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ARTICLES

Permission Marketing – An Innovative Approach To Electronic ...... Pg. 31

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INDEX APRIL TO SEPETMBER 2013

ARTICLES

This study attempts to analyze the world-view differences existing amongst business students across the globe, especially the Chinese, Indian and Korean Students' expectation about family, career, national success, world stability, and future business climates.

The paper discovers that even ethnically similar students of a single nationality may exhibit material worldview differences across groups formed on the basis of English language skill and these affect their abilities and interests in the classroom. Instructors teaching in international context should take an account of these before framing an effective teaching pedagogy

The study tries to comprehend the nitty-gritty of a balanced dividend policy and the effect of various factors like profitability, growth opportunity, risk, liquidity, size of the firm, and share holders' expectations etc. on its formulation. This paper examines the determinants of dividends of BSE100 companies in India using cross sectional data and regression analysis.

For firms with globe-trotting consumers and information overload, this research article is very significant as it critically analyzes the concept, the existing models of permission marketing, and the cost-benefit conceptual framework. Through an empirical study the impact of permission marketing in terms of trust, price and convenience on the purchase decisions of the online –shoppers has been explored by authors.

This study focuses on the performance of Multiple Commodity Exchange in price discovery by statistically testing the co integration and causality between future prices and spot prices of two precious metals i.e. gold and silver with the help of Johansen co-integration test. The author explores a bidirectional causality between future returns and spot returns for gold as well as silver.

The purpose of this study is to examine the profitability associated with derivatives based investment strategies. An empirical investigation of Long Future (naked) strategy, Covered Call strategy, Long Straddle strategy, Short Straddle strategy in Indian capital market has been made by authors, which exhibits that average monthly returns of all the four investment strategies studied for the whole study period, is significantly higher than the average riskless return and benchmark index.

The aim of this paper is to explore the role of the entrepreneurial behaviour, process and innovation in the successful establishment and growth of food retail stores, especially convenience shops, by interviewing owners of food retail shops in the area of North West London.

DOCTORAL ABSTRACT

BOOK REVIEW

From The Editor's Desk

It is our great pleasure to present to our readers, the nineteenth issue of DIAS Technology Review.

Success is not an outcome of an individual's excellence, but is an aftermath of constant endeavors of a group of talented people, pooling their resources, bouncing their innovative ideas, and pulling together towards a common goal. In these times of globalization, the biggest challenge is how to arrange a fusion of finest minds sharing hunger for excellence, while bridging their national, cultural and lingual gaps. These world-view differences not only subsist over corporate corridors but do exist in business schools and classrooms across the globe. Teaching fraternity, today, is witnessing the differences in expectations of students across nations, groups or even within groups of one nationality, on the basis of English language skill. The article “Understanding Business Students' Differences Internationally and Inter-culturally – Analysis of Chinese, Indian and Korean Students' Expectation” has focused on these types of issues. The authors have quizzed over this context and suggested international instructors to consider the subtle differences between groups and their cultural expectations, before developing course goals and teaching strategies. This will be of immense help to increase international understanding, sensitivity and adaptation amongst burgeoning business managers.

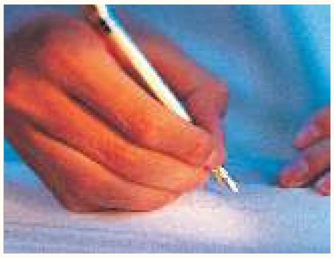
Annals of business world indicate that corporate earnings and growth rely mainly on its investment policy and dividend payout ratio. An optimal dividend policy is affected by numerous drivers like profitability, growth opportunity, risk, liquidity, size of the firm, and share holders' expectations etc. It is imperative for a fund manager to study the relationship between these variables before framing an effective dividend policy. The next article titled “Determinants of Dividends – A Study of Companies Listed in BSE 100 Index” articulates this correlation empirically, especially in the context of developing countries like India.

“Turning strangers into friends and friends into customers” is the mantra of business marketing. In modern times of automated tele-marketing and information overload, only a leading edge marketing technique can help firms, in tapping the simmering volcano of consumerism. The research paper “Permission Marketing-An Innovative Approach to Electronic Marketing” propagates a smart practice of permission marketing amongst marketing managers, in which they approach their prospective buyer in a courteous way to obtain their consent in advance, to receive marketing information of their choice from a company. Various permission marketing models are not only making an impact on purchase decisions of online shoppers, but are proving to be cost effective strategies for companies as well.

Now a days, along with equity market, commodity derivative market is also becoming a popular investment avenue for investors to pool their funds. Investment in precious metals like gold and silver is being considered to be safer investment option. But investors are at greater risk due to temporal price volatility and so they have to adopt hedging trading mechanism. The co-integration and causality between the future prices and spot prices determine the price discovery mechanism in Multiple Commodity Exchange. The article, “Price Discovery via Causality of Future and Spot Prices in Commodity Markets in India” gives an insight into the bi-directional causality between future returns and spot returns for gold and silver to evaluate the performance of MCX in price discovery of these metals.

The portfolio managers in volatile financial markets today are busy in tailoring numerous investment strategies, to mitigate risks and magnify returns on investment. The article “Investment Performance of Derivative Based Investment Strategies: Empirical Evidence” eloquently explores the profitability associated with derivative based investment strategies. The authors have made an investigation of risk-return dimensions, and have gathered empirical evidences for higher volatility. It has been found that equity derivative instruments perform better than that of the passive benchmark portfolios. This study will help readers understand nuances of financial markets and facilitate private sector clients in designing their investment portfolios.

To strive and thrive in this dynamic era of competition, the business managers have to be enterprising and innovative. They are required to be fore-runners in entrepreneurial endeavors or in wooing their customers. In the last article of this issue “The Entrepreneurial Attitudes, Process & Innovation in the Success of Small Start-up Food Retail Business in U.K.” a qualitative research has been made to examine the value of entrepreneurship to SMEs in food and retail market of U.K. The author has accentuated the relationship between entrepreneurial process, entrepreneurial attitudes and innovation.



In our pursuit of acquiring & disseminating knowledge in different areas of business and IT, we are incorporating a book review and an abstract of doctoral dissertation, along with latest research studies of eminent scholars. We are hopeful that the present edition of this journal, with all its enlightening features will come up to the expectations of our revered readers.

Regards

Dr. Anju Batra

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UNDERSTANDING BUSINESS STUDENT DIFFERENCES INTERNATIONALLY AND INTER-CULTURALLY : ANALYSIS OF CHINESE, INDIAN, AND KOREAN STUDENT EXPECTATIONS

Michael A Newsome*, Chong W Kim**, R.G. Akkihal**

ABSTRACT

This paper presents the combined results of four surveys conducted in three countries. The surveys elicited information concerning the socio-demographic backgrounds, opinions and expectations of students studying business. The first three surveys were conducted in English-language classrooms in China, India, and South Korea. The fourth survey was conducted in a Korean-language classroom in South Korea. We find evidence that expectations about family, career, national success, world stability, and future business climates differ substantially by nationality across Asian students of the same age, and studying the same general material. Further we find that even within one nationality there are substantial differences between students who study in different languages. These differences are shown to be statistically significant even after controlling for socio-demographic factors which are not strictly associated with nationality and language. This paper recommends college instructors develop a greater level of understanding of these differences. A simple survey technique is recommended.

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INTRODUCTION

As higher education becomes ever more globalized, many college professors find themselves teaching the same subject to different types of students in a single year. Many professors travel abroad. And even those who do not travel find that foreign students make up a large portion of the domestic classroom. Successful lecturing requires some understanding of the backgrounds and worldviews of a very diverse student audience.

This paper considers differences in worldviews across business students in three different countries: China, India, and Korea. It also looks at differences between groups of students studying in different languages, English and Korean, within one country, Korea. The results show that statistically significant worldview differences exist across national groups and even within one nationality, based on differences in English-language skill alone. It is important for international instructors, who may not be immediately familiar with the culture and the subtle differences between groups, to consider these differences when developing course goals and classroom techniques.

The analysis that follows considers the results of four surveys. First, previous research concerning international teaching is considered. Then, the surveys are described. Survey responses are analyzed in three sections: closed-ended responses are reported and analyzed quantitatively; logit analyses are used to show significant differences in opinion based on respondent socio-demographic characteristics, language, and nationality; and the more qualitative open-ended responses are interpreted. Finally, there are a few concluding remarks and a suggestion to improve teaching techniques in international settings.

LEARNING TO TEACH INTERNATIONALLY

Teaching internationally requires constant adjustments in style and changes in cultural preconceptions. Kragh and Bislev (2005) used several surveys of business students with international education experience to show that students, regardless of background or nationality, tend to prefer participation oriented and egalitarian teaching. They found that the students perceived the instructors in different nations to be quite different. They wrote that professors may be "locked into institutional obligations and national cultures to much larger degrees than students." Du-Babcock (2002) wrote, "successful overseas teaching is a function of blending continuity (using skills that made one successful at home) and adaptation (modifying for language, culture, and context differences in a foreign country)." She stated that instructors need to adapt gradually while interpreting student reactions.

This need for sensitivity in advancing teaching techniques internationally was also discussed by Chia, Koh, and Pragasam (2008) in a study of college students in Singapore, Australia, and Hong Kong. They examined the factors that affect student choice of career and found significant differences across gender and nationality. They found the relative importance of security and creativity as career drivers depends on culturally related phenomena such as availability and expectation of extended-family networks. They suggested that educators should take these differences into consideration in adopting strategies to meet the career needs of students.

Differences across students can also exist within one country. Students who might be perceived as being from the same culture can have subtle but important differences. Warden, Chen and Caskey (2005) reported differences between Western, Southeast Asian and Chinese students in their willingness to post on-line communications in business classes in Taiwan. They found that students from the west tend to be more active in the classroom than do students in the east, due to the importance of debate in the Western learning systems. However they also found that across nationalities within Asia students can be different, depending in part upon the strength of Confucian and Buddhist beliefs. Students from stronger Confucian cultures are more likely to admire stern teachers, want to save face, and expect a master teacher model.

Similarly, Kennedy (2002) described teaching in Hong Kong, and explained the need for Western instructors to strive to understand Chinese student roles, relationships, and the different responsibilities they have for peers, family and teachers. They wrote that instructors should change teaching styles naturally as they begin to understand the students' culture and learning expectations. Rodrigues (2005) examined the impact of national culture on student preferences for different teaching techniques. He found students from strong risk-avoiding cultures and students from countries that accept centralized power and rely heavily on superiors for structure tend to prefer lectures, reading textbooks, guest speakers, videos, classroom presentations, and computerized learning assignments. Students from risk-accepting cultures and students from countries that do not accept centralized power tend to prefer case studies, individual research projects, group projects, and classroom discussions

Holmes (2004) made the point clear by stating that Western instructors should not put the complete onus to change on Chinese and other international students. Instead, teachers should reflect on the content and process of their educational practices, and move "from the mind-set of deficit to a difference view." Over time, differences in teaching styles across countries can affect a change in student expectations. Parey and Waldinger (2011) have shown that the international labor mobility is significantly increased when students study abroad. A small early investment in access to other cultures is associated with greater mobility later on in life.

SURVEYS OF UNIVERSITY STUDENTS IN CHINA, INDIA, AND KOREA

The results in this paper are obtained from responses elicited using four survey instruments. The survey instruments were first developed and successfully tested for reliability in focus groups in China in 1997. Table 1 describes these surveys. The first survey, the China survey, was conducted in 2008 in Shanghai, China. The second survey, the India survey, was conducted in 2008 in Bangalore, India. The third and fourth surveys, the Korean surveys, were conducted in 2010 Jeonju, Jeollabuk, Korea.

The China survey respondents were undergraduate international finance students in the Joint Undergraduate Program at the Shanghai University of Finance and Economics (ShUFE). The India survey respondents were MBA students studying in the Marshall University India MBA program (India MBA) at Bharatiya Vidya Bhavan. The Korea survey respondents were undergraduate business students taking courses at Chonbuk National University.

Both the ShUFE and India MBA program classes were taught in English, and both surveys were conducted in English. One group of Korean respondents, the English-language group, consisted of students taking a course taught in English. The other group, the Korean-language group, consisted of students taking a course taught in Korean. The English-language students were given an English language survey and the Korean-language students were given a Korean language survey.

Information elicited from all 44 China survey respondents was used in the analysis for this paper. Of the 52 India surveys, 51 were useable because one student was not Indian, but Nepalese. Of the 56 Korea English-language surveys collected, 54 were useable because one respondent was from China, and another was from Mongolia. Of the 39 Korea Korean-language surveys collected, 34 were useable because five respondents were Chinese.

All four of the survey instruments followed the same structure, which had five sections. The first section elicited information about respondent socio-demographic characteristics such as age, academic major, living arrangements, and parental occupation. The only difference across instruments in this section concerned how respondents self-identify. Whereas China respondents were asked about ethnic group, India respondents were asked about religion, caste, and language, and Korea respondents were asked about religion.

The second section of the survey instrument elicited the respondents' expectations concerning their personal futures. There were questions concerning expectations about work, marriage, location, standard of living, retirement, parental care, and family influence on decision making. The major difference across instruments in this section concerned a question about marriage. Respondents were asked if they would be willing to marry someone from each of three different categories. China respondents were asked about marrying people from different ethnic groups, provinces, and countries. India respondents were asked about marrying people from different castes, religions, and countries. Korea respondents were asked if they would be willing to marry someone from a different province, religion or country.

The third section of the instrument asked questions about each respondent's home country. Respondents were asked questions about national problems, cultural changes over the last 20 years, and economic growth. This section was identical across all survey instruments.

The fourth section of the instrument elicited opinions concerning various aspects of United States culture, government and policies. Students were also asked how they think Americans perceive their own countries.

The fifth and final section of the survey elicited respondent opinions concerning the world. Respondents were asked if they were optimistic or pessimistic about the world's political and economic future. Each respondent was asked about how his or her own country positively and negatively affects the world, which countries are friends, and which countries are not happy with the respondent's country's success. Finally, respondents were asked what their countries can learn from and teach to the rest of the world.

