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Message From The Chief-Mentor

I am extremely pleased to see the current issue of the NSHM Journal of Management Research and Applications (NJMRA), which aims at providing the much needed platform for a meaningful exchange of knowledge and ideas between the industry and the academic fraternity. It is truly satisfying that NJMRA is shaping up as a standard journal by attracting articles of requisite quality from all parts of India as well as abroad. The subjects dealt with in such high quality papers cover all possible areas of management.

Such a steady progress would never have been possible without the sincere and sustained effort of the current editorial team and I compliment them wholeheartedly on this count.

Cecil Antony
Chief Mentor
NSHM Knowledge Campus

Message From The Founding Director

I am indeed very glad that yet another issue, of the NSHM Journal of Management Research and Applications (NJMRA) is released. To put such a quality research publication on a firm footing is no doubt a stupendous task and our current editorial team deserves kudos for accomplishing this with their commendable effort. NJMRA has all along been extremely careful about selection of the papers from a wide range of topics based on a double blind review and is well poised to establish the much needed connect among researchers, academicians and company executives for a useful exchange of views and ideas.

I hereby reiterate my deepest appreciation for the tremendous performance by the current editorial team and wish them all success in their endeavours.

Rajib Chanda
Founding Director
NSHM Knowledge Campus

MESSAGE FROM THE DIRECTOR

Buoyed by the response we have received from the authors and readers, we have rededicated ourselves to making NJMRA a truly representative platform for sharing the vast intellectual and practical domain knowledge in the field of management. We are making constant efforts to broad base the appeal of the journal to a wider spectrum of contributors and followers. Today, there is hardly an aspect of endeavor which can claim to have no influence of management thought, practice or ethos. In spite of strong critics of the ubiquitous nature of the field, there is a growing evidence of its importance in all spheres of human activity.

The range of articles in the present issue reflects the belief we hold that management as a practice and domain of enquiry pervades the entire gamut of industry. However, lest disengaged knowledge pursuit leads to a suboptimal effect on society, we must be cautious about the issue of corporate citizenship, embodied in a forceful exhortation from Immanuel Kant: "Always recognize that human individuals are ends, and do not use them as means to your end."

As always, welcoming all to partake of this humble offering from our research team, and soliciting any feedback on this. We will be grateful for such gestures that would make NJMRA more and more focused on its prime objective of being a trusted partner in our journey of reading, thought and dialogue.

Naveen Das
Director
NSHM Business School, Kolkata

FROM THE DESK OF THE CHIEF EDITOR

It is a matter of great satisfaction and joy for me to present the current issue of the NSHM Journal of Management Research and Applications (NJMRA).

While bringing out the issues of NJMRA, the editorial team has steadfastly stuck to our cherished goal of providing a platform for publication of research articles of merit, book reviews, perspectives etc. spanning all areas of management. The current issue features papers from such diverse areas as Customer Satisfaction and Customer Loyalty in Public and Private Sector Banks, and Perception of Corporate Social Responsibility and Value. While the first article analyses the Tourism Behavior of Bangladeshi Nationals by employing the Factor Analysis Approach, another article discusses the relevance of Labour Reforms in India. The Book Review portion dwells on "Fewer, Bigger, Bolder: From Mindless Expansion to Focused Growth" by Sanjay Khosla and Mohanbir Sawhney with Richard Babcock. It is heartening to note that, apart from receiving papers from diverse locations in India, we have received a couple of manuscripts from outside India as well.

We expect NJMRA to establish itself firmly among the academicians and the business community and act as a bridge between them - both in India and abroad. The editorial team would be glad to receive all kinds of comments and constructive suggestions for further improving the quality of the journal.

On behalf of the Editorial Team

Dr. Udayan Kumar Basu

Analyzing Tourism Behavior of Bangladeshi Nationals: A Factor Analysis Approach

Matiur Rahman

Abstract

This paper aims at providing a profile of tourism scenarios existing in Bangladesh. It is also attempted to identify the loopholes and shortcomings prevailing in various dimensions and directions of tourism industry in Bangladesh. Several constructive recommendations are put forth for better Operations Management in the tourism sectors of Bangladesh so that challenges faced can be tackled well.

1. Introduction

Travel and tourism is a very important economic sector, like life and blood, in most countries of the world. This sector keeps formidable contribution to invigorate economic activities having high backward and forward linkage coefficients. In addition to “direct” economic impacts, this sector keeps “indirect” and “induced” impact on the economy. World tourism industry is flourishing very swiftly and posthumously. It is reckoned that in 21st century World Tourism will generate about 500 million job opportunities in Tourism Characteristic and Connected industries. It is also presumed that the contribution to GDP by World Tourism will be approximately 15%. However, in order to meet the requirements, constant changes in the travel and tourism policies need to be reframed and restructured. Tourism is a vital source of income for many countries and it generates income through the consumption of goods and services by tourists, the taxes levied on business in the tourism industry, and the opportunity for employment in the service industries associated with tourism, Some of the services offered by these industries include transportation services such as cruise ships and taxis, accommodation services such as hotels, restaurants, bars and entertainment venues and other hospitalities.

Tourism is a social, cultural and economic phenomenon related to the movement of people to places outside their usual place of residence pleasure being the usual motivation.

The activities carried out by a visitor may or may not involve a market transaction, and may be different from or similar to those normally carried out in his/her regular routine of life. If they are similar, their frequency or intensity is different when traveling. These activities represent the actions and behaviours of people in preparation for and during a trip in their capacity as consumers.

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2. Literature Review

Tourism's contribution to economic development has been well documented in the literature. For many developing countries, which were traditionally dependent upon primary products in export earnings, tourism has become a major source of foreign exchange earnings. This has been vital for such countries given their prevailing economic conditions. Many developing countries have experienced severe deficits, particularly in the current account of the balance of payments during past few decades. In the resolution of these economies issues tourism has played an important role in such economies.

There have been several recent empirical studies which explored the relationship between tourism and economic growth. Hazari and Sgro (1995) developed a growth model in which they model tourism as an added component to the domestic aggregate demand. Furthermore, they model the foreign supply of capital and the growth in export as dependent on tourism growth.

Rigorous research works have been done and are being carried out to assess economic & social impacts of tourism. Among recent studies, one is by Eugene Tian et al (2011), UNWTO (2006), Barry, J. (1994) According to WTTC ranking, (WTTC country report 2009) the south Asian travel & tourism economy is ranked number 10 in absolute size worldwide, 10 in relative contribution to national economies , 1 in long-term (10-year) growth.

3. Conceptual Framework

3.1 Travel and Tourism

Travel is an activity done by a person moving from one geographic location to another. The person doing such an activity is a Traveler. A Trip is a to-and-fro activity. It is the travel by a person from the time of departure till he comes back to the origin. It is thus a Round Trip. Travel to a country by non-resident is called Inbound Travel. Travel done by a person outside his country of residence is called Outbound Travel. Thus, a person doing above types of traveling is called a Domestic, Inbound and Outbound Traveler. Thus, an Inbound Trip refers to travel between arriving in a country and leaving it. But, Domestic and Outbound trip refer to leaving place of residence and returning. Domestic travel has ultimate destination within own country of residence but outbound has destination outside country of reference.

With respect to the country of reference an international traveler qualifies as an international visitor if he is on tourism trip (less than one year, purpose are business, personal, leisure etc and not employment) and if he is a non-resident traveling in the country of reference or a resident traveling outside of it.

So, a domestic, inbound and outbound traveler on a tourism trip is called domestic, inbound and outbound visitors.

3.2 What is TSA?

The tourism satellite accounts (TSA) is an accounting framework adopted by the structure and role of tourism in an economy. The need for a satellite account arises because it is not an industry in the way industry is defined in the system of national accounts. Instead, tourism is a demand based concept defined not by its output but by its use. Tourism differs from many economic activities in that it made use of a diverse range of facilities across a large number of industrial sectors. As a result it is not possible to identify tourism as a single industry in the national accounts, so that its value to the economy is not revealed. Industries defined in national accounts, such air transport, hotels and restaurants, etc produce the same output irrespective of whether it is consumed by tourists or non tourists. While the total output of these industries is usually captured by the national accounts, it is only the consumption by tourists that defines the tourism economy, e.g. the part of total value added attributed to tourism activities.

4. Methodology

Total survey was completed during the period of 21st may to 10th June, 2013. Both Demand and Supply sides were considered for the survey. For handling demand side Face-to-Face interviews were conducted. In all 3760 households were surveyed for collecting information particularly on Domestic and Outbound tourism. Both Urban and Rural strata were captured. This sample size was proportionately allocated to 153 PSUs. Such PSUs were taken as subsample from HIES 2010using PPS. Semi structured Questionnaire was administered for collecting necessary data. XIV

In order to capture scenarios of "Inbound" and "Outbound" tourism, foreign tourists and departing Bangladesh nationals (in all 618+723) were interviewed using a semi structured questionnaire. For such purpose three Airports namely, Hazrat Shahjalal International Airport, Shah Amanat Airport and Osmani International Airport and 9 Land Ports were selected. For exposing supply side scenarios several surveys were conducted with selected establishments namely, Travel Agents, Hajj Agents, Tour Operators, Liquor House and Resorts. Secondary data using checklist covering various dimensions were collected for the financial year 2011-12. Altogether 150 Establishments were randomly chosen and surveyed. In addition to this, secondary data were also collected from published reports namely; reports of Hotel & Restaurant survey, Transport survey, Recreation survey, Wholesaler & Retailer survey, and National accounts statistics compiled by Bangladesh Bureau of Statistics.

Simple statistical tools have been used to reflect the scenario of tourism and its importance in Bangladesh economy. We have made a comparative assessment of tourism by its forms in terms of their contributions to the economy. We have created scores for different Characteristic Products and Connected Products of tourism demand in Bangladesh. In order to assess the relative importance of forms of tourism for boosting up economic activities we have created indexes based on scores. The scores have been created in the following manner.

Scores for Tourism Characteristic Products

For each individual respondent, out of Total scores = 100, a particular characteristic product gets a score according to its position in total expenditures on all characteristic products. For example, if the characteristic product Accommodation captures 5% of total expenditure of all characteristic products for a particular respondent, then score of that respondent for accommodation is equal to 5. This way we have created scores for every respondent for every type of product.

Estimation Techniques

Foundation Ideas

Tourism, defined as the activities undertaken by visitors, generates directly and indirectly an increase in economic activity in due to demand for goods and services that need to be produced and provided.

The direct effects refer to immediate effects of the additional demand (tourism internal consumption or total tourism internal demand) on production processes and supply of goods and services in terms of additional goods and services, and additional value added and its components. Indirect effects of tourism consumption on other industries is due to the linkages of industries serving tourism to other industries that supply tourism with intermediate inputs and capital goods, and then with the linkages of these industries with others that supply them, and so on. All these effects generate additional value added, employment, compensation of employees, taxes, income, etc.

Direct and Indirect contributions of Tourists

(a) Models based on Input-output analysis

An input-output table is a widely used matrix framework to supply detailed and coherently arranged information on the flow of goods and services and on the structure of production costs.

By using an input-output table, it is possible to express the technical relationship between output by product or activity (at basic price) and intermediate consumption (at purchasers price) by product or activity as a technical coefficient, and establish a matrix of technical coefficients in which each cell represents the required value of input i for the production of 1 unit value of output j.

(b) Computable general equilibrium models (CGEM)

Computable general equilibrium models are designed to relax some of the constraints inherent in input output models particularly price variation constraints. With these types of models, the supply and use table compiled for a given year represents a situation of equilibrium between the different variables of the system. Tourism generates changes in some of the variables, and the model computes a new equilibrium situation under the conditions imposed by the vector of tourism demand and the relationships that exist between the different variables of the supply and use table. These relationships are modeled.

Multiplier Analysis
Input Output Technique

$$Y_i = Y_{i1}+Y_{i2}+Y_{i3}+.............+Y_{ik}+F_i$$
$$= \sum Y_{ij}+F_i$$
$$Y_{ij} = a_{ij}\, Y_j$$
$$Y = AY+F$$
$$Y = (I-A)^{-1}\, F,\ F \text{ is the vector of final demand.}$$

Total of each column of the matrix gives direct and indirect effects of unit increase of final demand of that sector. It is the coefficient of multiplier of outputs.

Direct and Indirect impact of tourism is obtained by multiplying Leontief's inverse by tourism demand vector. The tourism expenditure vector is obtained as proportion of tourism expenditure of each industry out of total of that industry. Column sum gives multiplier effect due to tourism expenditures of each industry. This can be done separately for Inbound, Domestic and Outbound tourism. Sum over column sums gives multiplier effect due to tourism expenditure.

