a Source of Competitive Advantage

The concept of competitive advantage was formulated by Michael Porter. Competitive advantage, Porter asserts, arises out of a firm creating value for its customers. Porter emphasized the importance of differentiation, which consists of offering a product or service 'that is perceived industry-wise as being unique', and focus - seeing a particular buyer group or product market 'more effectively or efficiently than competitors who compete more broadly'. He then developed his well known framework of three generic strategies, -cost leadership, differentiation, focus- that organizations can use to gain competitive advantage. Porter's widely accepted view suggests that the industry - environmental determinants affects a firm's performance. Resource-based view, on the other hand, asserts that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal. Competitive advantage, according to this view differs from the environmentally focused strategic management paradigm in that its emphasis is on the links between the internal resources of the firm, its strategy and its performance.

The resource-based view suggests that human resource systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific. The sustained superior performance of many companies has been attributed to unique capabilities for managing human resources to gain competitive advantage.

Conversely, to the extent that HR systems inhibit the mobilization of new competencies and/or destroy existing competencies, they may contribute to profitable company or a healthy economy is the productivity of the workforce.

What is important to recognize is why success through human resources can be sustained and cannot readily be imitated by competitors. The reason is that the success that comes from managing people effectively is often not as visible or transparent as to

its source. Culture, how people are managed, and the effects of this on their behaviour and skills are sometimes seen as the "soft" side of business, occasionally dismissed. Even when they are not dismissed, it is often hard to comprehend the dynamics of a particular company and how it operates because the way people are managed often fits together in a system. It is easy to copy one thing but much more difficult to copy numerous things.

HRM needs to achieve the following strategic goals in order for the company to gain and sustain competitive advantage:

7. To invest in people through the introduction and encouragement of learning processes designed to increase capability and align skills to organizational needs
8. To ensure that the organization identifies the knowledge required to meet its goals and satisfy its customers and takes steps to acquire and develop its intellectual capital
9. To define the behaviours required for organizational success and ensure that these behaviours are encouraged, valued and rewarded
10. To encourage people to engage wholeheartedly in the work they do for the organization
11. To gain the commitment of people to the organization's mission and values
12. To achieve these goals it is necessary to understand the linkage between HRM and business strategy

The Strategic Role of Human Resource Management

The human resource management function has consistently faced a battle in justifying its position in organizations. At good times when there are enough budgets, firms easily justify expenditures on training, staffing, rewards and employee involvement systems, but when faced with financial difficulties, such HR systems get the earliest cutbacks. The advent of the subfield of strategic human resource management (SHRM), devoted to exploring HR's role in supporting business strategy, provided one opportunity for demonstrating its value to the firm. The birth of the field of strategic human resource management can be dated back to 1984, when Devanna, Fombrun and Tichy extensively explored the link between business strategy and human resources. HRM discipline has

witnessed a great deal of change over the past 30 years. These changes represent two major transformations. The first is the transformation from being the field of personnel management to being the field of human resource management. The second is the transformation from being the field of human resource management to being the field of strategic human resource management. The first transformation incorporated helped the recognition that people are an important asset in organizations and can be managed systematically.

The second transformation has built on the preceding knowledge base of the discipline. This transformation is based upon the recognition that, in addition to coordinating human resource policies and practices with each other, they need to be linked with the needs of the organization. Given that these needs are reflected in the strategies of the firm, this transformation of “human resource management” came to be known as “strategic human resource management”.

Strategic human resource management is based upon the recognition that organizations can be more effective if their human resources are managed with human resource policies and practices that deliver the right number of people with the appropriate behaviours, the needed competencies and the necessary level of motivation to the organization. To put it another way, strategic human resource management is “the creation of linkage or integration between the overall strategic aims of business and the human resource strategy and implementation. In principle, the processes and people within the company are managed in such a way as to foster the aims of the business strategy and create an integrated approach to managing the various HR functions, such as selection, training and reward so that they complement each other”.

Strategic human resource management may bring a number of benefits to the organization:

1. Contributing to the goal accomplishment and the survival of the company
2. Supporting and successfully implementing business strategies of the company
3. Creating and maintaining a competitive advantage for the company
4. Improving the responsiveness and innovation potential of the company
5. Increasing the number of feasible strategic options available to the company

6. Participating in strategic planning and influencing the strategic direction of the company
7. Improving cooperation between the HRM department and line managers

SHRM's spreading popularity owes much to the promise of greater organizational effectiveness achievable, through the development of internally consistent bundles of human resource strategies which are properly linked to business strategies. Researchers in the field of SHRM have increasingly relied on the resource-based view of the firm to explain the role of HR practices in firm performance. Resource based view of strategy is that the strategic capability of a firm depends on its resource capability, especially its distinctive resources. Indeed, theoretical research on SHRM has suggested that systems of HR practices may lead to higher firm performance and be sources of sustained competitive advantage because these systems of practices are often unique, causally ambiguous, and difficult to imitate. HR practices can enhance firm performance when they are internally aligned with one another to manage employees in a manner that leads to competitive advantage. HR practices can create value for a firm when the individual practices are aligned to develop critical resources or competencies.