Quantitative analysis of closed Responses

Table 2 provides information about the birthplace and ethnic/religious make-up of the sample. While about 32% of the China respondents came from Shanghai or the adjoining provinces of Zhejiang and Jiangsu, respondents also came from ten other provinces and cities. About 40% of the India respondents came from Karnataka, where Bangalore is located. However, Indian respondents also came from 11 other states. Korea respondents came from nine different provinces and cities, but 50% came from Jeollabuk Do, where Chonbuk National University is located.

All of the China respondents were of the Han ethnic group. This is as expected because 91.5% of the Chinese population is Han (CIA, 2012). China respondents were not asked about their religion because China is officially atheist. A little over three-fourths of the India respondents were Hindu. Christians and Muslims were equally represented, with each making up 4% of the sample. According to the CIA, the population of India is 80.5% Hindu, 13.4% Muslim, and 2.3% Christian. In the survey, of the India respondents not identifying themselves as Hindu, Christian, or Muslim, most listed themselves as "Indian only." This may indicate a desire to move away from traditional classifications in Indian society. Close to half of the Korea respondents did not identify themselves as members of a religion. However, 31% were Christian, and 17.8% were Buddhist. Compared to the Korean-language respondents, the English-language respondents were more likely to be Christian (34.0% vs. 27.0%) and less likely to be Buddhist (13.2% vs. 22.9%).

Table 3 presents other socio-demographic characteristics of the samples. While two-thirds of the China respondents were female, three-fourths of the India respondents and roughly half of the Korea respondents were male. There was little age difference across all four surveys.

In all four surveys, the fathers of respondents were most likely to have careers in business. While engineering was the next most common career for the fathers of China respondents, public service was next most likely for the fathers of India respondents. Korea English-language respondents were more likely to have fathers in either public service or education, while Korean-language respondents were more likely to have fathers in farming.

China respondents were most likely to have mothers working in business. The mothers of India and Korea respondents were all most likely to be homemakers. The non-homemaker mothers of Korean-language respondents were likely to be in business.

While China respondents were most likely not to have any siblings at all, other respondents were most likely to have one sibling. About one-fourth of the India respondents had more than two siblings. Korean-language respondents were more likely than the Korea English-language respondents to have more than two siblings.
China respondents had on average 3.1 people living in the house where they grew up. India respondents had an average household size of 4.5 people. Korea Korean-language respondents had an 6 average household size of 4.5 people, and English-language respondents had an average household size of 4 people.

Twenty-five percent of the China respondents had a job or internship. The respondents who worked all had internships in the financial industry. For example, one student worked for Citibank China, Ltd and another worked for the financial department of IBM. Only about 2% of the India respondents had a job or internship. They did not list the type of work. Only around 9% of the Korea English-language respondents and 5% of the Korean-language respondents had a job or internship. Korean-language respondents all worked at clothing stores and coffee shops. English-language students had similar jobs, except for those who worked tutoring English.

China and Korea respondents were more likely than India respondents to have traveled abroad. Roughly 40% of the China respondents and 60% of Korea respondents had been outside of their countries, whereas only around 20% of India students had traveled outside of India. The three most common countries visited by China respondents who had gone abroad were France, Germany, and the United Kingdom. With one exception, the country visited by India respondents was Nepal. The exception was one student who had traveled to Dubai. The Korea Korean-language respondents most often had visited Japan, China, and the United States, in that order. The Korea English-language respondents, who were slightly more likely to have traveled abroad, most often visited Japan, the United States, and Canada, in that order.

Although not listed in Table 3, respondents all provided information about their majors. All of the China respondents were Banking and International Finance majors. Among India respondents, the most common type of major before entering the MBA program was Business (Accounting, Commerce, Finance, Management, or Marketing). Business majors made up 50.0% of the total India responses. Engineering (including Computer Science, Electronics, and Engineering) made up another 41.8% of the responses. Other majors listed by the India respondents included Pharmacy and Biology. Korea respondents were most often business majors, but the English-language sample had a greater variety of majors than the Korean-language sample.

Table 4 summarizes respondents' expectations about their future lives. China and India respondents on average expected to be married at age 27. Korea respondents expected to be married at age 29. In all four surveys, female respondents expected to be married at a younger age than male respondents. The gap for expected age at marriage between males and females was 1.7 years for the India sample, 1.2 years for Korea English-language respondents, 0.7 years for China respondents, and 0.5 years for Korea Korean-language respondents.

A majority, 65.9%, of the China respondents would marry someone outside of the Han ethnic group, and 81.8% would marry someone from a different Province. However, only half would marry a foreigner. India respondents were not likely willing to marry a non-Indian or someone from a different religion. However, 61.5% of the India respondents were willing to consider marrying outside of their caste. Among Korea survey respondents, English-language respondents were more likely than Korean-7 language respondents to be willing to marry someone of a different religion, from a different province, or from abroad.

Most respondents in all four surveys wanted to have two children in the future. Only the China respondents considered having no children. Korea Korean-language respondents were the most likely to want to have more than two children.

Over 90% of China, India, and Korea English-language respondents expected to have a higher standard of living than their parents. The Korean-language respondents were somewhat less optimistic. All respondents expected to retire in their fifties. China respondents had the lowest expected retirement age, 53.5.

A majority of students in all samples were willing to find work in a foreign country, but China respondents were the most willing. Students who stated they were willing to work abroad were asked to list the countries in which they would most like to work. Among China respondents, the United States, Canada, and Australia were listed most often. Among the India respondents, the United Kingdom, the United States, and Canada were listed most often. Respondents in both

Korea surveys listed the United States, Canada, and Australia the most often. Several respondents in all four surveys, including the Korea Korean-language survey, wrote that they would be willing to work in “any country speaking English.” Korea English-language respondents were most likely to prefer to be working in a foreign country in ten years. Although China respondents were the most willing to work outside of their country now, they were the not any more likely the India respondents to prefer to be working in a foreign country in ten years. Only around eight percent of the Korean-language respondents prefered to be working abroad in 10 years.

A majority of respondents in each of the four surveys indicated that they believe it is important to have a socially responsible career. Korea English-language respondents were the least likely to believe that it is important. Students were asked whether it is better to have a well paid but unexciting job, or to have an exciting but average paying job. Respondents were most likely to prefer an exciting but average paying job. However, there were some differences in the strength of this opinion. India and Korea English-language respondents prefered an exciting but average paying job by a factor of 4 to 1. The Korean-language respondents prefered the same option by a factor of around three to one. China respondents, however, prefered this same option by a factor of only 1.3 to 1.

Table 5 summarizes student responses concerning parent and family influence on decisions of career, where to live after graduating, and spouse. Results are listed as the ratio of students responding that parents have a great deal of influence to students responding that parents have little or no influence on the decisions. Although China and India respondents had somewhat more independence than Korea respondents concerning career choice, there was a great deal more variation across responses regarding the influence of parents and family on decisions of where to live and whom to marry. Whereas India respondents felt that parents and family have about the same amount of 8 influence on their decisions of where to live and whom to marry, China respondents felt parents and family have a great deal of influence on where they live but very little on who they marry. On the other hand, Korea Korean-language respondents felt that parents and family influence their spousal choice, but have little say in where they live after graduating. Perhaps this is because the parents of Korea Korean-language respondents know that their children are likely to live in South Korea, which is smaller than China, and therefore the children are likely to live close to family. Parental influence on the choice of spouse was reported as being much greater by Korean-language respondents than by Korea English-language respondents. When it comes to choosing a spouse, the ratio of Korean-language students who stated that parents have a great deal of influence to those who stated that parents have little or no influence (1.05) is over two times greater than the same ratio measured for English-language students (0.50).

Tables 6a, 6b, and 6c summarize respondents' opinions about their nations' past cultural changes and future problems. China, India and Korea English-language respondents believed that, in the last 20 years, the best cultural change in their respective countries has been internationalization and acceptance of other cultures. Korean-language respondents, however, believed that the move to a digital culture and the advent of modern communication technology has been the best cultural change.

China and India respondents believed that the worst cultural change has been the loss of tradition and the worship of foreign culture and products. However, whereas the China respondents showed secondary concerns about the move towards a more materialistic culture, and individualism with a loss of civility and family values, India respondents worried about sexual openness and changes in fashion, from traditional to western. Korea respondents from both surveys believed the worst cultural changes has been individualism with a loss of civility and family values, and the loss of tradition and the worship of foreign culture and products.

China respondents indicated that population growth and income disparity are the two most important problems facing China. India respondents indicated that corruption and poverty are the two most important problems facing India. Respondents from both Korea surveys agreed that unemployment and reunification with North Korea are the most important problems facing their country.

Table 7 summarizes the respondents' opinions concerning their countries' relationships with other nations. China and Korea Korean-language respondents were more likely than India and Korea English-language respondents to believe that all countries are friends with their nation. They were also less likely to believe that no country is a friend of their nation. China respondents believed that the friendliest nations to China are Pakistan, Russia, and Israel. They believed that the USA, Japan and South Korea are the unhappiest with China's success. India MBA respondents believed that the USA, Russia, and Japan are India's best friends. They believed that Pakistan and China are the unhappiest with India's success. Respondents in both Korea surveys agreed that the USA, Turkey, and China are South Korea's friends and that Japan, China and North Korea are the unhappiest with South Korea's success. It seems 9 the Korea respondents, who listed China as both a friendly and an unhappy country, had mixed views about the relationship between China and South Korea. Across all four surveys, it appears there is a more concentrated list of unhappy countries than friendly countries. This may indicate respondents agreed more about the identity of enemies than friends.

Table 8 summarizes responses to the question “Are you optimistic, pessimistic or neutral in your opinion of the world's political and economic future?” India respondents were the most optimistic (65.4% optimistic and 0% pessimistic). China respondents were only slightly less optimistic (56.8% optimistic and 16% pessimistic). Respondents in both Korea surveys were more likely to be neutral than either optimistic or pessimistic. English-language respondents (44.6% optimistic and 8% pessimistic) were still much more optimistic than Korean-language respondents (18% optimistic and 20.5% pessimistic).

Logit Analyses to Determine Significance of Factors Affecting Particular Choices

Were the differences in opinion between China, India, Korea Korean, and Korea English respondents significant, even after controlling for socio-demographic characteristics other than nationality? This section analyzes the results of logit analyses determining significant factors affecting several of the choices described in the previous section.

The survey asked six specific closed-ended questions which can be framed dichotomously:

1. Would you be willing to work outside of X? (where X is the respondent's country)
2. Would you marry someone from a foreign country?
3. Which is more important: a well paid but unexciting job, or an exciting but average paying job?
4. Is it important to have a socially responsible career or work for a socially responsible company?
5. Are you optimistic, pessimistic, or neutral in your opinion of the world's political and economic future?
6. Do you expect to have a higher standard of living than your parents?

Table 9a lists the definitions of five logit dependent variables created from these questions: Work Foreign, Marry Foreign, Exciting Job, Responsible Career, and Optimism. Notice that there is no dependent variable associated with question six. This is because only eight respondents did not expect to have a higher standard of living than their parents (three from the China survey, two from the India survey, and three from Korea English survey). These were too few responses to differentiate the effects of any respondent characteristics on choice.

Table 9a also lists the definitions of three socio-demographic independent variables (Female, Working Mother, and Travel Abroad), which were created from questions on the survey. Because of different social expectations for the sexes, female respondents may have had different opinions than male respondents. Respondents with working mothers might be thought of as having come from more liberal and modern households, and therefore might be expected to have had different opinions. Students who had traveled abroad might have been more knowledgeable about different cultures and more open-minded to change. There were no significant differences in age across respondents, so age is not included as an independent variable.

Finally, Table 9a lists three subsample independent variables which will capture differences between respondents to the surveys. Three dummy variables (India, Korea English, and Korea Korean) were created to capture differences between these three types of respondents and the arbitrarily chosen base respondent group, China.

Table 9b lists the results of five logit regressions, one on each of the five dependent variables. Each of the five regressions used all six independent variables. The results indicate how each independent variable, or respondent characteristic, affects the likelihood of a particular choice.

There were no socio-demographic characteristics significant in explaining whether or not a respondent would be willing to work in a foreign country. However, holding all factors constant, the results show that Korea Korean respondents were significantly less likely than China respondents to be willing to work in a foreign country. India and Korea English respondents, on the other hand, were not significantly different from Chinese respondents in this regard.

Respondents who had traveled abroad were significantly more likely than those who had not traveled abroad to be willing to marry a foreigner. India and Korea Korean respondents were significantly less likely than China respondents to be willing to marry a foreigner. However, when it came to this choice, Korea English respondents were not significantly different that Chinese respondents.

Respondents who had working mothers were significantly less likely to choose having an exciting but average paying job over having a well paid but unexciting job. To this group income security or wealth seemed more important than excitement. India, Korea Korean, and Korea English respondents were all significantly more likely than Chinese respondents to prefer the exciting job. Chinese respondents, like respondents who have working mothers, prefered the well paid job.

Female respondents were significantly more likely than male respondents to believe it is important to work for a socially responsible company or to have a socially responsible career. There were no significant differences between the survey subsamples with regard to this issue. This may be due to the fact that only 22 of the 191 respondents answered that it is not important to work for a socially responsible company or have a socially responsible career.

Holding other factors constant, Korea Korean respondents were significantly less likely than other types of respondents to be optimistic about the world's political and economic future. None of the socio-demographic factors were significant in explaining differences in optimism.

Overall, in explaining differences in opinion across our five different dependent variable choices, the socio-demographic variables Female, Working Mother, and Travel Abroad were each significant once. Korea English respondents had one significantly different response, India respondents had two significantly different responses, and Korea Korean respondents had four significantly different responses. It appears that even after holding socio-demographic factors constant, many differences in respondent opinions can be explained by nationality and language.

Qualitative Analysis of Open-Ended Responses

This section reviews responses to several open-ended questions, focusing on responses concerning economic growth and interactions with the rest of the world. First, response similarities and differences across all three countries will be considered. Then differences between the two Korean language sub-samples are examined.
Comparing China, India, and Korea Responses

The optimism of the respondents showed up in several open-ended responses. One Chinese student wrote, "I think china's growth won't end until after I die." Another wrote, "My life will get better and better, and our products will be of higher quality, and we will perfect social welfare." Indian respondents, while just as optimistic, did show a concern with their country's leaders. One wrote, we will grow "as long as effective leaders will come," and another wrote we will not grow long "if our politics don't change soon." Korean respondents were more likely than the other respondents to predict a specific length of time, usually 10 or 20 years, for Korean economic growth. A typical response was "I think Korea will continue to grow until 2020."