5. Results and Analysis
Domestic level tourism scenario

For domestic tourism scenario, Household level survey was conducted. In all, 21% households appear to have travelers who fall under the realm of tourism during last one year. About 25% of urban households and about 13% of rural households had some kind of tourists during last one year. As revealed from survey findings, household tourists performed tour for various reasons. For example, while about 12% had business purpose, another about 12% had schooling/training purpose and about 11% had shopping purpose. Majority of household level tourists used Bus (about 47%) as their main means of transport to reach the destination. While hotels were the main place of stay about (56%), on the average a tourist spent 2 nights during their tour. On the average a household level tourist spent Tk. 4177 for the whole tour. There is remarkable domestic demand for Tourism Characteristic Products. Per capita expenditure during a trip is Tk.598 on "accommodation", Tk. 600 on "food", Tk. 648 on "Transportation" and Tk.928 on "Recreation". Per capita expenditure per trip appears to be the highest on Tourism XV Connected Product namely, "Health Ground"- Tk.8,499 and the remaining expenditure goes to other types of goods and services.

Inbound Tourism Scenario
(Foreign National and Non-Resident Bangladeshi)

Although the study was in a limited form, one spectacular thing has emerged that substantial number of foreign tourists visit Bangladesh. During 2011-12 altogether 8,92,135 inbound tourist visited Bangladesh of which 64% (5,73,103) were Foreign Nationals and

36% (3,19,032) were Non-Resident Bangladeshi. Average number of nights spent by a foreign tourist is 6. Total expenditure of "Inbound" tourists on Tourism Characteristic Product in quite high. For example, estimated blownup expenditure on "Accommodation" is Tk. 18362 million, on "food & beverage" Tk. 6800 million, on transports Tk.3150million and on "entertainment" inbound tourists spent substantial amount, Tk. 5692 million. Remaining are other expenses

Outbound Tourism Scenario

Pre-Trip Outbound Expenditure

Total blownup expenditure of outbound tourists on tourism connected product like "accommodation" is Tk. 1439 million, on "food & beverage" Tk. 1297 million, on "transports (air, water, land)" Tk. 2145million and on entertainment outbound tourists spent substantial amount - Tk. 1007 million. Expenditure of outbound tourist on tourism connected products is also high. For example, on shopping outbound tourist spent TK. 15885million as per estimates. Blownup estimate of total Pre-trip outbound expenditure is TK. 106,327 Mil. BDT.

Outbound Expenditure Abroad

Total blownup expenditure of outbound tourists on "accommodation" is Tk. 25177 million, on "food & beverage" Tk. 21912 million, on "transports" Tk. 4752 million and on entertainment outbound tourists spent substantial amount - Tk. 8455 million. Expenditure of outbound tourist on tourism connected products is also high. For example, on shopping outbound tourist spent TK. 19353 million as per estimates.

Tourism Internal

Scenario of Tourism Internal which is the sum of Inbound, Domestic and Pre-trip part of Outbound trip in Bangladesh is quite promising. There is huge demand for both "Tourism characteristic products" and "Tourism connected products". During 2011-12, demand for "accommodation services" was Tk. 20,031 million and on "food & beverage" it was Tk. 10,636 million and on "transport" also high demand was there, Tk.8,366 million. Similarly, for XVI "entertainment" also there was huge demand, Tk.10626 million. If we consider Tourism connected products, there were also enormous demands. For example, cost for "shopping" was Tk.69116 million and for "Travel Agents" it was Tk. 13883 million. Survey findings indicate that posthumous development of Tourism sector will provide enormous contribution to the economy of Bangladesh.

Establishment Survey Outcomes

Among 5 categories of Establishments surveyed, Hajj Agents, Tour operator and Travel Agencies appear to be better-off than other two in terms of value Added. Gross output of Travel Agents is Tk. 5229 million and that of Tour operators is Tk. 4,262 million. In respect of Gross output, Hajj Agencies appear to be lot better-off having Gross output equal to Tk. 35,066 million.

The actual estimates of contributions of tourism can be assumed to be much more because, we have collected retrospective information for the year 2011-2012 for Domestic Tourism. Moreover, a wider domestic survey would reveal more facts about tourism in Bangladesh. Another point is worth mentioning that tourism activities rise along with rise in income. HIES-2010 report shows such rise in per capita income compared to that of 2005. Thus, we can firmly believe that tourism activities have an increasing trend in Bangladesh. Survey outcomes collectively prompt us to state that creating vibrations to this sector will make it vivacious and the sector will keep enormous contributions for Bangladesh Economy through harnessing the untapped promising potentials. It is also felt that promoting accessibility to tourism for all population groups will enable to cherish much more benefits from the sector for bringing dynamic changes in the economy.

Table 1: Total Tourism Expenditures by Forms of Tourism (Incorporating Pre-Trip Expenditure of Outbound Tourist) (Mil BDT)

Indicator	Inbound tourism consumption	Domestic tourism consumption	Outbound tourism consumption	Total tourism consumption
Tourism characteristics Products :				
Accommodation services	18362	2530	1439	22331
Food and Beverages	6800	2539	1297	10636
Airways		1657	239	1896
Waterway		146	290	436
Railway		510	872	1382
Bus/Taxi etc		837	744	1581
Total Transport Cost	**3150**	**3377**	**2145**	**8672**
Entertainment Cost	5692	3927	1007	10626
International Ticket	-	-	59435	59435
Travel Agent and similar	-	-	12181	12181
Sub Total	**34004**	**12373**	**77504**	**123881**
Tourism connected products:				
Tour related purchase expenses in Bangladesh	5514	-	2501	8015
Purchase not related to tourism	5427	1659	871	7957
Minor	595	-	544	1139

Maintenance expenses locally				
Expense for Financial Service	286	-	533	819
Total monetary expenses made by others	272	-	359	631
ICT Expense	470	-	484	954
Health Related Cost	1077	35963	468	37508
Insurance Cost	0	0	5143	5143
Shopping Cost	53231	-	15885	69116
Others Cost	5489	389	2089	7967
Sub Total	**96119**	**38011**	**28877**	**163007**
Grand Total		**130123**		**50384**

Table 2: Tourism contribution in GDP	
VA from Trade Margin (mil BDT)	39866
VA from Transport margin (mil BDT)	29458
Total Tourism Value Added (mil BDT)	164514
Gross Domestic Product (mil BDT)	918144
Direct contribution of tourism in GDP (mil BDT)	1.79%
Tourism output multiplier	1.056
Direct and Indirect contribution of tourism in GDP (mil BDT)	1.89%

Table 2: Tourism contribution in Employment	
Direct Share of Tourism (%) in total job	3.79%
Tourism Employment Multiplier	1.065
Direct and Indirect Share of tourism	4.03%
Direct and Indirect share of Tourism in Total number of jobs	506660

Analysis of Results

It is a well-recognized fact that information on tourism is hidden (buried) in the National Accounts of an economy. TSA plays the role of supplementing national accounts with additional data on specific aspects of tourism. Demand and Supply side data are compiled to estimate direct share of tourism value added in GDP and employment. Based on the survey findings, direct contribution tourism value added to GDP is 1.79%. When multiplier effect is considered, the direct and indirect share of tourism comes out to be 1.89% of GDP. Although such a share cannot be considered to be very high, it definitely provides indication that tourism sector has potentialities of keeping massive contribution to the economy. So, it appears that a more will bring lot more economic base in terms of employment, contribution of tourism sector is still better. As the direct share, tourism accounts for 3.79% of total number of job and when indirect effect is included the share of tourism gets upto 4.03%. This implies that over 0.51 million jobs have been generated due to various tourism related activities in the economy. The result contained in the tables point out that improvement in tourism sector can make it very dynamic for keeping substantial contribution to boostup economic activities of Bangladesh it is also clear that an wider survey on a regular basis can provide a better insights about the massive contributions of tourism sector.

5. Conclusion

It is universally admitted that tourism statistics are too much scattered. Thus, it hinders the smooth collection of data which delays the entire process. This is truer in the case of Bangladesh. Whatever results so far obtained show very clearly that tourism sector has high demand for goods and services. It keeps enormous contributions in GDP, Value added and Employment. Present findings clearly demonstrate that there are tremendous potentials and possibilities for the tourism sector to contribute massively for achieving MDGs of economic sector of Bangladesh.

The results point to the fact that tourism is an important sector in the Bangladesh economy. Thus, it is imperative to prepare TSA regularly. In the household surveys, there is always a possibility of underestimation due to the recall problem. It can be further improved if the survey targets tourists while on trip. Data on the supply side of TSA has been taken from the National Accounts Statistics. For most of these industries, data are not readily available as it is required for TSA framework.

For TSA, passenger and transport services are disaggregated into road, air and water transport services. Within road transport, there are buses, other mechanized vehicles and non-mechanized vehicles. Disaggregated data on these transport are needed for TSA.

The Domestic Tourism Survey and International Passenger Survey were the first such attempt at the national level. These efforts have highlighted the areas where intensive work needs to be undertaken to compile systematic data on tourism. The report needs to be seen as a part of continuing efforts towards strengthening the Tourism statistical network within the country.

It has been estimated that Tourism has kept 1.79% direct contribution to GDP during 2011-12 and 1.89% is the direct & indirect contribution. In job creation also Tourism has kept substantial contribution. While 3.79% is the direct contribution of Tourism in job creation, 4.03% is the combined direct and indirect contribution.

It is very fervently expected that improvement in tourism sector in its various dimensions will enable to cherish dormant social and economic benefits. Keeping in view that Tourism sector is a very vital economic sector, constant changes in Tourism policies need to be reformed and restructured to make the sector more dynamic and flourishing. For accelerating pace of progress in various dimensions of Bangladesh Economy, tourism sector can work as a stimulant because of its links with various sectors of the Economy. It is imperative to ensure promotion of accessibility for all population groups of the country to tourism. It is of paramount importance to foster a tourism culture in the society. For this, tourism needs to be nurtured and made as an easily obtainable good to the people. Special care and attention are needed to attract Inbound Tourists which can enable to earn substantial foreign exchanges. It is expected that the findings of the present survey will knock at the mind of all concerned to warm up positive attitudes for flourishing the tourism sector which is a very immensely contributing sector of the Bangladesh economy.

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CUSTOMER SATISFACTION AND CUSTOMER LOYALTY IN PUBLIC AND PRIVATE SECTOR BANKS: A COMPARISON

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Abstract

The purpose of this paper is to examine the difference between public and new private sector banks regarding customer satisfaction and customer loyalty. It also studies the impact of customer satisfaction on customer loyalty for both public and new private sector banks and compares multiple regression models between public and new private sector banks. A cross-sectional research on 445 retail banking customers through questionnaire is conducted. Population of study is valued retail urban customers of banks in Rajasthan, India, who frequently visit bank premises for transactions, have accounts in at least two banks and have availed of at least one information technology based services. Responses are analysed using t-test and regression analyses. Results reveal that customer satisfaction and customer loyalty differ between public and new private sector banks. New private sector bank customers' mean score is found more than public sector bank customers. This study finding indicates that beta coefficient of customer satisfaction is more for public sector banks than private sector banks. This study has taken into account a specific category of retail banking customers. Thus, it limits generalization of results to other banking population. This study explains the importance of customer satisfaction for achieving customer loyalty for both public and new private sector banks. The paper underlines the importance of customer satisfaction for public and new private sector banks. It compares the multiple regression models for public and private sector banks.

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Key words

Customer Satisfaction, Customer Loyalty, Banks

1. Introduction

A paradigm shift has been taking place in Indian business. Customer has been the ultimate beneficiary of the inexorable progression of larger markets with more competition. At the same time, companies are facing it increasingly difficult to stop their lucrative customers from defecting. Banks, considered to be the backbone of every economy, are no exception in the delicate task of anticipating and fulfilling the needs of their customers. It is worthwhile to mention the role of retail banking in emerging economies due to the rapid advances in information technology, entry of new generation private sector banks and financial market reforms. The survival of banks depends on customer satisfaction.

Attracting a new customer is usually more costly than to retain a current customer. Thus, customer retention is more vital than customer attraction. Retention of customers requires their satisfaction and the delivery of services in the way they want. Customer satisfaction has impact on customer loyalty that further contributes in the economic success of the firm in terms of market share and profitability (Reichheld and Sasser, 1990).