SHRM Impact on Organizational Performance

Many organizations face a volatile market situation. In order to create and sustain competitive advantage in this type of environment, organizations must continually improve their business performance. Increasingly, organizations are recognising the potential of their human resources as a source of sustained competitive advantage. Linked to this, more and more organisations are relying on measurement approaches, such as workforce scorecards, in order to gain insight into how the human resources in their organisation add value.

The increasing interest in measurement is further stimulated by a growing number of studies that show a positive relationship between human resource management and organizational performance. The relationship between HRM and firm performance has been a hotly debated topic over the last two decades, with the great bulk of the primary scientific research coming from the USA and to a lesser extent, the United Kingdom.

Both organizations and academics are striving to prove that HRM has a positive impact on bottom line productivity. The published research generally reports positive statistical relationships between the greater adoption of HR practices and business performance. The assumption underpinning the practice of HRM is that people are the organization's key resource and organizational performance largely depends on them. If, therefore, an appropriate range of HR policies and processes is developed and implemented effectively, then HR will make a substantial impact on firm performance. Much of the research over the last two decades has attempted to answer two basic questions: 'Do HR practices make a positive impact on organizational performance?' 'If so, how is the impact achieved?' The second question is the more important one. It is not enough to justify HRM by proving that it is a good thing. What counts is what can be done to ensure that it is a good thing. Guest et al. modelled the relationship between HRM and performance. Although there are various stakeholders in an organization, the chief strategic goal of any business is higher financial performance or maximization of wealth for the shareholders. Financial performance of an organization depends to a large extent on effective operational performance. The operational performance of an organization is a function of people, process and technology. For effective interaction of people with technology and process, the people in the organization have to be competent enough, with the required knowledge, skill and abilities. Competence of the individual is an important factor that decides operational effectiveness in terms of providing quality products and services within a short time. HRM practices such as selection, training, work environment and performance appraisal may enhance the competence of employees for higher performance.

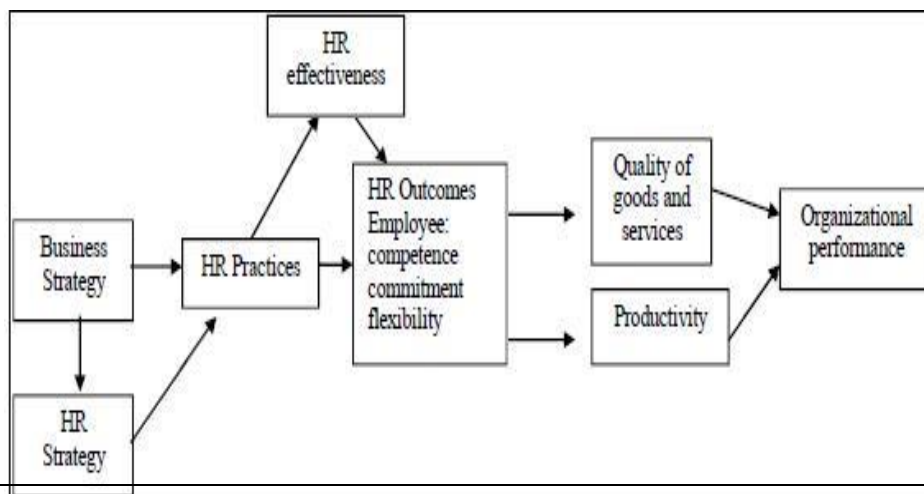


Figure 1. Linkage of HR Practices to Organizational Performance

Obviously, human resources rarely has a direct effect on firm performance. This is particularly true when the business logic of HR's effect requires that human resources drive firm performance through its contribution to effective strategy execution. HR professionals (and line managers) need to recognize that effective strategy execution is the basis of shareholder value and that effective strategy execution is a system of intermediate outcomes. Thinking like a strategy manager means recognizing the importance of the causal relationship between HR decisions and intermediate outcomes, which ultimately drive strategic success in organizations.

CONCLUSION

Since it is clearly understood from academic research that human resources are a source of sustained competitive advantage, while, traditionally, the costs associated with the development of HR strategy have been regarded as an operating expense, these costs would be better considered as an investment in capital assets. The way an organization manages its HR has a significant relationship with the organization's results, a revelation that supports the resource-based view, where business competitiveness is related, at least in part, to the investments in company specific assets. Although the published research generally reports positive statistical relationships between the greater adoption of HR practices and business performance, it should also be kept in mind that many other factors besides HR practices could influence organizational performance. Also, it is possible that there are complex relationships between HR practices and other resources of the firm. The causal linkage between HR and organizational performance will enable the HR managers to design programmes that will bring forth better operational results to attain higher organizational performance. The focus of the HR management should be to understand organizational performance processes and design HR practices that influence process and outcome variables.

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