Chinese respondents were not thoroughly convinced growth will positively affect income equality and reduce poverty. One student wrote, "I don't think the gap between the poor and the rich will be eliminated quickly as we are now focusing on developing the overall economy." Another wrote "It will broaden the gap between the wealthy and the poor in the short run, but in the long run the gap will be narrowed." Chinese students perceived a need for government policies to avoid income disparity. As one student wrote, "Income inequality is not caused by economic growth, but by bad management and policy." Indian respondents were much more optimistic about the effect of growth on equality and poverty. A typical comment was "It will affect all our Indians in a good manner." Korean respondents were perhaps the most pessimistic about reducing inequality. One student wrote "The gap between rich and poor will be increased." Another wrote, "The rich will earn more and poor will always work for low pay."

Chinese respondents felt that China's growth will certainly be good for the developing world, but they worried about how growth might be perceived globally, especially by developed countries.

Fully 50% believed that the United States is unhappy with China's success. As one student wrote about China's growth, "…it will benefit the whole world, but because of our export biased economy it will harm the welfare of some nations." Another wrote, "Growth will be a threat to the USA, but can be a model for Africa." Indian respondents believed their growth is less of a threat to the rest of the world. A typical comment was that India "is going to be one more developed country, good for the global stage." Korean respondents, while not believing the United States perceived their growth as a threat, did feel like the Chinese respondents that their growth would be best for the developing world. As one student wrote about growth, "It will help make Korea stronger, and Korea will help third world countries grow stronger as they develop technically."

When asked what their country can learn from the rest of the world, most Chinese students responded with "technology" or "modern management skills." However, many students wrote instead about politics and stability. One student wrote, China can learn "to keep a low profile, even as China grows stronger." Another wrote, "peace is important to growth." Indian students often commented that their country could learn more about organization, political structure and efficiency. For example, one student wrote that India could learn about "strict rules, uncorrupted politicians and political parties, and service to society and country." Korean respondents responded to this same question in a much wider variety of ways. No one type of response dominated. This may indicate that Korean students perceived their country to be integrated into the world community, and not significantly different from the rest of the world in any particular way.

The responses between the countries were perhaps most similar when students were asked what their countries can teach the rest of the world. Chinese students typically focused on moral and cultural values like "Diligence," "Hard Word," "Chinese moral values," "Modesty," and "Humility." One student wrote that other countries can learn to be "Independent, friendly, and not aggressive." Indian students believed their country can best teach "love, peace, and respect for diversity." For example, one student wrote India shows "humanity, love and respect towards all people in the world." Korean respondents similarly indicated that their country can teach the world how to grow, cooperate, show patience, and live together even under conflict.

Examining Difference in the English-language and Korean-language Subsamples

As shown in Table 4, compared to Korean-language students, English-language students were more willing to live overseas for an extended period of time. However, while open ended responses showed most Korean-language students (approximately 79%) did not want to stay in their hometown and would rather live elsewhere in South Korea, fewer English-language students (approximately 40%) wanted to live somewhere other than their hometown if they lived in South Korea. Perhaps, English-language students not only had more opportunities abroad through their interactions with English speaking foreign instructors, but also could find better career and job opportunities locally. Korean-language students may have had a more difficult time in the poor economic environment and job situation in Jeollabuk Do province, where most of them were born. 13terms of career plans, English-language students were much more ambitious and had higher goals than Korean-language students.

English-language students wanted to be bankers, international traders, business managers, public officials, and medical doctors. On the other hand, although some of the Korean-language students wanted to be professionals such as managers in large corporations, most wanted to be office workers, trading agents, and tellers. The career choices of Korean-language students may have been based on their parents' occupations and financial well-being. The parents of English-language students may have been from higher economic classes, pursued loftier careers, and had better financial situations. These parents might have led by example and also invested more of their money in their children's English language training and general education.

Both groups strongly perceived that taking care of their parents is one of their moral duties. One respondent wrote "because they have been taking care of me, it is natural to repay." Another wrote "it is important to take care of our parents in Korea, which is deeply affected by Confucianism." And another wrote "in my society, it is a religion." There is a difference between the two groups in terms of how they planned to take care of their parents. Half of the English-language group wanted to take care of their parents by living together with them, while the other half wanted to support their parents financially while living separately and visiting them frequently. On the other hand, only one-third of the Korean-language students wanted to live together with their parents.

The English-language students' greater willingness to live with parents may have been due to a more highly developed reciprocity-relationship between parents and children, or it may have been due to the greater financial benefits that the students expect to get from their parents. If English-language students had an expectation of receiving greater financial support from their parents than did Korean-language students, they may have wanted to repay their parents by living together with them. The English-language students may also have thought that they might receive a greater portion of the inheritance if they live together with their parents. Regardless of this difference, it is notable that approximately 40% of South Korean children planned to live together with their parents when they get old. This is unthinkable in any western society.

Both the English-language and the Korean-language students stated that, although their parents may give them advice, there is virtually no influence from their parents in choosing any particular job or place to live. Parents usually respected their children's decision making in these areas. On the other hand, there was a large difference between the two groups regarding parental influence concerning the choice of spouses. While 19 out of 34 Korean-language students indicated that their parents have a significant influence on their choice of spouse, only six of 54 English-language students said that their parents greatly influence their spousal choice. It appears that the English-language students and families were more westernized on the issue of marriage. This might have been due to their greater interest in things western and their greater exposure to western media.

While many English-language students wrote that they do not know how South Korea's economic growth impacts other countries, many Korean-language students wrote that they believe that this economic growth will positively impact other countries. In particular, they felt that economic 14 growth will make South Korea more powerful so that it can assist other developing countries. It seems like Korean-language students are less cosmopolitan but more patriotic.

Overall, the survey results indicate that Korea respondents in general are proud of their historic national accomplishments, are very optimistic about their future, and have some degree of uncertainty about the rapidity and pervasiveness of globalization and its effects on South Korean society and cultural values. However, compared to their Korean-language counterparts, English-language respondents appear to have more family and career opportunities, to be more ambitious and independent, and to be less patriotic.

CONCLUDING REMARKS AND A SUGGESTION

The results of this paper show that students, who are of the same age and who are studying similar subject matter, but who are from different countries, such as China, India, and Korea, can be quite different in background, expectations of the future, and worldview. The results further indicate that ethnically similar students of a single nationality studying in the same country, Korea, may exhibit material worldview differences across groups formed based on differences in language skill alone. These differences in worldview can be significant in affecting the students' expectations about family, career, and national success. These expectations can, in turn, affect the students' abilities and interests in the classroom.

The differences in worldview that exist between students in different countries, and between students studying in different languages within the same country, remain statistically significant even after controlling for other student socio-demographic characteristics. Nationality and language of study are statistically significant in explaining opinion more often than are other socio-demographic differences. This indicates that an instructor teaching in a foreign country or in a new language may not be able to use socio-demographic characteristics alone to predict student worldviews. Predicting differences based on observations of student socio-demographics at home might hide differences in opinion when teaching abroad. An instructor teaching in a country for the first time, or teaching in a new language, could not possibly predict these differences in worldview.

The authors of this paper suggest that instructors teaching in an international context with unfamiliar cultural expectations conduct a brief beginning-of-the-course survey of student expectations concerning their personal life, their career plans, and their nation's potential for economic success. The survey can elicit information useful in developing a teaching strategy. The results of such a survey can quickly be analyzed and shown in class, prompting discussion. Furthermore, the results can be useful to the instructor when teaching in other countries. Reporting the results to other students of different nationalities studying in different countries can be informative and increase international understanding.

Suggestions for future research include conducting the surveys in other countries, looking for differences in teaching style preferences among student groups within a single country, and analyzing the reactions of Western students who read the responses of foreign students. It might also be 15 instructive to consider differences in expectations between students studying in their home countries and those studying abroad

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Table 1: Summary of the Four Surveys used in the Analysis China

	India		Korea	
Source University	**Shanghai University of Finance and Economics**		**Bangalore Campus of Marshall University MBA Program**	**Chonbuk National University**
Date Collected	**Fall 2008**		**Fall 2008**	**Spring 2010**
Total	**44**	**52**	Taught in English	Taught in Korean
Observations	**44**	**51**	**56**	**39**
Useable			**54**	**34**
Observations1				

Table 2: Birthplace and Self-Identification of Respondents1

Province/State/Metropolis (%)Self Reported Identification %			Self Reported Identification %		
China	Shanghai	15.9	Ethnic Group		100.0
	Zhejiang	15.9		Han	
	Jiangsu	9.2			
	XinJiang	6.8			
	Guangxi	4.6			
	Other2	47.6			
			Religion[4]		
India	Karnataka	44.2		Hindu	76.5
	Andhra Pradesh	13.4		Christian	
	Maharashtra	5.8	4.0		
	Tamil Nadu	5.8		Muslim	4.0
	Other3	30.8		Other 5	15.5

			Religion	
Korea *Combined*	Karnataka	50.0	None	48.5
	Andhra Pradesh	19.2	Christian 31.0	
	Maharashtra	15.4	Buddhism	17.8
	Tamil Nadu	15.4	Other[7]	3.0
	Other [3]			
Taught in English	Jeollabuk Do	33.3	None	47.9
	Seoul	26.2	Christian 34.0	
	Chengcheongbuk Do	21.4	Buddhism	13.2
	Other [8]	19.1	Other[7]	4.2
Taught in Korean	Jeollabuk Do	69.4	None	5.1
	Seoul	11.1	Christian 27.0	
	Chengcheongbuk Do	8.3	Buddhism	22.9
	Other [9]	11.2	Other [7]	0.0

Notes:

1. N =183 (This includes 44 Chinese, 51 Indian, 54 English language Korean surveys, and 34 Korean language Korean surveys).
2. Other provinces include Chongqing, Heilongjiang, Hunan, Jiangxi, Shandong, Shanxi, Yunan, and Zhejiang.
3. Other states include Assam, Bihar, Delhi, Jharkhand, Kerala, Madhya Pradesh, Uttar Pradesh, and West Bengal.
4. India MBA observations self-identify in various ways: religion, caste, state, and language. Some students identify themselves in multiple ways. However, the most common and principal category is religion. Within the Hindu group, there are various categories of caste listed, but not every observation is identified by caste.
5. Other religions include two types of observations: those who make a point to classify themselves as “Indian” only and those who identify themselves as “None.”
6. Other provinces/ cities include Incheon, Gyeongsanbuk Do, Busan, Chungcheongnam Do, Gyengsangnam Do, and Jeju Do.
7. Other includes “believe all religions.”
8. Other provinces/ cities include Incheon, Gyeongsanbuk Do, Busan, Chungcheongnam Do, and Jeju Do.
9. Other provinces/ cities include Incheon, Busan and Gyengsangnam Do

Table 3: Socio-demographic Characteristics of the Respondents

	China	India	Korea *Taught in English*	*Taught in Korean*
Sex (%)				
Male	34.1	75.0	44.6	46.2
Female	65.9	25.0	55.4	53.8
Age (Years)1				
Average	21.8	21.7	22.4	21.9
Standard Deviation	0.6	1.4	2.7	2.0
Parent's Career (%)2				
Father				
Business	65.1	56.3	44.9	61.1
	4.7	6.3	10.2	2.8
Education Engineering	14.0	6.3	8.2	2.8
Farming	0.0	2.1	4.1	13.9
Public Service	2.3	10.4	10.2	5.6
Other	13.9	18.6	22.4	13.8

Mother				
Business	70.0	13.2	15.4	31.4
Homemaker	5.0	73.0	51.9	45.7
Education	5.0	5.8	13.5	2.9
Other	20.0	8.0	19.2	20.0
Siblings (Number of)				
0	93.2	22.0	23.7	10.3
1	4.6	36.9	50.0	46.2
2	2.3	17.1	23.7	23.1
>2	0.0	24.0	2.6	20.5
Size of Household (Persons)[3]				
Average	3.1	4.5	4.0	4.5
Standard Deviation	0.5	1.8	0.8	1.1
Student Has Job or Internship (% Yes)	25.0	1.9	8.9	5.1
Have Travelled Abroad (% Yes)[4]	40.9	19.2	62.5	59.0

Table 4: Respondent Expectations Concerning Personal Future

	China	India	Korea *Taught in English*	 *Taught in Korean*
Age Expected to Marry (Year)	27.7	27.1	29.8	29.4
Average for All	28.1	27.6	30.4	29.6
Average for Men	27.4	25.9	29.2	29.1
Average for Women				
Would Marry Outside of (% Yes)[1]				
Religion	–--	34.6	53.6	38.5
Caste	--	61.5	--	--
Ethnic Group	65.9	--	--	--
State/Province	81.8	--	87.5	66.6
Country	50.1	19.2	46.4	10.3
How many Children Wanted				
0	7.9	0.0	0.0	0.0
1	21.1	24.5	9.1	8.3
2	68.4	67.3	79.5	61.1
>2	2.6	8.1	11.4	30.6
Expect a Higher Standard of Living than Parents (% Yes)	93.2	96.2	94.6	82.1
Expected Retirement Age (Years)				
Average	53.5	58.6	55.8	55.1
Standard Deviation	12.1	8.2	14.0	11.6
Willing to Work in Foreign Country(% Yes)	86.4	71.2	78.6	71.1
In 10 Years, Prefer to be Working In a Foreign Country (%)[2]	20.9	20.4	31.9	7.9
Important to Have a Socially Responsible Career (% Yes)[2]	93.2	94.2	78.6	89.7
Which Job is Better (%)[3]				
Well Paid but Unexciting	43.2	20.0	19.6	23.1
Exciting but Average Paid	56.8	80.0	80.4	76.9

Table 5: Parent and Family Influence on Decision Making: a Ratio of Great Deal of Influence to Little or No Influence

	China	India	Korea *Taught in English*	Korea *Taught in Korean*
Influence Concerning: Career (Ratio)[1]	0.44	0.41	0.29	0.32
Where to Live after Graduating (Ratio)	1.18	0.80	0.68	0.29
Spouse (Ratio)	0.24	0.81	0.50	1.05

Please refer Tables 6a & 6b on next page.