After the deregulation and liberalization in 1991, the forces of competition have become fairly dominant in Indian banking system. The banking sector has witnessed increased competition among the three major participants, i.e. Indian public sector banks, Indian private sector banks and foreign banks. Foreign banks are far ahead than public and private sector banks in terms of profitability and quality of services given to customers leaving the competition primarily between public and private sector banks. Private sector banks comprises of old and new private sector banks. These new private sector banks have entered into the retail market with innovation and better technology and therefore, competition is between public sector banks and new private sector banks.

It is considered that there is need of a study examining the impact of customer satisfaction on customer loyalty for both public and new private sector banks. As there is competition between public sector banks and new private sector banks, it is also found essential to study the difference between public sector and new private sector banks with reference to customer satisfaction and customer loyalty.

With this backdrop, the objectives of this study are twofold

- To find out the difference between public and new private sector banks regarding customer satisfaction and customer loyalty.
- To study the impact of customer satisfaction on customer loyalty for both public and new private sector banks.
- To compare multiple regression models between public and new private sector banks.

The remainder of the paper is organized as follows: the next section highlights the literature review followed by research methodology. Finally, results and discussion of analysis are presented followed by managerial implications.

2. Literature Review

2.1 Customer Satisfaction

Customer satisfaction is a key result of marketing activity because it serves as a link between the various stages of consumer buying behaviour. For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase (East, 1997). A study conducted by Levesque and McDougall (1996) confirmed that unsatisfactory customer service leads to a decline in customer satisfaction and aversion to recommend the service to a friend. This would lead to an increase in the rate of switching by customers. The bottom line is that organizations will always be attentive to maximizing profits and their success will be determined by how they manage customer relationships. A study found that a 5 per cent increase in customer retention resulted in more than 25 per cent increase in profits in a number of service industry groups studied (Reicheld and Sasser, 1990). Loyal customers benefit businesses by forwarding positive image of company. Studies have also revealed that repeat customers are more likely to be loyal to the business. Because of the dynamic role of customer satisfaction, a great amount of research has been conducted to investigate how customers form judgments about a service experience.

2.2 Customer Loyalty

Loyalty is a deeply held commitment to re-buy or repatronise a preferred product consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviours (Oliver, 1997). Customer loyalty is defined as repeated purchasing and referring a company to other customers (Heskett et al., 1997), generating positive and measurable financial results (Duffy, 2003). Customer loyalty is concerned with the likelihood of customer returning, making business referrals, providing strong word-of-mouth references and publicity (Bowen and Shoemaker, 1998). It is a situation when repeat purchase behaviour is accompanied by a psychological bond (Chadha and Kapoor, 2009).

3. Hypotheses

Prerequisite of loyalty is satisfaction. A dissatisfied customer can't make repeat purchase. Satisfaction is a necessary prerequisite for loyalty but is not sufficient on its own to automatically lead to repeat purchases or brand loyalty (Bloemer and Kasper, 1995). A dissatisfied customer is more likely to search for information on alternatives and more likely to yield to competitor overtures than is a satisfied customer (Anderson and Srinivasan, 2003). Fornell et al. (1996) stated that increased customers satisfaction also increases brand loyalty in terms of repurchase likelihood and price tolerance given repurchase. Shoemaker and Lewis (1999) found a weak link between customer satisfaction and brand loyalty in the casino industry. According to Heskett et al. (1997) only 100% of satisfied customers become truly brand loyal and have relatively high repurchase rates. In addition, Bowen and Chen (2001) stated that customers must be extremely satisfied to show brand loyalty. Bedi (2010) carried out study to test for a relationship between overall customer satisfaction and customer behaviour intentions (propensity to recommend and switching intention) across private sector banks and public sector banks in India. Higher overall satisfaction was associated with higher propensity to recommend whereas lower with switching intention.

Customers' satisfaction promotes loyalty in terms of patronage and repeat purchase (Mittal and Kamakura, 2001). A study conducted by Chadha and Kapoor (2009) on Indian cellular providers found that customer satisfaction is the best predictor of customer loyalty. A study conducted by Lenka et al. (2009) on Indian banking sector showed that satisfied customers are loyal and hence tend to choose the same service providers.

Bedi (2010) conducted study on Indian banking sector and found that customer satisfaction and loyalty for private sector banks are found to be more than public sector banks. Kaura (2013) found significant difference in beta coefficient between Indian public and private sector banks regarding employee behavior, decision convenience, access convenience and post-benefit convenience.

Hence, this study proposes following hypotheses:

H1: Customer satisfaction has a positive impact on customer loyalty.
H2: Mean score of customer satisfaction and customer loyalty is more for private sector bank customers as compared to public sector bank customers.
H3: There is significant difference in Beta coefficient between public and private sector banks.

4. Methodology

4.1 Population and sample of study

The urban customers of retail banking in both public and new private sector banks in Rajasthan were/have been chosen for the present study. These customers fulfill the following criteria:

Frequent visits in bank premises for transactions: Since all bank customers may not possess sufficient knowledge of various banking operations, only those customers who frequently visit banking premises for transactions are considered suitable for study. The present study considers at least two bank visits of customers in a month.

The maintenance of accounts in at least two banks: As the objective of the present study is to compare public and new private sector banks in terms of service convenience, customers who have accounts in at least two banks are considered for the study so as to draw credible conclusions from the comparisons.

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Subscription to at least one IT based service (ATM facility, mobile banking, internet banking): Customers who are subscribing and using at least one IT based service are considered for the study

Valued customers: This study considers the following criteria for customers to be considered as valued customers.

Those who are customers of banks as part of the social responsibility criterion of the government [student account / Below Poverty Line (BPL) account / National Rural Employment Guarantee Act (NREGA) account] or beneficiaries of the welfare oriented schemes of the government have been kept outside the purview of the present study.

According to bank officials, top valued customers do not visit bank premises as they are provided services at their doorstep or their assistants do the banking on their behalf. These customers are high net worth customers of banks. That is the primary reason of their being kept outside the present study. The way, top valued customers are dropped from the study, the bottom layer of valued customers are also dropped from study.

The customers who maintain a minimum average balance of Rs. 1,00,000 in their accounts in terms of deposit or who have availed themselves of a loan of at least Rs. 1,00,000 are part of this study. They have a "law abiding spirit" as well. The customers who have a "law abiding spirit" are not defaulters and follow all rules and regulations of banks. The prerequisite of a valued customer is a "law abiding spirit".

This study is conducted in the state of Rajasthan. Bikaner, Sri Ganganagar, Alwar and Udaipur from West, North, East and Southern region of Rajasthan ensures representativeness of the entire state.

The State Bank of India (SBI) and its associate banks, nationalized banks and new private sector banks are selected for the study. For the selection of banks, the judgment criterion is the number of functioning branches of banks in Rajasthan. The top three banks with reference to the number of functioning branches in Rajasthan are considered from the perspective of both public and new private sector banks. Survey instruments were administered personally and 486 customers were contacted. Out of these questionnaires, 41 were rejected because of missing data or high response bias, and this left an overall sample size of 445. Out of the total acceptable sample (445), 234 respondents were from public sector banks and 211 were from new private sector banks. The respondents were selected from public and new private sector banks through quota sampling. Quotas were based on public and new private sector banks. Within the quota, customers were selected on the basis of purposive sampling.

4.2 Measure

Customer satisfaction was measured using a three item scale developed by Cronin et al. (2000). Customer loyalty was measured using a five item scale developed by Zeithaml et al. (1996).

5. Results

5.1 Demographics

Table I shows the demographic profile of respondents.

The majority of respondents (42%) were in '36-45' age category followed by '46-55' age category (26.3%) for overall banking sector. For public sector banks, (37.6%) customers were in '46-55' age category followed by '36-45' age category (29.5%). For new private sector banks (46.92%) customers were in '36-45' age category followed by '46-55' age category (22.75 %). Age variation is found between public and new private sector banks.

Regarding education, the majority of respondents possessed a master's degree (52.58%) followed by graduation (17.30%) for the overall banking sector. For public sector banks, (58.55%) customers possessed a Master's degree followed by intermediate (13.25%). For new private sector banks (45.97%) respondents were possessing Master's degree followed by graduation (22.75 %).

Regarding employment, (36.63%) respondents had private jobs followed by public sector jobs (35.06%) for the overall banking sector. For public sector banks, (50%) customers had public sector jobs followed by private sector jobs (32.05%). For new private sector banks (42.18%) respondents were self-employed followed by private sector job (40.76%). Variation can be seen in employment between public and new private sector banks.

Regarding years of transaction with the bank, 67.64% respondents had more than 3 years of transaction with banks followed by 3 or less years of transaction with the bank (32.36%) for overall banking sector. For public sector banks, (81.20%) respondents had more than 3 years of transaction with the bank followed by 3 years or less years transaction with bank (18.80%). For new private sector banks (52.61%) respondents had 3 or less years of transaction with the bank followed by more than 3 years of transaction with the bank (47.39%). There is a variation between public and new private sector bank customers regarding years of transaction with bank.

Regarding income, (48.76%) respondents were in the category of 'More than Rs. 40,000 per month' followed by '21,000-40,000' category (34.61%) for the overall banking sector. For public sector banks, (46.15%) customers were in the category of 'More than Rs. 40,000 per month' followed by '21,000-40,000' category (35.05%). For new private sector banks (51.66%) respondents were in the category of 'More than Rs. 40,000 per month' followed by '21,000-40,000' category (34.12%).

Regarding gender, 92.36% of the respondents were male, followed by 7.64% females for the overall banking sector. For public sector banks, 89.74% of the respondents were male followed by 10.26% females. For new private sector banks, 95.26% of the respondents were males followed by 4.74% females.

The data is skewed towards educated males in the '36-45' age category who have more than 3 years of transaction with the bank, and who earn more than Rs. 40,000 per month.

See Table I

The normality condition of data is checked before using data for analysis. The data fulfills the normality condition. The acceptable range for normality is skewness and kurtosis lying between -1 to 1 (Chan, 2003). According to Hair et al. (2009), for sample size less than 30, significant departures from normality can have substantial impact on results. But, for sample size of more than 200, this effect may be avoided, unless they are violating other assumptions. On the basis of reviewed literature, the data fulfills normality and other assumptions and can be used for analysis.

5.2 Exploratory factor analysis

Table II and Table III show correlation matrix of customer satisfaction and customer loyalty scale. Investigation of correlation matrix reveals that correlation of the variables that measure an identical conception is high and confirms convergent validity.

See Table II and Table III

In order to check the appropriateness of factor analysis, Kaiser Meyer Olkin (KMO) and Bartlett's test are used. KMO value is greater than 0.5 and the significance level for Bartlett's test value is 0.000 which shows that the value is significant at 1 per cent level of significance, therefore it is appropriate to apply factor analysis.

Factor analysis is performed on three items of customer satisfaction and five items of customer loyalty scale. The principal component method is used to extract factors with an initial setting for Eigen values greater than 1.0. Orthogonal rotation (Varimax) is applied to reduce potential multi-collinearity among the items. Factor analysis for customer satisfaction resulted in one factor and confirmed original scale. The factor had an Eigen value of 2.49 and explained 83.00 per cent of variance. The items in this factor are CS2, CS1 and CS3. High loading on same factor (more than .8) confirms convergent validity. Table IV shows factor analysis result of this scale.

See Table IV

Factor analysis on five items of customer loyalty scale resulted in one factor and confirmed original scale. The factor had an Eigen value of 4.11 and explained 82.22 per cent of variance. The items loaded on this scale are CL1, CL2, CL5, CL3 and CL4. High loading on same factor (more than .8) confirms convergent validity. Table V represents the summary of factor analysis result of this scale.

See Table V

To check reliability of scale, Cronbach alpha test is used. Table VI shows the results of reliability analysis for customer satisfaction.

See Table VI

Cronbach alpha for customer satisfaction is .89. The values in column labeled 'Corrected item-total correlation' are all above .3. Deleting one item 'CS3' would increase Cronbach alpha from .89 to .90. Nevertheless, this increase is not dramatic and overall Cronbach alpha is already good. This is the reason that this item is not deleted.

Cronbach alpha for customer loyalty is .94. The values in column labeled 'Corrected item-total correlation' are all above .3. Cronbach alpha would not increase if any item is deleted from analysis (Table VII).

See Table VII

5.3 Differences between Public and Private Sector Banks

Results reveal that mean score for satisfaction is more for private sector banks than public sector banks (Table VIII). The mean score for private sector banks (M=3.74) was significantly greater than the public sector banks (M=3.38) at 1% significant level (t= -3.819, p<.01). Findings related to customer loyalty revealed that the mean score for private sector banks (M=3.94) is significantly greater than the public sector banks (M=3.70) at 1% significant level. (t= -3.169, p<.01).

See Table VIII

5.4 Correlation analysis

The results of correlation analysis for the public sector banks and private sector banks are presented in table IX and table X. Preliminary analysis reveals that correlation between two variables is significant at 0.01 level for both public and private sector banks.

See Table IX and X

5.5 Regression analysis and comparison of regression coefficients

The results of correlation and regression analysis for the public sector banks and private sector banks are presented in table XI and table XII. Table XIII indicates comparison of regression coefficients between public and private sector banks.

R^2 is equal to .605 and indicates that customer satisfaction account for 60.5% variance in customer loyalty for public sector banks. F-statistic is 355.91, which is significant at 1% significance level. Therefore, the model can be said good overall.

See Table XI

R^2 is equal to .419 and indicates that customer satisfaction accounts for 41.9% variance in customer loyalty for private sector banks. F-statistic is 150.610, which is significant at 1% significance level. Therefore, the model can be said good overall.

See Table XII

The results show that customer satisfaction has a positive impact on customer loyalty for public sector banks (β=.778, t=18.86, p<.01) and private sector banks (β=.647, t=12.27, p<.01). Beta coefficient for customer satisfaction is found more for public sector banks than private sector banks. The beta coefficient for public sector banks (.778) is significantly greater than private sector banks (.647) at 1% significant level (z= 2.45, p<.05).

See Table XIII

6. Discussion

Customer satisfaction and customer loyalty are found more for private sector banks than public sector banks. Private sector banks have to penetrate in the market and for this they are not leaving any stone unturned to satisfy their customers. Their main aim is to satisfy customers and to operate at no complaints level. They are using latest technology to provide value added services and having improved infrastructure to serve customers better. In this way they are offering better service quality than public sector banks and contributing in better customer satisfaction. Private sector bank employees are empowered to make decisions to satisfy their customers. Their strategy of not using cash withdrawal slip and cash withdrawal through only ATM and cheque, attending high net worth customers at their door step, giving special treatment to retired persons and female customers help in satisfying different type of customers. Through these strategies, private sector bank employees serve their customers in better way.

Private sector bank customers are overwhelmed with the services, personal attention and convenience given by banks. Therefore, they say positive things about their bank to other people, recommend bank to others and encourage friends and relatives to do business with their bank. Public sector bank customers are generally found criticizing their bank for delay in services, non-availability and misbehaviour of staff, lengthy queue etc. in this way private sector bank customers show more loyalty for their bank as compared to public sector bank customers.

Customer satisfaction has impact on customer loyalty for both public and private sector banks. This result is consistent with previous research findings. Bedi (2010) found that higher overall satisfaction was associated with higher propensity to recommend the service to others for public and private sector banks. It is found that beta coefficient for customer satisfaction is more for public sector banks than private sector banks. It indicates that if public sector bank customers are satisfied then they will exhibit more loyalty and do more business with their bank in future than private sector bank customers.

7. Conclusion

This study explains the importance of customer satisfaction for achieving customer loyalty for both public and private sector banks. The relationship between bank and customer is not a one-time, but a relatively permanent and enduring one. Sustaining customers require customer satisfaction. In this era of cut throat competition, when customers have many options to choose, then customer satisfaction is the main strategy to retain customers. This study finds out the difference between public and private sector banks regarding customer satisfaction and customer loyalty. Moreover, it also compares the regression coefficients between public and private sector banks. For bank professionals, this study explains the importance of satisfying customers for public and private sector banks.

There are certain limitations of the study that must be acknowledged. Study is conducted in the capital of Rajasthan. Therefore, caution must be exercised in generalising the findings. This study has taken into account valued customers who visit bank premises frequently and have accounts in at least two different banks. These customers are availing themselves of at least one information technology based service as well. Thus, it limits generalization of results to other banking population. A comparative study may be required to be carried out to know the drivers of customer satisfaction separately for public and new private sector banks.

Table I: Demographic Profile of Public Sector and New Private Sector Bank Customers

		Public sector bank		New Private sector bank	
		Number	%	Number	%
Age	25 years or less	9	3.8	28	13.27
	26-35	38	16.3	31	14.69
	36-45	69	29.5	99	46.92
	46-55	88	37.6	48	22.75
	56 and above	30	12.8	5	2.37
	Total	234	100	211	100
Education	High school	20	8.55	15	7.11
	Intermediate	31	13.25	23	10.90
	Graduation	29	12.39	48	22.75
	Master's degree	137	58.55	97	45.97
	Others	17	7.26	28	13.27
	Total	234	100	211	100
Employment	Public	117	50	36	17.06
	Private	75	32.05	86	40.76
	Self-employed	42	17.95	89	42.18
	Total	234	100	211	100
Years of transaction with this bank	3 years or less	44	18.80	111	52.61
	More than 3 years	190	81.20	100	47.39
	Total	234	100	211	100
Income per month	Rs. 20, 000 or less	44	18.80	30	14.22
	21,000-40,000	82	35.05	72	34.12
	More than Rs. 40,000	108	46.15	109	51.66
	Total	234	100	211	100
Gender	Male	210	89.74	201	95.26
	Female	24	10.26	10	4.74
	Total	234	100	211	100

Source: Own processed

Table II: Correlation Analysis of Customer Satisfaction Scale Items

	CS1	CS2	CS3
CS1	1		
CS2	.823**	1	
CS3	.661**	.748**	1

** Significant at the 0.01 level

Table III: Correlation Analysis of Customer Loyalty Scale Items

	CL1	CL2	CL3	CL4	CL5
CL1	1				
CL2	.845**	1			
CL3	.792**	.782**	1		
CL4	.752**	.746**	.669**	1	
CL5	.857**	.813**	.784**	.727**	1

** Significant at the 0.01 level

Table IV: Exploratory Factor Analysis for Customer Satisfaction Scale

Variable	Loading
CS2	.944
CS1	.911
CS3	.878
Eigen value	2.49
Percent of variance	83.00
Total variance explained	83.00

Table V: A Summary of Factor Analysis for Customer Loyalty Scale

Variable	Loading
CL1	.939
CL2	.925
CL5	.924
CL3	.888
CL4	.856
Eigen value	4.11
Percent of variance	82.22
Total variance explained	82.22

Table VI: Reliability Analysis of Customer Satisfaction Scale

	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total correlation	Squared multiple correlation	Cronbach alpha if item deleted
CS1	7.16	4.085	.794	.682	.856
CS2	7.15	4.131	.864	.752	.795
CS3	7.02	4.572	.737	.566	.902
Cronbach alpha=.897					

Table VII: Reliability Analysis of Customer Loyalty Scale

	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total correlation	Squared multiple correlation	Cronbach alpha if item deleted
CL1	15.31	10.436	.898	.817	.923
CL2	15.32	10.547	.878	.775	.927
CL3	15.25	10.580	.823	.693	.937
CL4	15.22	10.603	.780	.619	.945
CL5	15.19	10.668	.876	.782	.927
Cronbach alpha=.945					

Table VIII: Independent Sample t-test Results

Variables	Group	N	Mean	SD	Std. Error Mean	t-test	Sig (2-tailed)
Customer satisfaction							
CS	Public	234	3.385	1.0051	.0657	-3.819**	.000
	Private	211	3.744	.9763	.0672		
Customer loyalty							
CL	Public	234	3.701	.8162	.0534	-3.169**	.002
	Private	211	3.941	.7795	.0537		

** Significant at the 0.01 level

Table IX: Correlation Analysis between Customer Satisfaction and Customer Loyalty for Public Sector Banks

	CL
CS	.778**

** Significant at the 0.01 level

Table X: Correlation Analysis between Customer Satisfaction and Customer Loyalty for Private Sector Banks

	CL
CS	.647**

** Significant at the 0.01 level

Table XI: Regression Analysis Results for the Public Sector Banks

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.562	.118		13.215**	.000
CS	.632	.033	.778	18.866**	.000
R	.778				
R^2	.605				
Adjusted R^2	.604				
F	355.914**				.000

** Significant at the 0.01 level
Dependent Variable: CL

Table XII: Regression Analysis Results for the Private Sector Banks

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.007	.163		12.321**	.000
CS	.517	.042	.647	12.272**	.000
R	.647				
R^2	.419				
Adjusted R^2	.416				
F	150.610**				.000

** Significant at the 0.01 level
Dependent Variable: CL

Table XIII: Comparison of regression coefficients between public and private sector banks

	Public sector banks		Private sector banks		
	Beta	Std. Error	Beta	Std. Error	z
CS	0.778	0.033	0.647	0.042	2.45*

* Significant at the 0.05 level

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Relevance of Labour Reforms in India – An Overview

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Abstract

India is a large democratic country with a huge population of young generation. In 1990's India has gone for liberalization and removed all the barriers like licenses, permits etc to promote investors and to create more employment to the people. In the beginning, the employment increased to an extent and in recent times it is at its lowest level. Despite of these reforms, young population and increased literacy, the job employment has not increased to the expected level. This paper highlights various issues that obstruct the growth of manufacturing sector and offers several workable approaches to address the issue. Healthy and robust manufacturing sector is inevitable for the employment rate to increase, exports to increase and the livelihood to increase. In the light of the researches done by many people in this area, the paper studies the various factors that led to this situation. The major one that was found mere responsible for this is the rigidity of the labour laws because of which the investors are not willing to employ more people despite of demand for their products. Instead they prefer automation or mechanisation. This automation or mechanization is affecting the creation and growth of employment in the manufacturing sector. This paper studies the situation prevailing in India and suggests various solutions for the creation of more jobs in India.

Key words

Manufacturing sector, Labour Reforms, Trade Unions, Industrial sector, SEZ (Special Economic Zones)

1. Introduction

The share of services has increased tremendously and due to the good monsoons the share of agriculture has been good in recent years (OECD, 2007). Within industrial sector, manufacturing played an important role in countries economies and its weight is 79.3 per cent out of total industrial sector in 2004-05 (Economic Survey, 2004-05). Indian manufacturing sector constituted nearly one fifth of the economy employing nearly

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1.8 million people in the organized sector contributing more than 75 percent India's export (WTI, 2003). Kumar and Pradhan (2007) observed that Indian manufacturing has not changed significantly with three-fifths of manufacturing value added still contributed by low- and medium – low technology intensive industries. For decades, the Union government has not been able to make a case to make labour markets more flexible due to several bottlenecks: trade union resistance, problematic legal drafting of amendments, tendency of the Union government to pass the buck on to States, passing reforms through small enclaves, or problems with inspections (Debroy, 2011). In fact, contribution of manufacturing to GDP for 2010 is higher from countries like Thailand (36%), Malaysia (25 %) and Indonesia (25%) than India (15%) (World Bank Data). While the state-led import substitution policy framework helped create a diversified manufacturing sector, industrial stagnation since the mid-1960s – increasingly blamed on the policy framework – led to some marginal efforts aimed at liberalizing these regimes in the late 1970s and early-1980s (Ahluwalia 1987, 1991).

Ahluwalia (1991), Goldar (1986, 2000, 2004), Kumar (2002), Aggarwal and Kumar (1991), Balakrishnan and Pushpangadan (1994), Rao (1996), Gangopadhyaya and Wadhwa (1998), Unel (2003), Trivedi et.al. (2000), TSL (2003), had measured the productivity trends, employment trends and growth of Indian organized manufacturing sector during the post independence period.

Balakrishnan and Suresh Babu (2003) found the growth rate of labour productivity and employment in the nineties has risen as compare to eighties. Some of the indicators of their study do commensurate with the findings of Unel (2003) and Gangopadhyay and Wadhwa (1998). But Goldar (2004) finds a deceleration growth in Indian manufacturing during post-reform periods as compared to pre-reform period. Goldar (2004) study also finds a negative employment growth in Indian organized manufacturing sector after 1997-98. The study by Bidhe and Kalirajan (2004) also shows a slow growth rate of employment in organized manufacturing sector in post-reform period as compare to pre-reform period.

1.1 The Signals of Poor Economic Conditions

1.1.1 Rural Poverty

Despite the official poverty rate having steadily decreased over time from 51.3 percent in 1978 to 27.5 percent in 20051 (NSSO 2007a), 75 percent of the poor are in rural areas, with most of them being daily wagers, self-employed householders and landless labourers. Furthermore, statistics on food (NSSO 2007b) indicate a reduction in per-capita food availability: The consumption of food grains, for example, felt from 473 grams per day in 1990 to 422 grams in 2005.