Table 6c: Korea Respondent Opinions about Korea's Recent Past and Future

Five Most Commonly Listed Best Cultural Changes in the Nation's Previous 20 Years (% of Respondents)[1]	*Taught in English*	
	1. Internationalization and Acceptance of Other Cultures	22.9
	2. Culture of Individual; Freedom of Expression	16.7
	3. Digital Culture; Communication Technology	16.7
	4. Gender Equality	12.5
	5. Overall GDP Growth	10.4
	Taught in Korean	
	1. Digital Culture; Communication Technology	36.1
	2. Internationalization and Acceptance of Other Cultures	13.9
	3. Quality of Life and Increase in Leisure	11.1
	4. IT Industry Growth	8.3
	Overall GDP Growth	8.3
Five Most Commonly Listed Worst Cultural Changes in the Nation's Previous 20 Years (% of Respondents)[1]	*Taught in English*	
	1. Individualism; Lack of Civility; Loss of Family Values	22.9
	Loss of Tradition; Worship of Foreign Culture/Products	22.9
	3. Money and Material Culture	14.3
	4. Internet Issues (Loss of Privacy, Scams, Loneliness)	8.6
	5. Sexual Openness	5.7
	Taught in Korean	
	1. Individualism; Lack of Civility; Loss of Family Values	23.5
	2. Loss of Tradition; Worship of Foreign Culture/Products	17.6
	3. Internet Issues (Loss of Privacy, Scams, Loneliness)	14.7
	4. Increasing Crime Rate	8.8
	5. Alcoholism	5.9
Five Most Commonly Listed Important Problems Now Facing the Nation (% of Responses)[2]	*Taught in English*	
	1. Unemployment	16.5
	2. Reunification with N. Korea1	3.1
	3. Legal System and Government Changes	7.6
	4. Educational System Changes(Cost and Emphasis)	6.9
	Environmental Issues and Pollution	6.9
	Population Growth	6.9
	Taught in Korean	
	1. Reunification with N. Korea1	4.7
	2. Unemployment	13.7
	3. Population Growth	10.5
	4. Legal System and Government Changes	7.4
	5. Educational System Changes (Cost and Emphasis)	6.3
	Inflation	6.3
	Income Disparity	6.3

Notes:

1. Each respondent is asked to consider the tremendous cultural changes affecting his or her nation in the last 20 years. Then, each respondent is asked to list the Best and Worst cultural change. The table shows the three most commonly cited responses. The number in parentheses shows the percent of respondents who list that particular change.

2. Each respondent is asked "What are the three most important problems facing China today…" This table shows the three most commonly cited responses. The number in parentheses shows the percent of responses including that particular problem.

Table 6a: China Respondent Opinions about China's Recent Past and Future

Five Most Commonly Listed Best Cultural Changes in the Nation's Previous 20 Years (% of Respondents)[1]	1. Internationalization and Acceptance of Other Cultures	68.3
	2. Attitude of Personal Success	4.9
	Culture of Individual; Freedom of Expression	4.9
	Gender Equality	4.9
	Reform Policy; Opening Economy	4.9
Five Most Commonly Listed Worst Cultural Changes in the Nation's Previous 20 Years (% of Respondents)[1]	1. Loss of Tradition; Worship of Foreign Culture/Products	47.4
	2. Money and Material Culture	26.3
	3. Individualism; Lack of Civility; Loss of Family Values	13.2
	4. Damage to Ancient Architecture	5.3
	5. Income Gap	2.6
Five Most Commonly Listed Important Problems Now Facing the Nation (% of Responses)[2]	1. Population Growth	14.8
	2. Income Disparity	13.9
	3. Environmental Issues and Pollution	10.4
	4. Financial System Control	8.7
	5. Legal System and Government Changes	5.2

Notes:

1. Each respondent is asked to consider the tremendous cultural changes affecting his or her nation in the last 20 years. Then, each respondent is asked to list the Best and Worst cultural change. The table shows the three most commonly cited responses. The number in parentheses shows the percent of respondents who list that particular change.

2. Each respondent is asked "What are the three most important problems facing China today…" This table shows the three most commonly cited responses. The number in parentheses shows the percent of responses including that particular problem.

Table 6b: India Respondent Opinions about India's Recent Past and Future

Five Most Commonly Listed Best Cultural Changes in the Nation's Previous 20 Years (% of Respondents)[1]	1. Internationalization and Acceptance of Other Cultures	42.6
	2. Culture of Individual; Freedom of Expression	12.8
	3. Overall GDP Growth	6.4
	4. Population Control	4.3
	Religious Tolerance 4.3	4.3
Five Most Commonly Listed Worst Cultural Changes in the Nation's Previous 20 Years (% of Respondents)[1]	1. Loss of Tradition; Worship of Foreign Culture/Products	51.3
	2. Sexual Openness	15.4
	3. Fashion Changes (Loss of Traditional Clothing)	10.3
	4. Growth of Civil Service and Power of Government	5.1
	Increasing Crime Rate	5.1
	Individualism; Lack of Civility; Loss of Family Values 5.1	
Five Most Commonly Listed Important Problems Now Facing the Nation (% of Responses)[2]	1. Corruption	19.5
	2. Poverty	16.8
	3. Population Growth	10.1
	Unemployment	10.1
	5. Terrorism	6.7

Notes:

1. Each respondent is asked to consider the tremendous cultural changes affecting his or her nation in the last 20 years. Then, each respondent is asked to list the Best and Worst cultural change. The table shows the three most commonly cited responses. The number in parentheses shows the percent of respondents who list that particular change.
2. Each respondent is asked "What are the three most important problems facing Korea today…" This table shows the three most commonly cited responses. The number in parentheses shows the percent of responses including that particular problem.

Table 7: Respondent Opinion about Nation's Relationship with Other Countries

	China	India	Korea *Taught in English*	*Taught in Korean*
Three Most Friendly Countries[1] **(% of Responses)**	Pakistan 19.0 Russia 19.0 Israel 14.3	USA 31.8 Russia 15.9 Japan 10.2 UK 10.2	USA 41.2 Turkey 23.5 China 11.8 Japan 11.8	USA 43.3 Turkey 26.7 China 13.3
Three Countries Unhappy with the Nation's Success[2] **(% of Responses)**	USA 50.0 Japan 25.0 S. Korea 11.1	Pakistan 67.4 China 23.3 USA 9.3	Japan 54.7 China 20.8 N. Korea 13.2	Japan 51.9 China 25.0 N. Korea 13.5
Respondents Stating (%)[3] **All Countries are Friends** **No Country is a Friend**	25.0 6.8	9 . 8 11.8	9 . 3 11.1	23.5 8.8

Notes:

1. Each respondent is asked "Which countries do you feel are X's Friends?" where X is China, India, or Korea depending on the respondent's country. The table shows the three most commonly cited responses (with ties listed for India and Korea-Taught in English respondents).
2. Each respondent is asked "Are there any countries you feel are not happy with X's success?" where X is China, India, or Korea depending on the respondent's country. The table shows the three most commonly cited responses.
3. In the question "Which countries do you feel are X's Friends?" some respondents wrote "All countries are friends" or "No Country is a friend." The table shows the percent of total responses for each country that included these types of comments.

Table 8: Respondent Opinion about the World's Future

	China	India	Korea *Taught in English*	*Taught in Korean*
Opinion of the World's Political and Economic Future (%)[1]				
Optimistic	56.8	65.4	44.6	18.0
Neutral	27.2	34.6	47.0	61.5
Pessimistic	16.0	0.0	8.9	20.5

Notes:

1. Each respondent is asked "Are you optimistic, pessimistic, or neutral in your opinion of the world's political and economic future?"

Table 9a: Variables Used in Logit Analyses

	China	India	Korea *Taught in English* *Taught in Korean*
<u>Variable Names</u>			
Dependent:			
Work Foreign	=1 if respondent answers yes to "Would you work outside of X?" where X is the respondent's country; =0 otherwise.		
Marry Foreign	=1 if respondent answers yes to "Would you marry someone from a foreign country?"; =0 otherwise.		
Exciting Job	=1 if respondent chooses "an exciting but average paying job" is more important than "a well paid but unexciting job"; =0 otherwise.		
Responsible Career	=1 if respondent answers yes to "Is it important to have a socially responsible career or work for a socially responsible company?"; =0 otherwise.		
Optimism	=1 if respondent answers "optimistic" to "Are you optimistic, pessimistic, or neutral in your opinion of the world's political and economic future?"; =0 otherwise.		
Independent:			
Socio-demographic Variables			
Female	=1 if respondent is female; =0 if male.		
Working Mother	=1 if respondent has a working mother; =0 otherwise.		
Travel Abroad	=1 if respondent has ever travelled abroad; =0 otherwise.		
Subsample Variables			
India	=1 if respondent is from the India subsample; =0 otherwise.		
Korea Korean	=1 if respondent is from the Korea subsample taking the course in Korean; =0 otherwise.		
Korea English	=1 if respondent is from the Korea subsample taking the course in English; =0 otherwise.		
Base	The subsample dummy variable set has China as a base.		

Table 9b: Results of Logit Analyses of Respondent Characteristics Affecting Choices

	Work Foreign	Marry Foreign	Exciting Job	Responsible Career	Optimism
Female	1.396 (0.517)	0.933 (0.325)	0.966 (0.346)	2.247* (1.115)	1.033 (0.339)
Working Mother	1.013 (0.394)	1.173 (0.449)	0.474* (0.198)	0.605 (0.319)	1.707 (0.610)
Travel Abroad	1.647 (0.636)	1.820* (0.644)	1.276 (0.469)	0.727 (0.365)	0.794 (0.265
Subsample Variables:					
India	0.488 (0.300)	0.234*** (0.128)	4.392*** (2.514)	2.129 (2.034)	0.989 (0.494)
Korea Korean	0.379* (0.227)	0.118*** (0.072)	3.440** (1.873)	0.924 (0.786)	0.135*** (0.075)
Korea English	0.536 (0.315)	0.699 (0.319)	4.339*** (2.278)	0.390 (0.292)	0.500 (0.226)

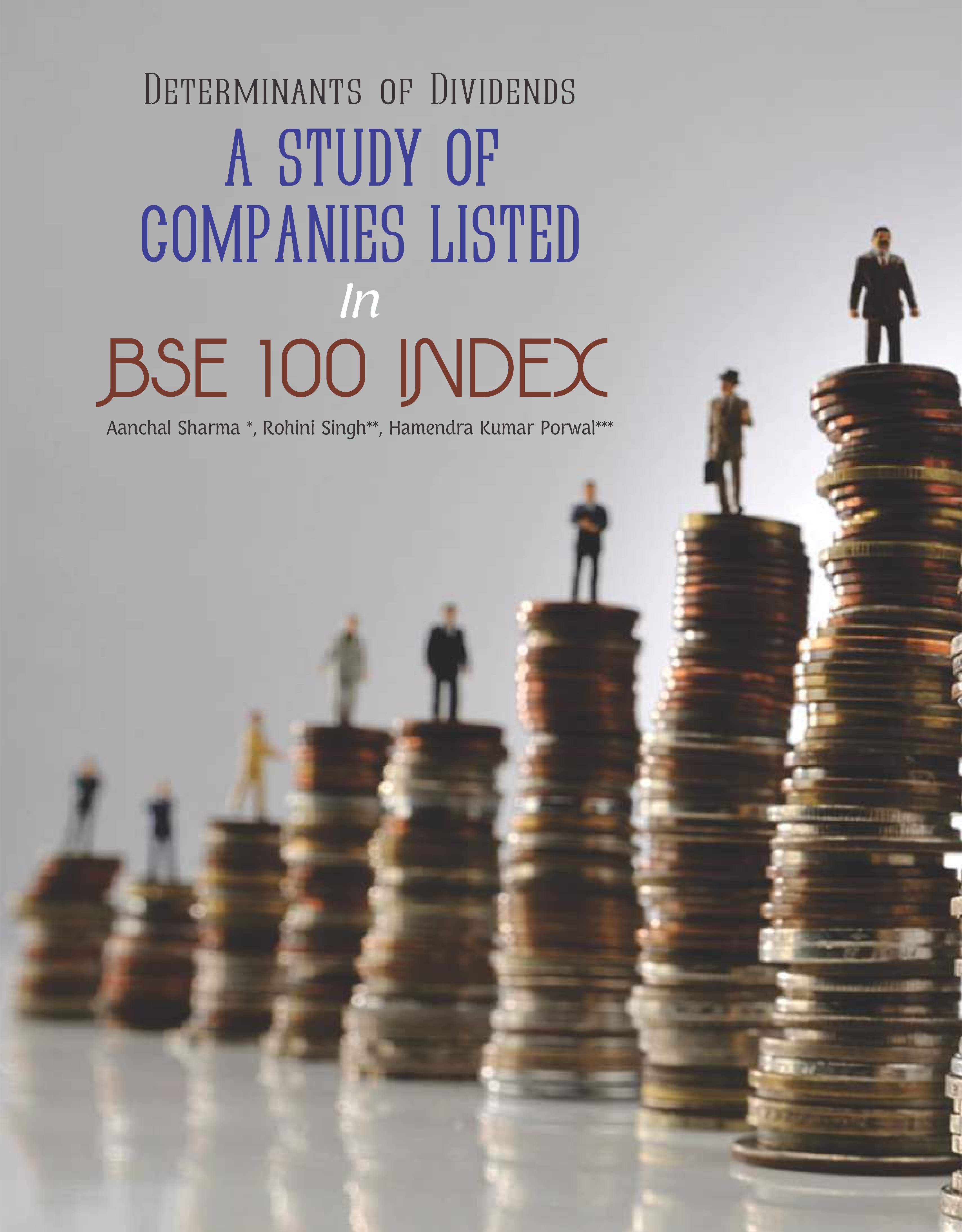
Notes:

1. N=191 for all five logit regressions.
2. Results are in odds ratio format. This may be interpreted as the increase in the odds that a respondent will fall into a particular dependent variable category, the category defined as =1, when there is a one unit increase in the independent variable, everything else constant. A number greater than 1 represents and increase in the odds. A number less than 1 represents a decrease in the odds.
3. Standard errors are shown in parentheses.
4. The symbols *, **, and *** show results which are significant at the 0.10, 0.05, and 0.01 levels, respectively.

Determinants of Dividends

A Study of Companies Listed In BSE 100 Index

Aanchal Sharma *, Rohini Singh**, Hamendra Kumar Porwal***



ABSTRACT

This paper investigates the determinants of dividend decisions of the firms listed in BSE100 index. The impact of fundamental variables like profitability, size, risk, growth and liquidity on dividend payout is examined. Statistical techniques of correlation and regression have been used to explore the relationship between the key variables. The findings provide a strong support to the argument that profitability and risk of a firm have a significant impact on the dividend policy decisions of firms. The risk of a firm is also observed to be an important contributor in the dividend decisions and has a significant negative correlation with the dividend payout. It can also be concluded that other variables like liquidity, size and growth do not have a significant impact on the dividend decisions of BSE100 Index companies.

Key words: Dividend determinants, Profitability, BSE 100 index

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INTRODUCTION

Determinants of dividends and optimal dividend payout of companies have interested researchers since a long time. Many theoretical models have also been developed to examine the most important determinants of an organization's dividend policy. Still, there is a lack of clarity on how much of the firm's profits should be distributed as dividends. Hence, companies are required to dwell on a definitive policy of dividend payout ratio.

It is difficult for corporate management to decide whether the dividend payout ratio should be fixed or not. Should companies follow the liberal dividend policy or conservative dividend policy? Whatever be the policy, it has to be critically examined based on what is suitable to the organization depending upon the external or/and internal factors; the select list includes earnings, liquidity, future growth projects, market expectation, size of the firm, market expectation, nature of business, cost of capital etc. There are still no clear guidelines available which can precisely determine the factors influencing the dividend decisions of companies and the extent to which the dividend payout is sensitive to these factors.

Walter and Gordon have both shown the supremacy of regular dividends through their models and proved that there exists a strong relationship between dividend policies and market value of the firm. However, another school of thought was developed by Modigliani and Miller (1961) who propagated the irrelevance theory of dividend payout. They concluded in their study that in perfect capital markets, the dividend policy had no impact on the value of the firm and it was the investment policy and the earnings of the firm which determine the share price.

ITERATURE REVIEW

International Studies

Rozeff (1982) conducted a study from 1974-1980 to analyze growth, beta and agency costs as determinants of dividend payout ratios. This paper concluded that increased dividends relate to lower agency costs but raise the transaction costs of external financing. It further concluded that dividend payout is positively related to the number of stockholders and negatively related to past and expected future growth rate of sales, beta coefficient and percentage of stocks held by insiders. Also, firms with greater investment have lower dividend payouts.

Alli, Khan and Ramirez (1993) investigated the dividend policy decision using factor analysis and OLS regression analysis. They noted variables such as beta, firm's capital expenditure and financial slack are inversely related to dividend payout.

Portaet al (2000) studied dividend payments across 33 countries from 1989 to 1994 and found that firms in countries with better legal protection for minority shareholders pay higher dividends, and companies with higher growth pay lower dividends as shareholders are willing to wait for the rewards.

Pandey (2001) studied companies belonging to six industries listed on the Kuala Lumpur stock exchange during 1993-2000. This revealed a relationship between current earnings and past dividend rate. However, he also observed high adjustments in dividend payments in order to meet the target payout ratio.

Wolmarans (2003) found Lintner's model cannot be used to explain South African dividend payments for 97 companies listed on the Johannesburg Securities Exchange Savov and Weber (2006) conducted a study for a period of 22 years from 1982-2003 for a sample of German companies to investigate the determinants of the dividend decision. A negative relation between the probability for dividend increases and the performance of the firm's shares was found as dividends are increased as a compensation for the poor returns of the current shareholders. Hence, dividend increasing companies performed worse than the overall stock market or corporations that keep dividends constant.

Denis and Osobov (2008) observed that dividends declined in USA, Canada, UK, Germany, France and Japan over 1994-2002. They also report that large and profitable companies have high dividend payouts supporting the view that distribution of free cash flow is the most important element of the dividend decision.

Chen and Dhiensiri (2009) conducted a study from 1991-1999 for a sample of companies listed on New Zealand Stock Exchange. The findings provide a strong support to the agency cost theory and partially support transaction cost and residual dividend theory. It was noted that a dividend payout ratio is positively related to the degree of ownership dispersion and negatively related to the degree of insider ownership. Also, firms that experience recent growth in revenues tend to pay lower dividends.

Al-Kuwari (2009) investigated in a study for a period of 5 years from 1999-2003 the factors influencing the dividend decisions of the firms listed on Gulf Cooperation Council country stock exchanges. The results suggest that dividend payout ratio is directly and strongly related to the government ownership, firm size and firm profitability but negatively related to the leverage ratio. These results, taken as a whole, indicate that firms pay dividends with the intention of reducing the agency problem and maintaining firm reputation, since the legal protection for outside shareholders is limited. In addition, firm's dividend policy was found to depend heavily on firm profitability.

Afza and Mirza (2010) analyzed companies listed on Karachi stock exchange for a period of 3 years from 2005-2007 and concluded that ownership, liquidity, size and leverage of a firm are negatively related with the dividend payout of the companies whereas profitability and operating cash flow are positively related to cash dividend payout.

Indian Studies

Mohanty (1999) studied over 200 Indian companies for the period of 15 years 1982 to 1996 to examine whether the companies that offer bonus shares generate greater returns companies that pay out steadily increasing dividends. He found that for the period 1982-1991 most of the companies either maintained the dividend at the pre-bonus levels or even if dividends were decreased it was less than in proportion to the bonus issue, while some increased dividends.

Reddy (2002) analyzed the dividend payout pattern of Indian companies on BSE and NSE for the period 1990 to 2001 and concluded that there is a positive relation of variables like size, profitability and growth of the firm with the dividend payments. Also, it was established that loss incurred by firms is an important determinant of dividend reduction decisions.

Kumar (2006) studied financial structure, investment opportunities, dividend history, earnings trend and ownership structure for the period 1994 – 2000 and observed positive relation between dividends and earnings and dividend trends but none between foreign ownership and growth in dividend payout.

Kanwal and Kapoor (2008) conducted a study for a period of 7 years from 2000-2006 to empirically analyze the determinants of dividend payout policy decisions in the Indian Information Technology sector. They noted that dividend payout ratio of IT firms is positively related to the profitability and the liquidity of the firms.

Bhayani (2008) examined the influence of earnings and lagged dividend on dividend policy of the 30 Sensex companies 1996-97 to 2004-2005. He found earnings to be the most important factor affecting dividends.

Gupta and Banga (2010) examined factors like leverage, liquidity, profitability, growth and ownership structure for their impact on the dividend policy of companies listed on BSE for the period 2001-2007. Results suggested that there exists a strong negative relationship between leverage that a firm is exposed to and the dividend decisions and a positive relationship between liquidity and dividend payout.

SCOPE OF WORK AND RESEARCH METHODOLOGY

The model to examine the impact of profitability, liquidity, risk, size and growth:

Dividend Payout= f {ROCE, Current Ratio, Beta, Market Capitalization, Sales Growth} where Dividend Payout is taken as a percentage of Earnings per share.

Profitability represented by ROCE (Return on Capital Employed) = Earnings before interest and taxes/(Total assets - current liabilities). We expect that firms with higher ROCE will payout higher dividends.

Liquidity represented by Current Ratio= current assets/current liabilities, shows the liquidity of a firm. We expect to find a positive relationship between current ratio and dividends.

Systematic risk represented by Beta as it measures co-movement with the market. We expect companies with higher systematic risk to compensate shareholders by paying higher dividends.

Firm Size is represented by Natural log of Market Capitalization. We want to examine whether smaller firms pay higher dividends in view of perceived risk of smallness.

Growth Rate of sales indicates future prospects and investment opportunities. We want to examine whether faster growing companies pay lower dividends as shareholders are willing to wait for returns.

The companies listed on the BSE100 Index have been analyzed in the study for the purpose of determining the factors affecting their dividend decisions. BSE100 index represents nearly 73% of the total market capitalization on BSE and covers major sectors of the economy. The companies selected in BSE100 Index are on the basis of market capitalization, liquidity and balanced industry representation.

The sample collected is for 99 companies which are constituents of BSE100 index. The cross sectional study has been done on data as on 31st March 2011. The data has been collected from the capitaline database and India info line website. The variables identified can be stated as follows:

$Y=\beta_0+\beta X1+\beta 2x2+B3x3+\beta 4X4+\beta 5X5$

Where

Y= Dividend Payout

βi=Change in the dividend Payout due to a change in the factor Xi

X1=Profitability

X2=Liquidity

X3= Systematic Risk

X4=Size

X5=Growth

Descriptive statistics and the statistical techniques of correlation and regression have been used to explore the relationship between these variables.

EMPIRICAL ANALYSIS OF DATA

For the analysis of the data, a correlation matrix was constructed and bivariate and multivariate regression analysis used Descriptive statistics of the data is presented Table 1:

Table 1: Descriptive Statistics

	Dividend Payout (%)	ROCE (%)	Current Ratio	Beta	Market Capitalization	Sales Growth (%)
Mean	29.13	23.08	2.51	0.92	10.33	78.29
Standard Error	2.39	2.20	0.50	0.04	0.10	50.40
Median Standard	24.34	16.7	1.33	0.91	10.17	22.24
Deviation	23.69	21.89	4.99	0.35	0.95	501.45
Sample Variance	561.1	479.14	24.92	0.12-	0.91-	251447.6
Kurtosis	22.78	9.28	45.51	0.18	0.38	96.82
Skewness	1.34	2.67	6.08	0.03	0.44	9.79
Range	145.37	136.53	43.07	1.67	4.27	5065.04
Minimum	-13.31	-0.6	0	0.05	8.48	-74.50
Maximum	132.06	135.93	43.07	1.72	12.75	4990.54

Table 1 provides the descriptive statistics for all the regression variables.

Sales growth has the highest mean value, highest standard deviation, highest sample variance, highest range and highest maximum value. Market capitalization has the highest minimum value.
In order to understand the relationship between the various combinations of variables, a correlation matrix has been constructed which is presented in Table 2:

Table 2: Correlation Matrix

	Dividend Payout (%)	Return on Investme nt (%)	Current Ratio	Beta	Market Cap.	Growth of Sales (%)
Dividend Payout (%)	1					
Return on Investment (%)	0.45	1				
Current Ratio	-0.12	-0.14	1			
Beta	-0.38	-0.50	0.095	1		
Market Cap.	0.02	0.08	-0.00096	-0.0087	1	
Growth of Sales (%)	-0.15	-0.11	0.82	0.0575	0.006117 858	1

Table 2 illustrates that there is a significant positive correlation between dividend payout and Return on Investment. This implies that as the profitability of a firm increases, the dividend payout also increases. Also, there is a significant negative correlation between dividend payout and beta of a firm suggesting that dividend payout of high risk firms is lower. A negative correlation also exists between growth of a firm in respect of sales and the dividend payout which supports the argument that fast growing firms have high capital requirements and since the cost of external financing is high, their dividend payout is low. Current ratio is also found to be negatively correlated with the dividend payout. Market capitalization is weakly correlated with dividend payout as is apparent from the correlation matrix.

To get a better picture of the relationship among the key variables, regression analysis has also been performed.

REGRESSION RESULTS

Bivariate Regression Results

Table 3: R square Values

Variable	R Square	P value
ROCE (Profitability)	0.204137361	2.68E-06
Current Ratio (Liquidity)	0.015377938	0.22136
Beta (Risk)	0.145677089	9.7E-05
Market Cap. (Size)	0.000426793	0.839162
Sales Growth	0.021275705	0.1497

Table 3 suggests that regression coefficients of profitability and risk are highly significant.

Also, the maximum variation of 20.4% in dividend payout is explained by profitability followed by the risk of a firm which accounts for 14.5% change in the dividend payout.

Multivariate Regression Results

Table 4: Regression Results of Empirical Model

Multiple R	R square	Adjusted R square	Standard Error
0.497288854	0.247296204	0.206828258	21.0966126

Table 4 shows the overall dividend behavior of BSE100 Index companies as explained by the existing model.

A deeper look at the R2 value reveals that the existing model explains 24.73 % of the dividend payment pattern of the BSE100 companies since it assumes a value of 0.2473.

Table 5: Regression Coefficients and their Significance

	Regression Coefficients	P value
Constant (Intercept)	35.51689276	0.145484
ROCE (Profitability)	0.369150732	0.001627
Current Ratio (Liquidity)	0.338463618	0.653878
Beta (Risk)	14.10961648	0.048511
Market Cap. (Size)	0.218592407	0.922546
Sales Growth	0.007346579	0.327183

Table 6: ANOVA Results

	Dof	SS	MS	F value	Significance F
Regression	5	13598.83641	2719.767	6.110916	0.00006147
Residual	93	41391.23689	445.0671		
Total	98	54990.0733			

The regression results obtained in table 5 confirmed results which were obtained from correlation matrix. The results show that two variables- profitability and risk of a firm have significant regression coefficient at 5% level of significance. Also, the same two variables have significant correlation with dividend payout as evident from correlation matrix. Our results regarding a positive and statistically significant relation between profitability and dividends are similar to the studies by Pandey (2001), Bhayani (2008), Kanwal and Kapur(2008), Al Kuwari (2009), Afza and Mirza (2010). The negative and ststistically significant relationship between risk and dividends is similar to Rozeff(1982) and Ali et al (1995).

The regression results indicate a negative and insignificant relationship between dividend payout and market capitalization and dividend payout and growth of a firm. The liquidity of a firm also has an insignificant impact on the dividend payout. This clearly indicates that these are not the important factors that influence the dividend payment decisions of BSE100 index companies.