1.1.2. Wide Gap between Rich and Poor

Numerous researches demonstrated that the growth pattern of India has widened the gap between rich and poor states in terms of per capita income (Ahulalia 2000; Bhattacharya and Sakthivel 2004; Purfield 2006; Kochhar et al. 2006) and that economic backwardness persists in landlocked states with a predominant agricultural sector (Alessandrini, Buccellato and Scaramozzino 2008). India's slum-dwelling population had risen from 27.9 million in 1981 to 61.8 million in 2001 (NSSO 2003).

2. Characteristics of the Indian Manufacturing Sector

An enterprise is unorganised if it uses power and employs fewer than 10 people or does not use power and employs fewer than 20 people (Debroy, 2012). Scavengers, loaders and unloaders also belong to this category (Planning Commission, 2001). As Panagariya (2008) shows the moment a manufacturing unit exceeds a certain size it is subjected to a whole lot of regulations. Kochhar et al. (2006) compare the average size of establishments, as measured by valued added per establishment, in India with the average size of the manufacturing sector as a whole and for the nine largest industries in the emerging market countries.

The table I reflects the employment percentage and the percentage of the factories in India and China comparatively.

Table 1: Size Distribution in the Formal Manufacturing Sector: China and India

S. No.	Employment Interval	China		India	
		Designated Size and Above		Registered Manufacturing	
		% Firms	% Employment	% Factories	% Employment
1	0 – 49	25.0	3.3	76.8	20.5
2	50 – 99	26.2	8.2	10.7	11.7
3	100 – 199	23.0	14.2	6.1	12.8
4	200 – 499	17.3	23.3	4.0	17.2
5	500 – 999	5.3	15.9	1.5	12.2
6	1000 – 1999	2.0	12.2	0.6	8.4
7	2000 – 4999	0.9	12.1	0.3	8.3
8	5000 and above	0.2	10.8	0.1	9.0

Source: Van Ark et al. (2009)

From the above table it is clearly evident that the number of factories with employees more than 5000 is very limited compared to that of China.

2.1 Skill Intensive Sectors

Another peculiar feature of the India's manufacturing is it is highly skill intensive than the any other economy with a similar level of development (Panagariya (2004) and Kochhar et al. (2006)). Panagariya (2004) argues that reforms have been unable to provide an impetus to the labor-intensive manufacturing industries in India and exports of labor intensive-industries have not grown rapidly. Kochhar et al. (2006) show that the composition of the Indian manufacturing sector is inclined towards the skill intensive sector. Unlike the East Asian economies, India failed to draw employment from agriculture into manufacturing in any significant magnitude (Kochhar et al, 2006) (Table 2).

Table 2. Sectoral Employment as % of Total Employment

S.No	Country	Agriculture			Industry			Services		
		1980	2000	2007	1980	2000	2007	1980	2000	2007
1	India	68.1	59.3	50.2*	13.9	18.2	20.4*	18.6	22.4	29.4*
2	Brazil	29.3	24.2	19.0	24.7	19.3	21.0	46.1	56.5	59.0
3	China	68.7	46.9	44.0	18.2	23.0	18.0	11.7	29.9	16.0
4	Indonesia	55.9	45.3	41.0	13.2	17.3	19.0	30.2	37.3	40.0
5	Korea	34.0	10.9	7.0	29.0	28.0	26.0	37.0	61.0	67.0
6	Malaysia	37.2	18.4	15.0	24.1	32.2	29.0	38.7	49.5	57.0
7	Mexico	23.5	17.5	14.0	26.5	26.9	26.0	49.0	55.2	60.0
8	Thailand	70.8	48.8	42.0	10.3	19.0	21.0	18.9	32.2	37.0
9	Turkey	43.0	34.5	26.0	34.9	24.5	26.0	22.1	40.9	48.0
10	Low Income	74.6	64.5	N.A.	8.7	12.3	N.A.	16.5	23.2	N.A.
11	Lower Middle Income	64.0	43.2	N.A.	18.5	18.5	N.A.	16.4	38.3	N.A.

Source: Kochchar et al (2006) and www.worldbankdatabase.org

Note: For Brazil, the latest data available is for 2006 and for Turkey it is for 2008 and these have been reported in the Table instead of data for 2007.

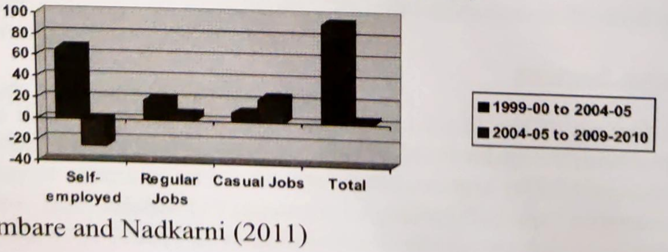
* Based on Current Daily Status (2006-07)

3. Problem of the Manufacturing Sector

3.1 Slow rate of good jobs creation:

It is also clear that while employment rate increased slowly, the rate of good job creation is going the opposite direction: while the formal sector grew slowly at 1.2 percent annually in 1983-94, this rate fell to 0.53 percent in 1994-2000 (Sharma, 2006). However, the self-employed took the biggest hit with a drop of 25 percent in 2005-10 compared to 2000-05 (Mahambare and Nadkarni, 2011).

Figure 1. Changes in Employment in India (in millions)



Data from Mahambare and Nadkarni (2011)

3.2 Growing informal Sector:

Steadily increasing, today about 93 percent of the Indian workforce is employed in the informal sector out of a working population of over 400 million (Ministry of Labour & Employment, 2009). The immediate reasons for a growing informal economy are increased taxes and social security contribution burdens, intensity of regulations, and low quality of public sector services (Schneider, 2002). The World Bank (2013b) World Development Report focusing on labour issues directly links larger firms – in the formal sector – to a range of positive factors. Value added per worker India's informal manufacturing sector is on average about one tenth that in the formal manufacturing sector (Sharma, 2009).

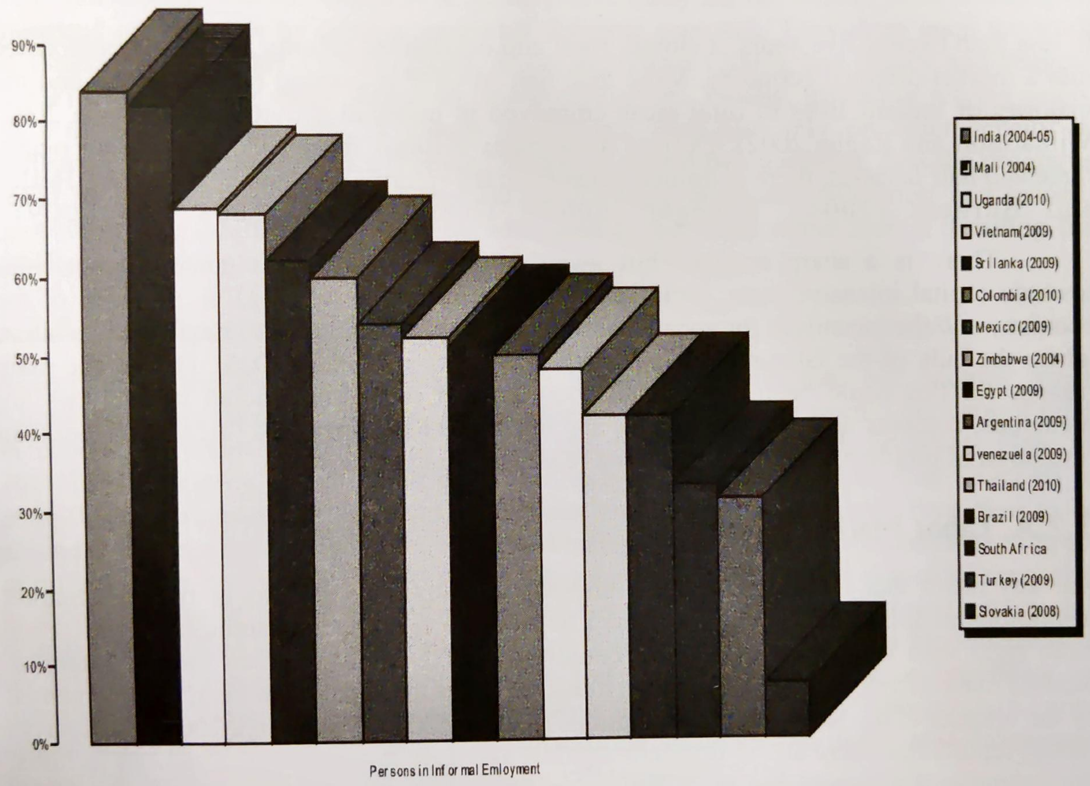


Figure 2. Persons in Informal Employment

(Latest year available)
(Persons in informal employment as a percent of non-agricultural employment)
Data from the International Labour Organisation (2013)

Only about 7 percent of the workforce is covered by social security (Planning Commission, 2001). In fact, as shown, the share of informal jobs in the formal sector companies is on the upward trend (Papola and Sahu, 2012) (table 3).

Table 3. Distribution of Informal Workers in India

S.No.	Year	Informal Workers in		Total Percent of Informal Workers in the Economy
		Informal Sector	Formal Sector	
1.	1999-00	86.2%	5.86%	92.06%
2.	2004-05	86.3%	6.37%	92.67%
3.	2009-2010	84.2%	8.09%	92.29%

Data from Papola and Sahu (2012), p. 41

In less than twenty-five years, a closed, rural and centralized country has been transformed into a market-oriented economy. More than half of GDP is coming from services, and the majority of Indians lives in rural areas employed in informal activities (Ahluwalia 2002; Williamson and Zagha 2002). Despite these many reforms from 1980's that is for nearly three and half decades, there is limited gains from the reforms (Aghion et al. (2006), Besley and Burgess (2004), Krueger (2007), Gupta et al. (2008 and 2009)).

There is a sharp sudden shift away from labour intensive economic activities towards capital intensive ones. India lacks an effective diffusion of IT in all areas of the economy and the incentives for vocational training to upgrade manufacturing and agriculture where the bulk of the labour force is located (Dasgupta and Singh 2005). One of the main reasons for this could be inappropriate labour market regulation. Indian labour laws are numerous, complex and even ambiguous and this could have promoted litigation rather than resolution of problems related to industrial relations (Sharma 2006).

3.2.A. Labor Market Regulations

One key factor that is believed to have limited the gains from reforms is the labor market institutions in India, which are considered to be quite rigid and by some observers, even more rigid than those in most OECD countries (OECD (2007)). Even though extensive product markets reforms have been undertaken in India these have not been complemented by the reforms of the labor market regulations (Krueger 2007, Panagariya 2008). Panagariya (2008) reports that there are 45 different national and state level labour legislations in India. For example, if a factory has more than 10 employees it comes under the purview of the Factories Act 1948 with regulations (Mohan (2002)) provides a comprehensive discussion and a critical evaluation of the small-scale industry policy in India.

As Debroy (2010) points out, a few specific pieces of the legislation are considered more constraining to the Indian firms. While the IDA does not prohibit retrenchments, but as Datta-Chaudhuri (1996) has argued, states have often been unwilling to grant permission to retrench. According to Anant (2000), this resulted in the proliferation of multiple and rival unions, making it difficult to arrive at a consensus among workers. For a detailed review of Indian labour regulations and the debate surrounding the issue of rigidity, Anant et al. (2006), and Panagariya (2008).

The view is that the rigidity inducing regulations have been either ignored (Nagaraj (2002)) or circumvented through the increased usage of temporary or contract labor (Datta (2003) and Ramaswamy (2003)). Sharma (2006) argues that the use of voluntary retirement schemes, closures via informal routes (such as non-payment of electricity bills), use of temporary and contractual workers, dispensing away with non-core activities and related workers, and outsourcing have allowed Indian industry to adjust its workforce despite the labour regulations.

Besley and Burgess (2004) and Aghion et al. (2006), have looked at the effect that labour regulations have had on industrial growth in India. Besley and Burgess (2004) find that industrial performance has been weaker in Indian states with pro-worker labor laws. Aghion et al. (2006) find that states with pro-worker labor laws experienced limited benefits from delicensing reforms. Gupta et al. (2009) have analyzed the impact of delicensing on industrial performance by using a somewhat different approach. They draw upon the work of Bhattacharjea (2008), OECD (2007), Ahsan and Pages (2007), and Besley and Burgess (2004) for classifying states' stance on labour regulations. Finally, instead of relying solely on cross-state heterogeneity in labour regulations, they also rely on heterogeneity in industry-specific characteristics (Papola (2008)). It served two purposes, first the programs could be tailored to the needs of specific geographical areas and industries; and second, opposition was localized and could be addressed at that level rather than it derailing the whole process (Gupta and Palit (2010)).