In table 6, The F value is noted to be significant at 5 % level of significance suggesting the overall applicability of the existing model.

CONCLUSION

This study examines the determinants of dividends of BSE100 companies in India using cross sectional data as on 31st March 2011. It can be concluded from the results that there is a positive relationship between dividend payout and profitability which implies that profitable firms pay higher dividends. Also, the bivariate regression results indicate that profitability explains the highest amount of variation in the dividend payout of the companies studied. The risk of a firm is also found to be an important contributor in the dividend decisions and has a significant negative correlation with the dividend payout. It can also be concluded that other variables like liquidity, size and growth do not have a significant impact on the dividend decisions of BSE100 Index companies.

Since the five variables studied explain nearly 25% of the dividend behavior of BSE100 Index companies, future research can be focused on discovering other variables which can explain the remaining 75% of the behavior.

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PERMISSION MARKETING | AN INNOVATIVE APPROACH to ELECTRONIC-MARKETING

Rajeshwari Malik*, Jagdeep Dahiya**

ABSTRACT

Courtesy is the gift of treating others with warmth and respect. It means according dignity to people by being considerate, responsive, and kind in our dealings with them. This had been well understood by marketing professional and hence came the term 'Permission Marketing'. Due to increase in the advancement of information technology, all smart business companies around the world now practice advanced technology and innovative techniques to persuade the behavior of consumers. Internet today is an integral part of marketing collaterals. Permission marketing is an approach to selling goods and services in which a prospect explicitly agrees in advance to receive marketing information of their choice. Advocates of permission marketing argue that it is effective because the prospect is more receptive to a message that has been requested in advance and more cost-efficient because the prospect is already identified and targeted. In a world of information overload, automated telemarketing, and spams, most people welcome the idea of permission marketing. This research article is an attempt to critically analyse the concept, the existing models of permission marketing, and to understand the cost-benefit conceptual framework. Through an empirical study the last section shows the impact of permission marketing in terms of the parameters trust, price and convenience on the purchase decisions of the online–shoppers.

Key Words : Permission marketing, consumer interest, customer participation, cost-benefit, trust, convenience, permission intensity.

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INTRODUCTION

Every few years there comes a new term in the literature of marketing which captures attention of the concerned for some years. When people were still talking about holistic marketing, the term neuromarketing came in followed by permission marketing, which is followed by the latest one 'marketing with meaning'. Courtesy facilitates successful interaction and negotiation, generously laying a foundation for understanding and harmony. Permission marketing (also called invitational marketing) is the privilege of delivering anticipated, personal and relevant messages to people who want to get them. Seth Godin,Internet marketing pioneer, coined and popularized the term Permission marketing (1999), (although some forms of it existed earlier too) used it in marketing literature in general and e-marketing, m-marketing or virtual marketing in particular. He said he wanted to change the way almost everything is marketed to almost everybody. "The heart of Permission Marketing is giving the stranger a reason to pay attention, while Interruption Marketers hold people hostage." Marketers should obtain permission before advancing to the next step in the purchasing process. Marketers feel that this is a more efficient use of their resources because the offers are sent to people only if actually interested in the product.

Marketers feel that marketing should be done on a one-to-one basis rather than using broad aggregated concepts like market segment or target market. This is one technique used by marketers that have a personal marketing orientation in the global, boundary-less virtual world. This would require even better understanding of the AIDAS principle of direct marketing. For example, they ask permission to send email newsletters to prospective customers. It is mostly used by online marketers, notably email marketers and search marketers, as well as certain direct marketers who send a catalog in response to a request. Permission marketing is the ultimate kind of marketing, dedicated to obtain customer consent to receive information from your company. Permission marketing is about building an ongoing relationship of increasing depth with customers, drawing them closer and closer until they become customers. In the words of Seth Godin, its goal is "turning strangers into friends, and friends into customers."

The undesirable opposite of permission marketing is interruption marketing or traditional direct marketing. Permission marketing represents a distinct improvement over the traditional “tell and sell” approach to marketing, but in many ways it has made our jobs harder, as it has fueled consumers' desire and motivation to opt out of marketing altogether. Even though permission marketing can be implemented in any direct medium, it has emerged as a serious idea only with the advent of the Internet. The two reasons for this are that on the Internet, the cost of marketer-to-consumer communication is low, and the Internet enabled rapid feedback mechanisms due to instantaneous two-way communication.

The underlying philosophy at work here is that with Permission Marketing a company can increase the frequency with which it can contact the customer (or potential customer). Permission marketing offers the promise of improving targeting by helping consumers interface with marketers most likely to provide relevant promotional messages. The customer welcomes these frequent contacts, because they receive some benefit. These contacts breed trust, which then will lead to a sale, or reinforce repeat purchase patterns. The position of permission marketing in the evolution of new ideas of marketing is as shown below:

Direct Marketing	Permission Marketing	Marketing with Meaning
Approach the consumer directly, using Information.	Seek consumer targeted approval and input Prior to the approach.	Create marketing that invites consumer Participation.
“Advertising arrives at my home, whether I like it or not.” give you my business.”	“I can choose whether or not to receive relevant advertising.”	“The marketing itself improves my life, so I will both notice you and
Interruption	Authorization	Service
Focus on medium	Focus on message	Focus on meaning

Source: The Next Evolution of Marketing: Connect with Your Customers by Marketing with Meaning (Bob Gilbreath)

LITERATURE REVIEW

Targeting appropriate customers has been recognized early on as a core marketing principle (Smith, 1956), most targeting today can best be described as "targeting on averages." The advertiser obtains the average profile of the consumer and chooses the match that matches target consumer profile most accurately. This leads to low targeting precision since not all consumers match the profile. Direct marketing holds the promise of improving targeting. One-on-one marketing proposes thinking about a segment of size one (Peppers & Rogers, 1993, Pine, Victor & Boynton, 1993). Given the new capabilities of addressing each individual (Blattberg & Deighton, 1991) the goal is to customize the marketing mix in accordance with the needs of a consumer. Relationship marketing takes a long-term orientation in targeting as opposed to a short-term transactional orientation (Dwyer, Schurr & Oh, 1987; McKenna, 1991, Sheth & Parvatiyar, 1995). The idea is to understand the lifetime value of the customer and allocate resources in accordance with these values (Day, 2000). The emphasis is on retaining existing customers rather than on obtaining new ones (McGahan & Ghemawat, 1994). These techniques breed consumer cynicism (Fournier, Dobscha & Mick, 1998). This is especially a problem with the Internet because the marginal cost of sending an additional promotional message is nearly zero for the firm (Shiman, 1996).

Even though permission marketing can be implemented in any direct medium, it has emerged as a serious idea only with the advent of the Internet. The two reasons for this are: First on the Internet, the cost of marketer-to-consumer communication is low (Hoffman & Novak, 1996; Shiman, 1996); and secondly the Internet has enabled rapid feedback mechanisms due to instantaneous two-way communication (Hoffman & Novak, 1996). Another motivation for permission marketing on the Web has been the failure of the direct mail approach of sending unsolicited promotional messages. The prime example of this is unsolicited commercial e-mail or "Spam" (Cranor & LaMacchia, 1998). Senders of spam realized three things- the cost of obtaining a new e-mail address is minimal, the marginal cost of contacting an additional customer is nearly zero (Shiman, 1996) and it is easy to deceive the consumer. Spammers can easily obtain new e-mail addresses from websites and Usenet groups using software programs that "troll" the Internet. Individuals provide their addresses at these places for other purposes and hence, this violates their privacy rights (Bloom, Milne & Adler, 1994). In addition, marketers incur similar costs if they send out 1 million or 10 million e-mails. Moreover, there are now programs that enable the large-scale use of deceptive practices (e.g. forged e-mail headers). Due to these problems, Spam cannot be a legitimate form of marketing communication. Using it would lead to an excessive message volume for consumers, weakening of brand reputation and a slowing of the entire network. Hence, permission marketing is seen as a feasible alternative for Internet marketing communication. Permission marketing is now a large-scale activity on the Internet. A leading Internet business periodical recently noted that, "permission marketing was once a niche business. Now, everybody is doing it."

Milne and Gordon (1993) discuss the role of customer permission along with volume, targeting and compensation in the context of direct mail. However, their reference is to an individual providing a direct marketer the permission to share his or her personal information with others. In other words, they see permission as a tool to establish privacy rights rather than to enhance targeting. Moreover, the privacy issue is different now since an infomediary (Hagel & Singer, 1999) retains all the personal information and supplies ads based on that information; the advertisers never see the information. Sheth, Sisodia and Sharma (2000) have proposed the concept of customer-centric marketing, which includes what they call co-creation marketing. Co-creation marketing envisions a system where marketers and consumers participate in shaping the marketing mix. In the authors' own words, "Co-creation marketing enables and empowers customers to aid in product creation, pricing, distribution and fulfillment, and communication". Hence, permission marketing can be viewed as focusing on the communication aspect of a larger concept called co-creation marketing. Gilmore and Pine II (1997) had also earlier identified collaboration between marketers and consumers as one form of one-on-one marketing. The direct marketing literature has also pointed out the importance of consumers controlling the terms of their relationship with marketers. Phelps, Nowak and Ferrell (2000) point out that individuals like to control "how personal information about them is used by marketers, the kinds of advertising mail and catalogs that they receive and the volume of advertising mail they receive in this literature, direct mail is viewed as a social contract between the consumer and the marketer (Milne & Gordon, 1993). Moreover, there is recognition that what is necessary to improve direct marketing relationships is not just a reduction of privacy concerns of individuals, but rather an improvement in the consumer's trust of the marketer (Milne & Boza).

Mukerjee, Kaushik (2005) described tried and tested strategies using permission marketing such as seminars, newsletters, Kiosks, portals etc. Companies such as immigration consultants organize seminar and invite target audience. The commonly used Permission Marketing strategies are information strategy, production/delivery strategy, organizational strategy, and assessment strategy. Beckett and Nayak (2008)

argue that the exemplary work by Peppers and Rogers leads to Collaborative Marketing. Beckett and Nayak call the active collaborator customers as reflexive consumers and Neeraj Arora at el (2008) distinguished between two forms of one-to-one marketing. Gulati and James (2005) identified four stages of customer focus for the companies which want to get close to their customers. All these authors listed the changes which are necessary for the organizations to move from one stage to the next. These stages are: communal coordination, serial coordination, symbiotic coordination, and integral coordination. All these stages help in building a good permission marketing strategy.

MODELS OF PERMISSION MARKETING

There are a large number of business models in permission marketing, yet a fully developed comprehensive model is elusive. The concept of business models is dependent on understanding of a very important concept of Permission Intensity, which is defined as the degree to which a consumer empowers a marketer in the context of a communicative relationship. High permission intensity is characterized by three factors: high information quantity, high information quality and information usage flexibility. Firstly, an individual recognizes that providing detailed information is in his or her self-interest. As a result, the individual is willing to participate in an exchange of information for a promise of better service in the future (Godin, 1999; Milne & Gordon, 1993). Secondly, the consumer realizes that his or her life will be most enriched if he or she presents high-quality information (Godin, 1999; Keller & Staelin, 1987). Providing inaccurate information about preferences will only lead to messages of little interest and will increase clutter. In other words, the individual realizes that this is an incentive-compatible (i.e., win-win) program. Thirdly, the consumer will participate in the exchange with few constraints on how that information can be used by the firm to develop marketing messages.

The tradeoff in permission marketing is with breadth vs. depth. In the breadth strategy, a firm may develop relationships with a large number of consumers with a low level of permission intensity. On the other hand, in the depth strategy, a firm may focus on a smaller set of consumers, but these consumers may provide detailed information about their preferences, values etc., i.e., high permission intensity. Each firm will have to find the optimal value of the number of customers and the level of permission intensity. There exist four common business models as shown below-

Model 1: **Direct Relationship Maintenance Model:** this is characterized by low permission intensity, direct contact with advertiser and minimal targeting. This is seen as an additional service offered to customers to maintain a strong relationship.

Model 1

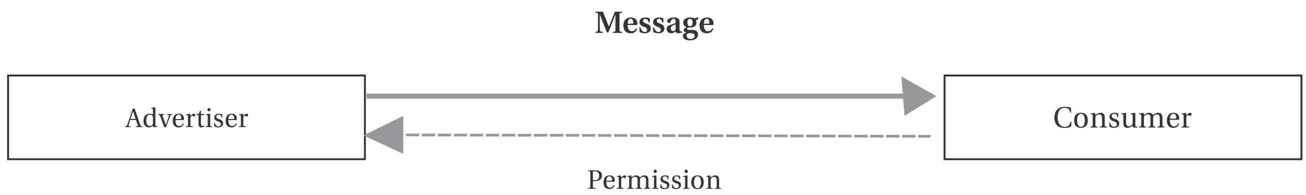


Fig. 1: Direct Relationship Maintenance Model

Model 2 : **Permission Partnership Model:** Here, the consumer provides a portal or media site with the permission to send him or her promotional offers. After receiving this permission, the intermediary alerts its partners who wish to send out promotional offers. All consumers signed on receive all offers. This is commonly used to increase traffic to websites. Hence, here we have low to medium permission intensity, contact through an intermediary and low targeting.

Model 2

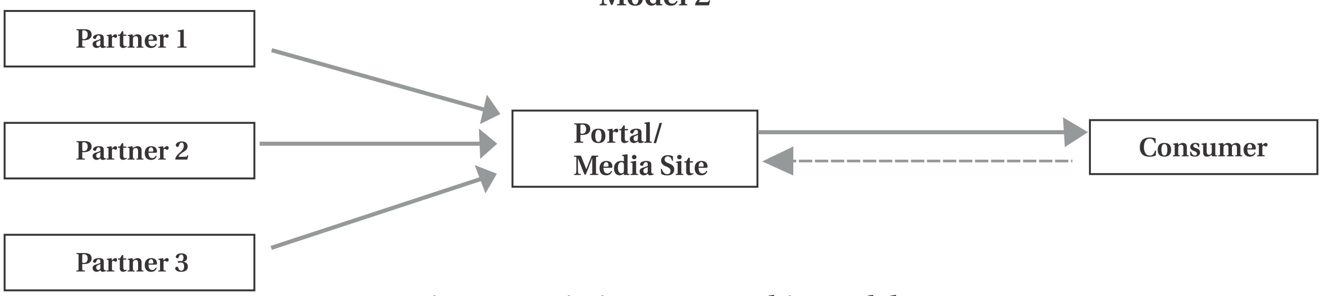


Fig. 2: Permission- Partnership Model

Model 3: **Ad Market Model:** A consumer provides an infomediary (Hagel & Singer, 1999) with detailed information about his or her preferences and interests. The infomediary then uses this information to identify advertisers. The ads supplied by these advertisers are then carefully targeted to be consistent with the consumer's tastes. Consumers win by reducing clutter and are paid to participate in the process, advertisers find target customers for their promotions with lower cost of targeting and the infomediary makes a profit by facilitating this exchange. Hence, here we have high permission intensity, contact through an infomediary and the potential for high targeting precision.