3.2.B. Infrastructure Bottlenecks

According to the Deputy Chairman of the Planning Commission, Mr. Montek Singh Ahluwalia, India needs to increase its investment in infrastructure from 5 per cent of GDP in 2006-07 to about 9 per cent of GDP by the end of the Eleventh Five-Year Plan, by 2011-12, (McKinsey, 2007). GDP in India during the Tenth-Five Year Plan (2002-03 to 2006-07) is anticipated to be about 5 per cent, and during the Eleventh-Five Year to be around 8 per cent according to the revised estimates (Haldea 2010). To examine the impact of infrastructure on industrial performance, Gupta et al. (2008) classify industries according to their intensity of use of the infrastructure (i.e. the ratio of expenditure on energy and distribution to gross value added) and find that post delicensing industries more dependent on infrastructure grew less as compared to industries which are not as dependent on infrastructure. Gupta et al. (2009) use the variation in availability of infrastructure varies across states to show that the gain in manufacturing sector output in the post-delicensing period has been smaller in states with inferior infrastructure.

3.2.C. Financing Constraints

A factor affecting the growth of the industrial sector has been that the financial sector has not able to meet the credit requirements of the small and medium sized firms, thus holding back their growth (Banerjee and Duflo 2004; Nagaraj 2005; McKinsey 2006). Banerjee et al. (2004) show that the Indian firms remain credit constrained, and attribute it partly to the incentive structure that the bank managers face, which discourages them to lend to the private sector, lest they incur on performing loans. In effect they prefer to invest in safe government securities (Banerjee and Duflo, 2004), Haldea (2010), Lall et al. (2007).

Gupta, et al. (2010) show that the public sector banks' credit allocation behavior is driven by the size of the fiscal deficit that the government has to finance, regardless of the formal statutory requirement on credit allocation. Gupta et al. (2008) show that industries more dependent on external finance have witnessed slower growth as opposed to those less dependent on external finance.

3.2.D. Land Acquisition

Lack of clarity in this law has led to delays in acquiring land for various infrastructure projects. Land acquisition by various state governments for special economic zones has resulted in violent protests resulting in fatalities (for example, land acquisition for two of the special economic zones planned in Haryana and Maharashtra has met with severe resistance from the farmers) (Panagariya (2008)).

4. Workable approaches for the better way

Fallon and Lucas (1991) argue in their paper that employment in organised (formal) manufacturing would have been 17.5 percent higher in the absence of job security regulations. In addition to this, Sharma (2006) also argues for the benefits of flexibility, but notes that the Indian labour (informal) market is already very flexible. Sharma (2009) studies district-level panel data on informal manufacturing enterprises in India and finds that a major policy reform in 1991 removed license controls on specific informal manufacturing industries in India leading to productivity enhancing labour reallocation from the informal to the formal sector if labour laws are flexible. Roy (1998) found that job security regulations for the period 1960-61 and 1993-94 have not been responsible for slowdown in employment growth.

Real wage growth was also not responsible for poor jobs growth (Nagaraj (1994)); Papola, (1994). Goldar (2000) shows that employment in organised manufacturing sector grew at 4.03 percent per annum during the first half of 1990s despite the same statutory labour regulations. Debroy (2005) captures the current extent of convoluted labour legislation and nature of restrictions stressing for major reforms in labour sector especially in Industrial Dispute Act (IDA). A recent study by Debroy (2012) further reviews the unchanged state of labour regulation in India but throws in a different perspective by acknowledging that big changes may be politically difficult to bring about given political constraints with the rigidity in laws. Besley and Burgess (2004) show that states that amended the IDA in a pro-worker direction experienced lower output, employment, investment and productivity in formal manufacturing; informal manufacturing output also increased. However, there are some criticisms against their failure to account for subjectivity in grading the states (Debroy 2012) and failing to account for labour laws other than the IDA (Bhattacharjea, 2006). The labour bureau report (July 2012) also guardedly acknowledges that states with more pro-labour legislation have not seen a fall in unemployment rates; whereas states like Gujarat, Haryana and Himachal Pradesh being more flexible have seen positive results. Analysis by Crisil, an Indian consulting group, concludes that, without major reforms the share of manufacturing in GDP will only reach 17 percent (Crisil Insight, 2012). The poor outcome from the National Rural Employment Guarantee Act is a case in point (Wright and Gupta, 2011).

4.1 Managing trade unions

Almost all major Indian political parties have a trade union wing. "This means political parties (more so in a coalition) are reluctant to legislate on labour flexibility, since this would antagonise their own trade union wings" (Debroy, 2012).

In West Bengal, the compensation is higher for layoffs – 50 percent of basic wages plus other benefits for the first 90 days and 75 percent thereafter until disposal (Sen, 2009). Moreover, it is interesting to note that from 2007 data industrial disputes occurred more because of violence and indiscipline as opposed to layoffs and retrenchments (Debroy, 2011). Debroy (2011) thus argues that it is possible to sell the idea that offering reasonable severance packages through IDA are far superior (and palatable) than haggling over layoffs and retrenchments. Severance pay policies in India are already "modest" by international comparisons (Asher and Mukhopadhya, 2005). That brings forth the scope to trade off higher severance pay for three important opportunities – greater operational flexibility for businesses, greater professionalism in policy design and implementation by Labour Ministries, and lower transaction costs for new companies (Asher and Mukhopadhya, 2005).

4.2 Making like-minded unionism

Applying any seven members regardless of connection to industry to register a union is the main cause of union multiplicity (Sen, 2009). Data from Sen (2009) shows that there were 10,274 registrations cancelled in 2001 – filtering out those registrations, which probably did not meet the criteria of the Amendment Act in 2001 in terms of industrial homogeneity. The main aim of such reforms is to ensure "orderly growth, reduce multiplicity and promote internal democracy in the industrial organisation and the economy." (Business Portal of India, 2013).

4.3 Making bargaining unnecessary

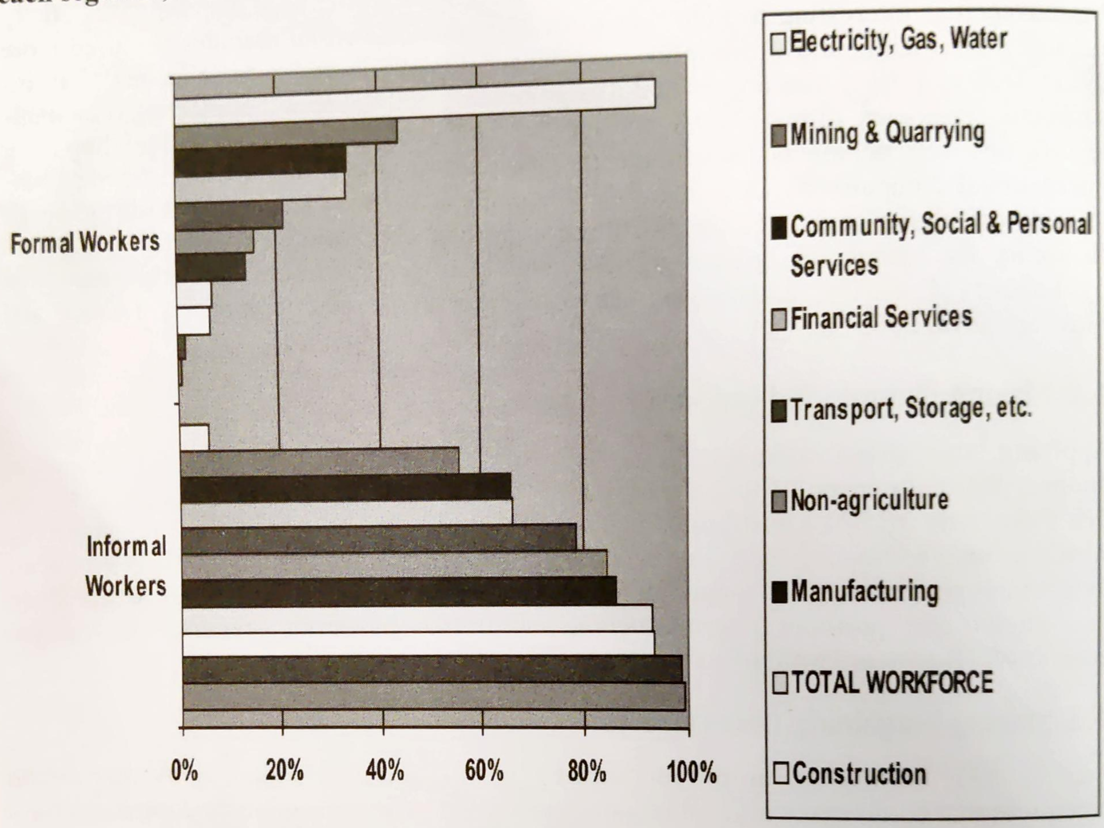
Sen (2009) highlights employer strategies of union avoidance by providing incentives that could make unionising unnecessary in the first place. Some companies have undertaken community development measures by partnering with local governing bodies, like the panchayats (Sen, 2009). But these were combined with longer working hours (Sen, 2009). The combination of work times, breaks and benefits brings positive results. Instead of half-day on Saturday, a company introduced nine hours working for five-day a week with providing lunch, breakfast and tea breaks (Sen, 2009). This would reduce the need for unionise.

4.4 Increasing contestability

A look at the most unionised state of India, West Bengal, suggests that three of their largest trade unions (CITU, INTUC, AITUC) focus their work around security for workers in the informal economy (Sen, 2009). NPS (National Pension Scheme) is web-enabled and removes the human interface that could invite rent seeking, thereby inviting choice and contestability, and incentivising EPFO(Employees' Provident Fund Organisation) to reform alongside (Asher, 2011).

The TeamLease (2009) labour ecosystem index, aggregating labour demand, supply and regulation, further shows why State governments should not miss out on the opportunity to differentiate themselves in the space available for labour ecosystem amendments to boost livelihood opportunities.

Figure 3. Percentage of workers in Informal Employment to the Total Workforce in each segment, 1999-00



Data from Unni (2002)

Employers are required to pay expenses of 1.16 percent of salary or 4.46 percent of contributions (Sabharwal, 2012a). "This high salary deduction feels particularly brutal at lower wages and the biggest pushback for higher net salaries comes from employees who of ten have informal employment choices. EPFO costs 10-20 times more expensive than any public or private government securities mutual fund in the world," explains Sabharwal (2012b). He recommends starting with the 12 percent employee contribution and gratuity to fix that.

To make this worse, the EPF has often been criticised for poor customer service. The ESI, on the other hand, is also blighted with poor hospital facilities and lack of staff (Sabharwal, 2012b). A look at the ESI budget for 2011-12 and estimates for 2012-13 show that contributions have been steadily increasing, but expenses have been increasing too (ESIC, 2012) (table 4).

Table : 4

	Employer (% cost)	Employees (% cost)	Monthly Total (%)	Monthly Total (Rs)
Gross Salary				5,500
Deductions				
Provident Fund	3.67	12	15.67	862
PF Expenses	1.61		1.61	89
EPS	8.33		8.33	458
ESI	4.75	1.75	6.5	358
Professional Tax		3.18	3.18	175
Labour Welfare	0.36	0.36	0.72	40
Statutory Bonus	8.33		8033	458
Gratuity	4.81		4.81	265
Total Deductions			49.18	2,705
Net Salary				2,795

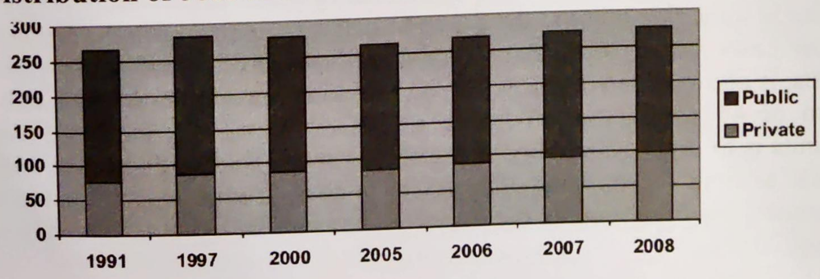
Adapted from Sabharwal (2012b), The Economic Times, Dec 28, 2012

A primary survey conducted in Karnataka highlighted issues:
1.Creating bank accounts for provident funds proved difficult,
2.Unregistered firms often do not give their ex employees' contributions back, or do not deposit the contributions to the PF office (Rajeev, 2009).