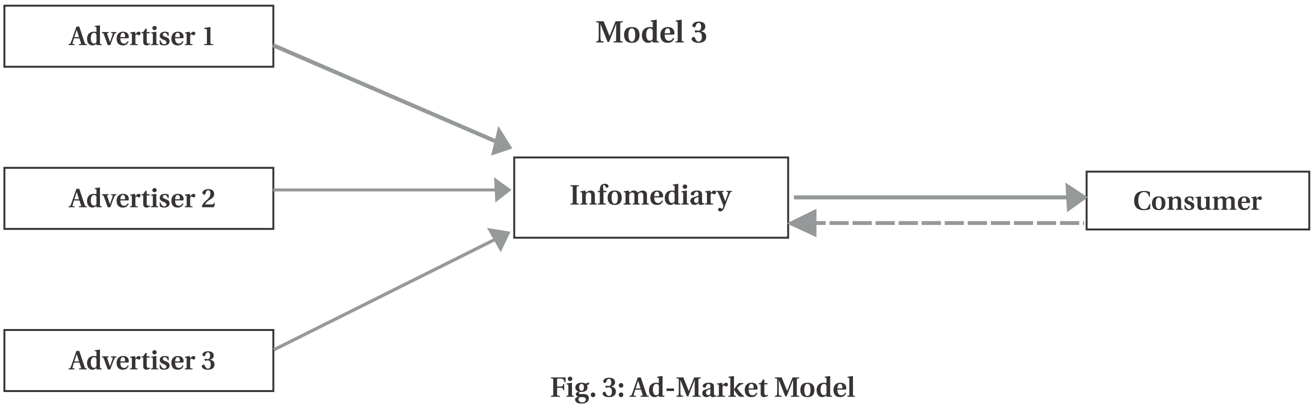


Fig. 3: Ad-Market Model

Model 4: **Permission Pool Model:** In this model, different consumers provide different firms with the permission to send them promotional offers. These firms pool the information provided by the consumer and then promotional messages are sent out targeting this larger pool. Examples of this practice include yesmail.com.

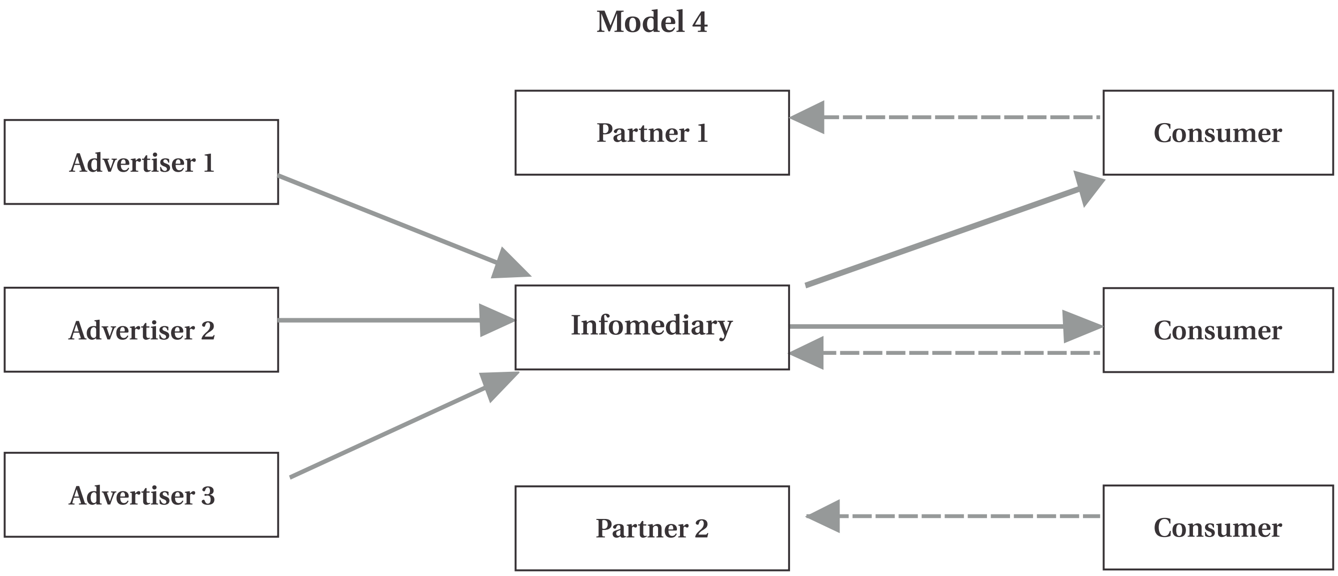


Fig. 4: Permission Pool Model

The difference between model 1 and the rest is that in the former, an individual firm directly transacts with its customers while in Model 2, an intermediary such as a portal plays this role and in Models 3 and 4, an infomediary matches consumer demand for ads with firm ad supply. Naturally, since it may be inefficient for a consumer to sign up with several firms in the manner of model 1, the other models are likely to be more common.

MOST-BENEFIT CONCEPTUAL FRAMEWORK OF PERMISSION MARKETING

An individual's level of interest in a permission marketing program is positively affected by the benefits from the program and negatively impacted by the costs. There are two potential benefits: message relevance and monetary benefit. The central tenet of permission marketing is consumer-initiated communication followed by an active two-way exchange. Even though exchange is considered to be the bedrock of marketing theory (Bagozzi, 1975; Houston & Gassenheimer, 1987), most exchange is initiated by the marketer. Hence, consumers may not perceive themselves as legitimate partners in a relationship (Fournier, Dobscha & Mick, 1998). Since consumers are required to provide detailed information continually in a permission-marketing program, they must perceive some value in the relationship if it is to be successful.

Model 5

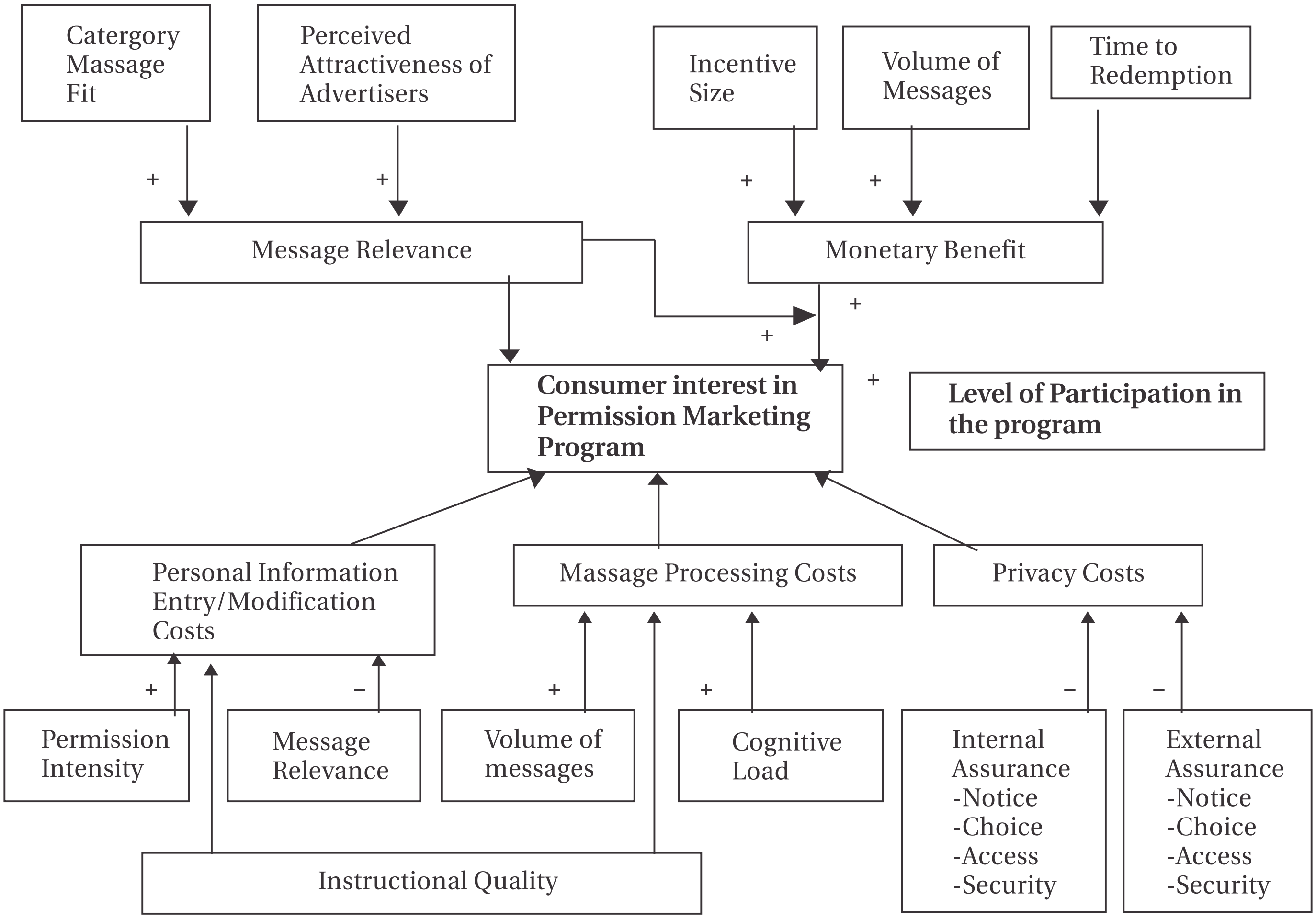


Fig. 5: Comprehensive Cost-Benefit Conceptual Framework

Source: A Comprehensive Cost-Benefit Conceptual Framework (A Comprehensive Analysis of Permission Marketing, Sandeep Krishnamurthy)

Godin identifies five levels of permission. From the lowest (i.e. least powerful) to the highest effectiveness, these are:

1. **Situation Permission:** where the customer will allow the supplier to assist them by providing information or assisting with a transaction

2. **Brand Trust:** where the customer allows the company to continue to supply their needs over time with only minimal 'shopping around' because they trust the brand

3. **Personal Relationships:** here the customer's permission is granted because of a personal relationship that the customer has with somebody within the supplier organization

4. **Points Permission:** at this level, customers have given the supplier organization permission to sell to them and collect data because they are rewarded with redeemable points or a chance to win a prize if they do so.

   There are two variants of this permission level:

   (a). The Points Liability Model: where every point has a real value to the consumer and a commensurate cost to the supplier
   (as in the airline's frequent flyer programs) and,

   (b). Points Chance Model: where customers earn more chances to win a reward if they purchase more and/or yield more
   information to the supplier organization

5. **Intravenous Permission:** here the supplier has in a sense 'moved into' the customer's organization, and taken over the supply function for the particular product or service needed.

The key difference between permission marketing and previous ways of thinking about direct marketing is that consumers are asked to do much more in the former. Unlike, say, direct mail, where consumers simply respond to what they receive, in permission marketing consumers must take the time and make the effort to provide considerable information about interests and preferences before a single ad is sent out. At this stage, it is important to contrast the notions of opt-in vs. opt-out. Opt-in refers to the case when an individual explicitly gives consent to receive ads ahead of time. Opt-out refers to the case when a marketer initiates contact and then provides individuals an option of not receiving future messages. Hence, **permission marketing is opt- in rather than opt-out.** The comprehensive cost- benefit model proposes to capture the consumer's experience with permission-marketing programs. The aim to develop such a detailed conceptual framework is to attain a sufficiently high level of generality that would apply to all four existing business models described earlier.

IMPACT OF PERMISSION MARKETING ON CONSUMER BEHAVIORS OF ONLINE- SHOPPERS

A small study was conducted to understand consumer behavior of e-shoppers, and how permission marketing is responsible for in effecting their purchase decisions. The research is based on the simplified version of the cost-benefit model (drawing trust, price and convenience variables) explained above. The specific objectives of the study are:

To identify the impact of permission marketing initiatives on the purchase decisions of the online shoppers.

To study the various factors that influence the consumer behavior of the online shoppers.

The study is an exploratory one to determine the behaviour of online shoppers on three important factors i.e. trust, price and convenience related attributes. A convenience effective sample of 110 respondents (Table 1) was drawn from the database available with the researcher. A structured questionnaire was circulated online among the respondents. Further, each of the attribute was measured on a 5- point scale and the questionnaire was tested with Kendall's 'W' test. Factor analysis was used to analyze the primary data.

Table 1: Descriptive Statistics of the Sample Profile

S. No.	MeasureItems	Items	Frequency	Percentage (%)
1	Gender	Male	72	65%
		Female	38	35%
2	Age	15- 20Years	11	10%
		20-25 Years	27	25%
		25-30 Years	37	34%
		30-35 Years	21	19%
		Above 35 Years	14	13%
3	Occupation	Student	15	14%
		Pvt. Professional	49	5%
		Govt. Professional	20	18%
		Self Employed	26	24%
4	Time on Internet	< or = 1 Hour	30	27%
		2 – 4 Hours	17	15%
		4 - 6 Hours>	16	15%
		or = 6 Hours	47	43%

RESULTS AND DISCUSSIONS

Personal interview with the respondents revealed that they are not familiar with the term permission marketing, although they are regular online shoppers. But when the whole concept was explained, they responded positively to the whole concept and also acknowledged its existence and utility. Table 2 and Fig A below, shows that privacy and relevance of message are the most important concerns of the online shoppers. Permission marketing targets these two most important areas. Whereas, Table 3 and Fig B, indicates that no travelling and easy payments acts as biggest motivators for the online shoppers. This sets the background for online stores to make their payment procedure better in order to attain and retain customers.