4.5 Boosting livelihood

Wide job differentials and lack of tracking of active and inactive members in the EPFO makes the boosting of their livelihood difficult (Pai and Moorty, 2013). It is important to remember that enterprises often consider the formality-informality trade off seriously: formalisation would entail entry costs and operating costs (Loayza, 1997).

Figure 4. Distribution of Jobs in Formal Sector (in Lakhs)



Entry costs of doing business in India involve 12 procedures, 27 days, 49 percent of income per capita and paid-in minimum capital of 140 percent - as opposed to 5 procedures, 12 days, 4.5 percent and 13.3 percent respectively in the OECD (World Bank, 2013c). But there are also costs related to informality: penalties and corruption, limited access to public services, missed opportunities on expansion, limited access to finance and cooperation with formal enterprises (Ishengoma and Kappel, 2006).

Contrary to most studies, Ishengoma and Kappel (2006) argue that considering the formality-informality trade off and the current business and regulatory environment in developing countries, "the opportunity costs of informality seem to be much lower than the cost of operating formally…total formality may mean closing up the business unless the business environment within which firms operate is improved."

There may not be a necessary link between employment and poverty reduction "unless the employment provides assurance of sustainable livelihoods." (CSPR, 2008). Informal jobs with sustainable livelihoods should rather be looked upon as supplements mainly because the formal sector does not have the capacity to ensure adequate means of livelihoods (CSPR, 2008).

Although the Law Minister intends to fix this, it is not directly possible as it is on the State List rather than the Union List (Bhatt, 2013). By making amendments to labour regulations and reducing the rural and urban unemploymnet, Gujarat managed to keep its informal sector smaller than the national average (Hirway and Shah, 2011). Welfare programmes like the MGNREGA have resulted in massive expenditure of taxpayer money and widening the fiscal deficit, but only creating a class of mostly young people without skills to contribute to India's economic progress or their own development (Ramakrishnan and Asher, 2012).

On the other hand, TeamLease (2009) recognises how "educated unemployment and shortage of competently skilled labour co-exist," and therefore the importance of training labour in different skills and professions to avoid a mismatch as industry grows. Encouraging vocational education and skills training could also benefit from scaling up knowledge economy aspects of skills development and talent building: "in which generation and application of knowledge, in all its varied aspects, are used as an integral part of generating income and wealth in the economy, and in household consumption and production activities" (Asher, 2013). Expanding the number of internship opportunities to students would enable organisations to reduce the time and cost of matching in the long run and tackle both educated unemployment and skills shortage (Asher, 2013).

4.6 Freedom for the states

There is some flexibility to the States to make amendments in the Labour Laws. The Kerala Labour Laws Act of 2002, that is the simplification of returns and registers of small establishments, is one example (Debroy, 2011). Allowing retrenching workers only at a higher compensation of 45 days' pay and hiring on "fixed term" has increased flexibility for production units is to limit the number of registers to two (Hirway and Shah, 2011). But that same proposal to limit the number of registers to two, returns to one, and permit use of electronic formats, has been lying in the Rajya Sabha since 2005 but no action has been taken so far (Debroy, 2011).

There are instances where reduction of State intervention could boost job opportunities: especially restrictions like the Shops and Establishments Acts that prevent employing women outside of 'regular' work hours adversely affecting establishments like call centres (Debroy, 2012). Sometimes, State freedom could also lead to 'oversimplification' (Debroy, 2012). In some States, factories are not allowed to use modern computerised records necessitating the use of manual muster rolls (Debroy, 2012).

4.7 Improvement shown in some states

Besley and Burgess (2004) show that states that "amended the IDA in a pro-worker direction experienced lower output, employment, investment and productivity in formal manufacturing." However, as mentioned before, Besley and Burgess (2004) failed to account for subjectivity in grading the states (Debroy, 2012) and for labour laws other than the IDA (Bhattacharjea, 2006).

A study by Hasan and Jandoc (2010) improves on those criticisms (by incorporating Besley and Burgess 2004, Bhattacharjea 2006 and Gupta, Hasan and Kumar, 2009) but also concludes that Indian states with more flexible labour regulations tend to have larger-sized irms. Debroy (2011) also documents the various States – Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, and Maharashtra – who wish to make labour laws more flexible to allow choice and opportunities for employees. While the Union government was trying to introduce Voluntary Self-Certification (VSC) in the 11th Five Year Plan, Gujarat had already gone ahead with it (Hirway and Shah, 2011).

Voluntary Self-Certification (VSC) allows firms to register themselves about their compliance of labour regulation and avoid the number of inspectors and unnecessary litigation in exchange. These certificates could be issued by "third party inspections with regulatory compliance certified by external recognized agencies." (Debroy, 2011).

4.8 Resistance towards reforms

Maintenance of two records and The Planning Commission or the Prime Minister's Council on Trade and Industry, was opposed to the Ministry of Labour and Employment –invites further resistance on their part (Debroy, 2011). In 2011, 2,943,221 man-days were lost due to strikes and lockouts, however this figure fell down to 198,578 in the first quarter of 2013 (Labour Bureau, 2013).

There are also few extraordinary things, which are uncommon.

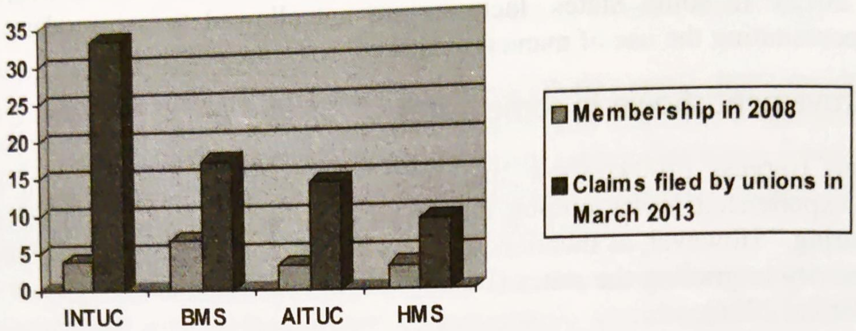
1. Instead of strikes, lockouts have become more common (Roy 1984, Bhattacharjea 2006) to the extent that workers end up agreeing to downsize the workforce without government interference (Anant et al, 2006 in Bhattacharjea, 2006).

2. Employer unions also exist. However, due to lack of transparency in filing returns, it is

   not possible to determine the size of employer unions (Debroy, 2011).
3. There is a rise in trade unionism in the informal sector.

Figure 5. Trade union membership survey: 2012-13

(Major Unions only; in millions)



Data from Ministry of Labour and Business Standard (2013)

National unions like the INTUC, AITUC, HMS, BMS and CITU are mainly manufacturing sector unions but there is a marked transition – "an increased switch to services and the rural sector" – in the union category (Debroy, 2011). For instance, SEWA, a Gujarat-based informal workers' trade union enjoys high State-level membership. State-level unions form a much bigger chunk of the pie at 89 percent, the rest comprising of national unions (Debroy, 2011). Thus it makes sense to shift the political economy of dialogue from formal unions at the national level to informal unions in the State (Debroy, 2011).

5. Conclusion

This paper identifies several potentially compatible reforms that could enable the political class to make a strong case for labour market reforms to all the stakeholders. Reforms are discussed in three areas of the labour market that could help on this front – social security and livelihoods, federal freedom to amend legislation, and engaging with trade unions' resistance:

1. Extending social security coverage to the informal sector could be made possible by offering the less expensive National Pension System to employees.

2. There is increased evidence that competition between different Indian states could spur reforms with positive outcomes.

3. Understanding the latest trends in unionism, encouraging organisation for credible demands, and designing benefits for employees that making bargaining and unionizing unnecessary in the first place.

This paper discusses the record of manufacturing growth in India and the factors that are considered responsible for the rather modest growth in this sector in India. The paper argues that there are many factors that have inhibited the growth of industrial sector in India. One major factor has been that the labor laws have been rigid and strict and these have affected the industrial performance in a number of ways, by keeping the size of the establishments small, by not encouraging production of labor-intensive goods, by pushing activities to the unorganized sector, and by keeping the Indian industry uncompetitive. The labor laws would undoubtedly be politically difficult to introduce, but one way to reduce the resistance could be to abolish some of the existing schemes and by making laws applicable to new industries more flexible; and to let the states introduce the reforms. Economic incentives can be provided to states that promote industrial growth and employment and the best practices in these states can be adopted elsewhere.

This paper discusses that besides labor laws there are other factors that have been responsible for the modest performance of the manufacturing sector. These include difficulty in the acquisition of land, inadequate financing and infrastructure, and cumbersome business climate. The paper presents arguments and evidence, which shows the importance of these factors. For faster poverty reduction and to raise the standards of living, India needs both industry and services sector to grow faster, but because of these constraints there seems to be a long way to go before Indian manufacturing takes off. It would need an enabling environment in which land can be acquired easily; labour can be hired and laid off as required; businesses can be opened as well as closed with ease; there is adequate financing and physical infrastructure available; and finally skills are available a plenty. Unless this whole package is available, small tinkering in the policy framework are unlikely to unleash the potential of the sector.

This observes several points that are hindering the growth of manufacturing sector and offers various workable approaches to address the issue. It is needless to say with the robust manufacturing sector, the employment rate increases, exports increases and the livelihood of the workers increases and as a whole the nation advances.

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Perception of Corporate Social Responsibility and Value

Dr. Meena Rani

Abstract

The objective of this paper is to find out whether perceived corporate social responsibility and value enhances customer satisfaction. Data is collected from 200 customers of banking sector in Delhi. Structural equation modeling is used for data analysis. Results show that corporate social responsibility does not have any effect on customer satisfaction but perceived value helps in enhancing customer satisfaction.

Key words:

corporate social responsibility, perceived value, customer satisfaction

1. Introduction

Post-liberalization has witnessed tremendous changes in the Indian banking sector. After liberalisation, banking sector is open for private players and customers have right to choose among multiple service providers, as they have wide choice of services providers. In order to attract customers and retain them, researchers and banks are involved in finding the factors which satisfy them. Service quality is paid more focus in achieving customer satisfaction than other factors.

Hardly any research is conducted on banking sector, which has studied, the impact of perceived price value and corporate social responsibility on customer satisfaction for the concerned population. This article aims to fill this void.

The remainder of this article is organized as follows. In the next section, literature review and research hypotheses are presented. After that methodology of research is presented. In the next part, hypotheses are tested using data collected in the context of banking sector. Finally, conclusion of study is presented.

1. Literature Review

2.1 CSR and Customer Satisfaction

Whetten et al. (2002) defined CSR as: "Societal expectations of corporate behaviour; a behaviour that is alleged by a stakeholder to be expected by society or morally required and

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is therefore justifiably demanded of business" (p. 374). According to Mohr et al. (2001) CSR is company's commitment to minimize harmful effects and maximizing its long run beneficial impact on society.

Social responsibility helps an organization to lead as a corporate citizen in encouraging ethical behaviour in everything it does (Sureshchandar, 2001). It helps in making a difference while evaluating the services. According to Anderson et al. (2004) and Fornell (1992) CSR is found as an antecedent of customer satisfaction. Luo and Bhattacharya (2006) investigated Fortune 500 companies and found a direct link between CSR and customer satisfaction. Luo and Bhattacharya (2006) found that, in firms with a low capability to be innovative, CSR actually reduced customer satisfaction levels and, through lowered satisfaction, harmed market value. Therefore, CSR requires innovation.

Role of CSR in determining customer satisfaction has received little research attention despite the acknowledged importance of customer satisfaction in the marketing literature (Anderson et al., 2004; Fornell et al, 2006; Gruca et al, 2005. Therefore, this study proposes that CSR has a positive impact on customer satisfaction.

This study, therefore, suggests that perceived value has a positive influence on customer satisfaction.

H1-1 : CSR has a positive impact on customer satisfaction.

2.2 Perceived Value and Customer Satisfaction

According to Zeithaml (1988) perceived value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given. According to Monroe (2003), buyers' perceptions of value represent a trade-off between the quality/benefits they perceive in the product relative to the sacrifice they perceive by paying the price. Perceived value is a trade-off between the benefits customers receive in relation to total cost which include the price paid plus other costs associated with the purchase (McDougall and Levesque 2000). Cronin et al. (2000) found perceived value to significantly predict satisfaction. A research by Oh (2000) also found value as an antecedent of customer satisfaction. Modi (2013) also found that perceived value has a positive influence on customer satisfaction.

This study, therefore, suggests that perceived value has a positive influence on customer satisfaction.

H1-2: perceived value has a positive impact on customer satisfaction.

3. Research Methodology

Researcher uses primary and secondary data for this research. Primary data is collected from 200 customers of bank customers in Delhi through convenience sampling. Perceived corporate social responsibility was measured by three items adapted from Sureshchandar et al. (2001). Items were: This bank promotes ethical conduct in everything it does; This bank gives loans to economically poor people, needy ones, entrepreneurs, etc. with less rigid loan conditions associated with security, flexible repayment modality and easy credit terms;

There is equal treatment for all in this bank. Customer satisfaction was measured using a three item scale developed by Cronin et al. (2000). Items were: My choice to avail this service is a wise one; I did the right thing when I chose this mobile service provider for its services; and Services of this mobile service provider are exactly same what I need. Perceived value was measured by three items adapted from Modi (2013). Items were: I gain more from this bank than I give; This bank offers attractive and reasonable services as compared with other providers; This bank gives more benefit as compared with other providers.

4. Results

4.1 Confirmatory Factor Analysis

Confirmatory factor analysis was performed using AMOS 16.0. Table1 indicates fit measure of scale. Obtained chi-square value is found to be significant ($p < .001$). The relative chi-square (CMIN/df) should be below than 3 (Kline, 1998). In our study, this value is 2.5 and fulfills the criterion. Because of the sensitivity of chi-square to large sample size, the other fit measures of the model are also considered. The measures (GFI, CFI, NFI) were close to 0.90, which suggests, the good fit of the model. Root mean square error of approximation (RMSEA) is .06 and ideally it should be lower than .10.

Table1: Fit measure of scale

χ^2	*Df*	CMIN/df	GFI	CFI	NFI	RMSEA
66.2	24	2.5	.92	.95	.97	.06

4.2 Construct Validity and Reliability

Convergent validity and discriminant validity help in establishing construct validity. Composite reliability of each construct is more than required value of .60 All the indicators have significant loadings for respective latent constructs ($p<0.001$). In addition, the average variance extracted (AVE) for each construct is greater than or equal to 0.50, which further supports the convergent validity of the constructs (Table 2). The square root of the AVE values of perceived corporate social responsibility, perceived value and customer satisfaction are more than the inter-construct correlations which supports the discriminant validity of the constructs. Thus, the measurement model reflects good construct validity.

Table : 2

Constructs	Measurement items	Standardized estimates	p-value	Reliability	AVE
Perceived Corporate Social Responsibility	PCSR1	0.66	*	.71	0.74
	PCSR2	0.81	*		
	PCSR3	0.74	*		
Perceived Value	PV1	0.87	*	.77	0.87

	PV2	0.91	*		
	PV3	0.84	*		
Customer Satisfaction	CS1	0.85	*	.73	0.81
	CS2	0.79	*		
	CS3	0.81	*		

Note: *Implies that the factor loadings are significant at $p < 0.001$

4.3 Empirical Testing of Hypothesized Paths

Structural equation modeling is used to test the hypotheses. The fit measures of model are presented in Table 3. Obtained chi-square value is found to be significant ($p < .001$). The relative chi-square value, GFI, CFI, NFI and RMSEA fulfill the desired requirement.

Table 3: Fit Measures of Model

χ^2	*df*	CMIN/df	GFI	CFI	NFI	RMSEA
66.2	24	2.5	.92	.95	.97	.06

Results in Table 4 indicated that perceived corporate social responsibility does not have impact on customer satisfaction but perceived value has positive impact on customer satisfaction. These results have confirmed hypothesis 2.

Table 4: Results of Hypotheses Testing

Hypothesized paths	Standardized path coefficients	p-value	Results
PCSR? CS	0.10	.052	Rejected
PV? CS	0.62	.000*	Accepted

Notes: * Implies significant at $p<0.01$

5. Conclusion

After liberalization, banking sector in India has become very competitive. Customer satisfaction is the key to survive in market. Findings revealed that improved perceived value increases customer satisfaction. This research helps banking service providers to understand importance of perceived value than corporate social responsibility. Though, corporate social responsibility is essential for building brand image but customers are more concerned for value.

After liberalization, banking sector in India has become very competitive. Customer satisfaction is the key to survive in market. Findings revealed that improved perceived value increases customer satisfaction. This research helps banking service providers to understand importance of perceived value than corporate social responsibility. Though, corporate social responsibility is essential for building brand image but customers are more concerned for value.

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Book Review

Dr. Supriya Biswas

Fewer, Bigger, Bolder: From Mindless Expansion to Focused Growth by Sanjay Khosla and Mohanbir Sawhney with Richard Babcock, Portfolio Penguin, Pages 260, Year of publication: 2014

Over the years, business has been producing myriads of options for its customers. Ironically not all of them have yielded favorable results. More than often, they are baffled with a lot of advocating voices, sparkling images flashing in the mass media – some are heard or seen, few registered in the minds but most drowned in noises or lost in oblivion. Not everything that glitters is gold and management gurus have made it a point to educate the strategists to think about reality before leapfrogging in pursuit of growth that might turn malignant. Mindless expansion is seductive and there is every possibility that it may lead to undue complexity if not complemented with powerful, robust and agile business model. Complexity grows faster than revenue and turns into an enemy of profitable growth. 'Fewer, Bigger, Bolder' advocates entrepreneurs not to overburden themselves with the temptations of doing all and producing trash – rather align and adopt 'Be focused' motto of the millennium.

The book introduces the framework deployed for sustainable growth in business enshrined in seven steps and that is Focus7. Cases predominantly referred the brands of Kraft where Sanjay Khosla, as its president, devised and implemented innovative strategies for dramatic turnaround – from 5 Billion dollar to 16 Billion dollar in five years. The authors, with their wealth of shared experiences in industries, namely, HUL & Unilever, Kraft, Fonterra, Hyatt, Microsoft, Cisco, Boeing, AT&T etc. have elaborated the theme of the book almost in a story telling manner. Each chapter has key 'takeaways' at the end. Although there is a book on similar concept by Daniel Goleman, but the authors have treated the subject matter with a difference, particularly the examples of their associations with different corporate houses have rendered a unique dimension to its contents and the book epitomizes effective direction in the context of strategic business planning.

The book is organized in eleven chapters and seven point views on Focus have been covered in chapters 3 to 9. Precisely, Focus7 comprises of Discovery - search for growth, Strategy - pick your bets, Rallying cry - rouse the troop, People – unleash potential, Execution – simplify and delegate, Organization – align and collaborate, Metrics – measure and communicate progress. The authors feel that it is a common syndrome of organizations to have unfocused expansion and they consider it as 'very human', but of course 'mindless'. Trapped in that disorder, companies get bogged down into the past initiatives and the authors suggest forward looking action summed up by the Hindi phrase 'Karna Kya Hai?' or 'What do we do now?' Incidentally, this syndrome is the result of 'seduction of

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more' and the corporate leaders should be equipped with the 'wisdom of less' to achieve focused success. Some of the key principles to be followed, in fact the ones attributed to successful turnaround of Kraft, are: do less, be bold to distort resources, focus on the highest potential initiatives, simplify and keep cost low, execute and unleash people by giving them resources and authority. The strategy labeled 5-10-10, from a dozen of categories of products, 150 brands, Kraft Development cut down to 5 strong categories, 10 power brands and 10 key markets and that greatly contributed to its turnaround.

Discovery, the first step of Focus7 talks about customer and market insights which can be converted into growth opportunities. Key resources of insight include – anomalies, confluence, frustration, orthodoxies, extremities, voyages and analogies. Discovery can be done through team participation and it can be extra-ordinarily effective where leaders play a key role as catalyst in such discovery. For pursuing right growth opportunity, it is important to look the opportunity landscape and focus on the most promising opportunities and their evaluation on the criteria, the so called Three Ms: Momentum (winning potential), Margin (Profit potential) and Materiality (Revenue Potential). 3M analysis has been explained with the examples of Kraft Cheese and Chocolate, Fonterra Brand health product Anlene. Nevertheless, the opportunity landscape does not provide anything unique as it talks about the components of traditional marketing mix, but of course, presentation of the examples have turned the contents interesting.

'Paint the world yellow with Lipton' – the tagline and discussion on the strategy to evoke the feeling among the Lipton executives has given the chapter of 'Rallying Cry' a special appeal to its readers - evidently the best example of incarceration of 'rallying cry' by color. The crew of workers dyed with yellow color the grass of the lawn where the Lipton executives gathered to talk tea. A powerful rallying cry can bring employees, top to the bottom, in line with strategic direction of the business and it is a step as a transition between strategy and action. Rallying cry can be a phrase, a color, a number, acronym, symbol – something simple yet vivid enough to bring strategy to life facilitating team members to act. India's low cost air carrier, Indigo's relentless focus on low niche is articulated in its vision: On-time, Low fares, Hassle-Free – even a flight attendant can articulate the three point strategy exactly. Example of Starbuck's strategy of 100% of share of stomach is equally thought provoking.

Dealing with people is another significant aspect of Focus7. Passion, value of working on a team, collaboration are the key strengths of people capable of transforming organization. They can be motivated through 'Blank Check' – a tool used in connection with the turnaround strategy of Kraft's powdered breakfast drink 'Tang'. Cost cutting, budgets, belt tightening breed in skepticism and ultimately leads to fear. 'Blank Check' relieved the Tang team of the resource anxieties and dispelled the inhibitions that limit innovation. Blank checks are a metaphor for the freedom given to a team to meet agreed upon goals within a defined time frame. However, the authors also cautioned that blank checks are not a license to spend without limits, without guidelines or without consequences. The authors have been candid in admitting the failures of blank checks where the product itself failed, but the team leading the initiative was not penalized.

A plan is never complete without execution and this is what makes the difference between success and failures. But the statement - success is 90 percent and 10 percent is everything else, can be debated. If a project is wrongly executed, can it be a success? – such question inevitably sneak into the readers' mind. Experience sharing of VMock's initiative where Mohan advises to focus on one initiative and drop the rest has made headway to their focus on execution strategy. Summarily, the principle to move fast, cut, de-layer and simplify –applies to effective execution of strategic business plans. This can even be extended to corporate presentations – if it is shorter and objectively designed, it is productive. However, simplification should be coupled with delegation of authority. Once the roles have been clarified and authority pushed down close to the customer, the corporate leadership should step aside and help with resources and monitor program. In this context, the episode of Nirma Surf duel during 80s has been mentioned when finally Wheel was introduced to rescue Surf – indeed a good example of execution of strategy but then, the strategy seems to be more important than its execution.

To achieve the goal of 'Fewer Bigger Bolder', there is a need for reorganization, creating and fostering collaborative network to correct any 'mindlessly global' or 'hopelessly local' business initiatives. Authors described how Microsoft successfully reorganized their operations transforming to 'device and services' company from a 'software and platforms'. The need to create an opportunity focused organization has also been described using example of IBM's emerging business opportunity units. Nevertheless, the authors' caution: reorganize if needed, don't keep changing for the sake of change.

The concluding focus that speaks about 'Metrics and its measures and communicate progress', starts with an impactful punch line – what you measure will depend on what you want to manage. If the goal is to improve bottom line, metrics will focus on cost reduction, productivity and operational efficiency. Average well informed readers are familiar with the concepts of 'Who? When? How?' of performance measurement and besides there are established standards for measuring performance, for example, balance score card implemented in many companies. What is interesting in this chapter is the art of communicating progress through storytelling - stories stick and people remember stories, no one remembers mind-numbing PowerPoint slides. But there should be a balance between the numbers and stories – number should not get diluted through the lightness of anecdotes or parables.

In the chapter of 'Avoiding the Pitfalls' the authors spoke about five pitfalls that they had seen in developing growth initiatives and provided tips on how to sidestep them. Common suggestions like fixing problems before scaling avoid cost cutting mindlessly - seem to be some repetition from previous section.

The book has concluded with discussions on creation of virtual cycle in a sequence of activities starting with the focus where you can win, reduce cost through efficiency and simplification, improve gross margins through mix and productivity, grow revenue through innovation and finally secure the future by investing in brands and customers.

Overall, the language of the book is lucid and drives the reader smoothly along the topics and contents. Assortment of examples covering both Indian and overseas corporate would enrich the knowledge base of professionals engaged or interested to hone the skills of business strategy development. This book is ideally suitable for managers, entrepreneurs venturing to transform business into a more productive model for a sustainable growth.

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NSHM Business School is publishing NSHM Journal of Management Research and Applications (NJMRA). The objective of NJMRA is to present current research and ideas in the field of management in a lucid format accessible to both the academia and industry. The journal is also expected to act as a platform for industry professionals to share their best practices.

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United States Agency for International Development (USAID), (2008): Private Health Insurance in India: Promise & Reality.

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