Table 2: Major Concerns in e- Marketing

Major Concerns in e- Marketing	Frequency	Percentage
Message relevance	30	27%
Privacy Costs	33	30%
Monetary Benefits	18	16%
Personal Information Cost	19	17%
Message Processing Cost	10	9%

Fig A: Major Concerns in e- Marketing

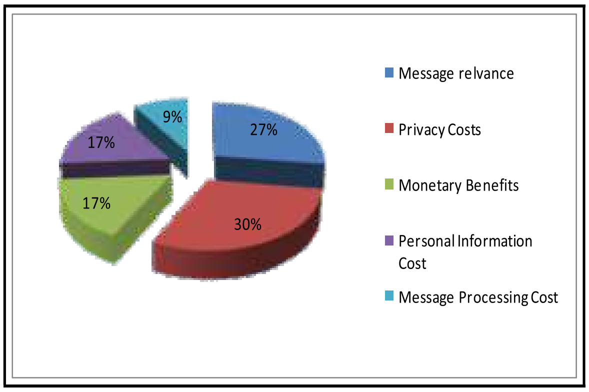
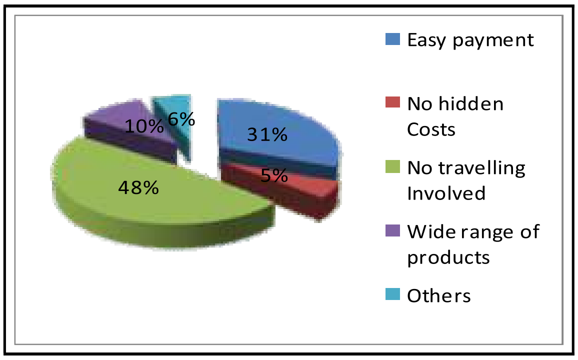


Table 3: Motives to buy online

What motivates you to Buy online	Frequency	Percentage
Easy payment	34	31%
No hidden Costs	5	5%
No travelling Involved	53	48%
Wide range of products	11	10%
Others	7	6%

Fig B: Motives to buy online



KENDALL'S COEFFICIENT OF CONCORDANCE

It is non-parametric test to test the hypothesis that several related samples are from the same population which measures the agreement of raters. Each case is a judge or rater and each variable is an item or person being judged. For each variable the sum of ranks is computed. Kendall's 'W' test statistics ranges between 0 (No agreement) and 1 (Complete agreement). For the present study Kendall's value is 0.229. Thus there is very low agreement level among respondents between variables which could affect the overall purchase behaviour of the online consumers. From Table 4, it can be observed that the variables like Trustworthy Information provider, Customisation of Products, Time Saving, Authenticity of Information Quality of Information, Quantity of Information, Competitive price and Schemes and other highlighted variables indicate that most of the online shoppers are affected by these factors while taking the purchase decision. It is interesting to note here that all the above factors are direct representative of Permission Marketing initiatives of online stores.

Table 4: Kendall's Ranks

S. No.	Variables	Mean Rank
1	Past experience	9.86
2	Wide Choice	15.75
3	Global Brands	7.15
4	High Delivery time	7.15
5	Easy to search information	9.9
6	Authenticity of Information	15.22
7	Quality of Information	15.22
8	Quantity of Information	15.42
9	Trustworthy Information provider	18.57
10	Customisation Of Products	17.07
11	Better Deals and Discounts	12.36
12	Easy Payments	14.36
13	Disparity in actual products and online store	13.36
14	Competitive price and Schemes	17.11
15	24 X 7 Facility	15.95
16	Time Saving	16.85
17	No Travelling	14.13
18	Ease of Shopping	11.59
19	Anywhere/ Anytime Convenience	13.93
20	Flexibility of Use	15.95

FACTOR ANALYSIS

The respondents were asked to rate their agreement level on a 5-point scale ranging from 'strongly agree' to 'strongly disagree'. These data were analysed through principal component analysis, and presented in Table 5- 7. The data was divided into three heads: Trust, Price and Convenience. Factor analysis was done for these heads to identify the factors that explain the pattern of correlation within a set of observed variables. The Cronbach's alpha coefficient of reliability value was 0.819. This indicates that the scale is highly reliable. The results of factor analysis are presented below.

As is clear from Table 6, nine factors were extracted to explain 77% of the total variance. The first factor has four significant loadings, factor 5 and 9 has three significant loadings each, factors 2,3,4 and 7 has two significant loadings each and rest of the factors i.e. 6 and 8 has one significant loadings each. Table 7 presents the significant loadings for each factor.

Table 5: Communalities

S. No.	Variables	Initial	Extraction
1	Past experience	1.000	0.801
2	Wide Choice	1.000	0.778
3	Global Brands	1.000	0.860
4	High Delivery time	1.000	0.756
5	Easy to search information	1.000	0.551
6	Authenticity of Information	1.000	0.720
7	Quality of Information	1.000	0.628
8	Quantity of Information	1.000	0.658
9	Trustworthy Information provider	1.000	0.740
10	Customisation Of Products	1.000	0.867
11	Better Deals and Discounts	1.000	0.308
12	Easy Payments	1.000	0.595
13	Disparity in actual products and online store	1.000	0.625
14	Competitive price and Schemes	1.000	0.438
15	24 X 7 Facility	1.000	0.776
16	Time Saving	1.000	0.900
17	No Travelling	1.000	0.892
18	Ease of Shopping	1.000	0.903
19	Anywhere/ Anytime Convenience	1.000	0.842
20	Flexibility of Use	1.000	0.342

Trust related factors: The factors 1, 2, 3 and 4 together explain the trust element in online shopping. Quality, quantity and authenticity of information have very high factor loading of 99 to 97 % (bold values in table 7 have been converted as percentage factor variance score). These factors show the relevance and utility of permission marketing.

Price related factors: The factors five and 5 and 6 together explain the price related concerns of e-shoppers. Here easy payments, better deals and discounts account for almost 98 % of the total variance in decision making. It is also visible that people do not find any major price difference in prices of various brands available online and their regular market prices.

Convenience related factors: Factors 7, 8 and 9 explain the convenience element of online consumers. Easy, time saving and no travelling involved are the primary motivators for these consumers. All these variables have very high significant loadings.

Table 6: Total Variance Explained

Com ponent	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %			
1	4.1282.	19.659	19.659	4.128	19.659	19.659	3.560	16.95410.	16.954
2	593	12.348	32.006	2.593	12.34	32.007	2.200	475	27.429
3	2.071	9.863	41.869	2.071	89.86	41.870	2.122	10.10	37.533
4	1.965	7.247	49.116	1.544	37.35	49.225	1.994	49.49	47.029
5	1.478	7.039	56.263	1.478	57.03	56.264	1.549	67.37	54.403
6	1.371	6.528	62.791	1.371	96.52	62.792	1.518	47.22	61.632
7	1.205	5.740	68.531	1.205	85.74	68.532	1.449	96.90	68.532
8	1.013	9.213	71.931	1.013	04.21	72.745	1.371	04.71	73.243
9	1.003	3.690	76.642	1.003	33.690	76.435	1.205	13.400	76.643
10	0.746	3.551	80.193						
11	0.712	3.390	83.583						
12	0.644	3.065	86.648						
13	0.572	2.722	89.370						
14	0.453	2.157	91.527						
15	0.406	1.934	93.461						
16	0.354	1.686	65.147						
17	0.312	1.488	96.653						
18	0.259	1.234	97.870						
19	0.185	0.879	98.748						
20	0.161	0.768	99.516						
21	0.102	0.484	100.000						

Extraction Method: Principal Component Analysis

Hence, we can conclude that the first extracted factor gives past experience, wide choice, trustworthy information provider and customization of products, accounts for almost 17 % of the variance. Trust accounts for almost 50% of the variance, convenience is almost 15 % and price is only 10 % contributor in decision of online shoppers.

Table 7: Rotated Component Matrix [a]

S. No.	Variables	1	2	3	4	5	6	7	8	9
1	Past experience	0.914	-0.074	0.136	-0.0120	-0.0070	0.147	0.210	0.014	-0.014
2	Wide Choice	0.889	0.269-	-0.012	.101	.269	0.157	-0.195	-0.014	0.008
3	Global Brands	0.011	0.001	0.979	-0.095	-0.001	0.127	0.113	0.008	0.008
4	High Delivery time	0.014	-0.001	0.989	-0.0950	-0.0010	0.280	0.280	0.006	0.008
5	Easy to search information	0.104	0.255	-0.14	.809	.255	-0.14	-0.140	0.005	0.053
6	Authenticity of Information	0.147	0.066	0.008	0.966	0.147	00.008	0.008	0.053	-0.033
7	Quality of Information	0.147	0.966	0.006	0.181	0.147	0.089	0.089	0.157	-0.14
8	Quantity of Information	0.147	0.986	0.005	0.181	0.137	0.0060.	0.085	0.127	0.008
9	Trustworthy Information provider	0.826	0.088	0.053	0.183	0.552	053	0.089	0.147	0.006
10	Customisation Of Products	0.661	-0.185	-0.033	0.409	0.494	-0.033	0.006	0.147	0.007
11	Better Deals and Discounts	0.210	0.014	-0.001	0.053	0.147	0.982	-0.012	-0.033	0.053
12	Easy Payments	-0.195	0.014	-0.001	-0.033	0.982	0.147	0.101	0.006	0.008
13	Disparity in actual products and	0.113	0.104	0.255	0.014	0.922	0.137	-0.095	-0.012	0.089
14	online Competitive price and	0.280	0.147	0.147	0.255	0.652	0.552	-0.095	0.006	0.006-
15	Schemes24 X 7 Facility	0.008	0.127	0.006	-0.1400	-0.0740	0.409	0.011	0.677	0.564
16	Time Saving	0.089	0.147	-0.012	.147	.269	0.053	0.921	0.210	0.091
17	No Travelling	0.006	0.157	0.101	0.137	-0.001	-0.033	0.923	-0.195	-0.048
18	Ease of Shopping	0.053	0.127	-0.095	0.052	-0.0010	0.006	0.045	0.113	0.943
19	Anywhere/ Anytime Convenience	0.033	-0.012	-0.095	0.009	.255	0.113	-0.027	0.28	0.871
20	Flexibility of Use	0.011	0.053	0.127	0.006	0.147	0.280	-0.045	0.087	0.677

Note: Extraction Method- Principal component Analysis; Rotation Method - Varimax with Kaiser Normalization; and [a] Rotation converged in 5 iterations.

PRACTICAL RELEVANCE OF PERMISSION MARKETING

We all know that the basic objective of every marketing campaign is to get the right message delivered to the right consumers at the right time. Today, use of internet is no longer optional; rather a compulsion and organizations are keen to use leading-edge technologies to engage with their customers. Permission marketing is not a new name for emails, rather a permission based email marketing is playing very significant role in the always – online, interconnected world. Experian Marketing Services (India)'s CheetahMail is a permission –based email marketing platform which is providing services to Thomas Cook, Cox & Kings, Ezeego, Star CJ and BabyOye.

India is a particularly competitive market and use of permission marketing needs a lot of patience and sustenance. It is truly a volcano of consumerism that is simmering despite a slow economic growth rate. Indian consumers with their empowered, worldly-wise modern approach are ready to spend on a good deal. Permission marketers know this and hence with right content (in terms of real deals) can easily approach the customers. The real challenge is to create content that is strong and effective, yet so subtle that the consumer feels the urge to contact and enquire.

CONCLUSIONS

Hence, we can safely conclude that permission marketing, if done properly can build trust, which is the most important contributor in decision making for e-shoppers. While it is true that permission marketing can improve the relevance of messages, consumers are asked to do more in comparison to previous direct marketing approaches. Consumer interest is determined by the net impact of benefits and costs. The basic tenet of Permission – i.e. to create content with enough intrinsic value that can earn prospect attention – is still ignored most of the time. Spammers and phishers are still in competition with professional permission marketers; they sneak through, eroding prospects trust and killing conversion rate for permission marketers. In reality companies still buy email lists, and then use them to send unwanted garbage. Hence, even today everyone's inbox is cluttered with a tremendous amount of crap. The difference between an ordinary email and permission marketing is the content and context.

Permission marketing companies today charge advertisers on the basis of the number of consumers who will receive the message. This arrangement has been justified by claims of high conversion rates. However, in future it may give way to a pay-for-performance contract. The future success of ideas such as permission marketing will depend on the wisdom of managerial action. Only firms that are able to enhance benefits and reduce costs will survive in the long-run. With the increasing awareness of permission marketing, there's a steep rise in permission window-dressing. The most important trait in all this is the willingness to say something worth saying – something that's real, instead of a bowlful of lukewarm corporate cream. Everything else can be outsourced or learned.

It is now nearly fifteen years since Seth Godin launched his permission marketing mantra, yet it remains highly relevant today. Hence the crux of Permission Marketing truly is 'Turning Strangers into Friends, and Friends into Customers'.

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Price Discovery Via Causality Of Future And Spot Prices In Commodity Market In India

Vandana Dangi*

ABSTRACT

Price discovery is one of the imperative functions of commodity derivative market. Its mechanism is established by long run and causal relationship between two variables. The present treatise is an attempt to examine the price discovery mechanism of commodity market in India. This paper evaluatesthe performance of Multiple Commodity Exchange in price discovery by statistically testing the cointegration and causality between future prices and spot prices of two precious metals i.e. gold and silver. The results of Johansen cointegration test indicate that cointegration exists between spot prices and future prices of gold and silver. Vector error correction mechanism confirms the presence of feedback relationship between spot and future market in case of gold and silver. There is bidirectional causality between future returns and spot returns. However, stronger causal relation from future market to spot market exists as compared to spot market to future market for gold as well as silver.

Key words: Causality, cointegration, price discovery,stationarity and vector error correction mechanism

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INTRODUCTION

Gold and silver are precious metalsthat have been used for thousands of years for ornaments, trade, utensils, etc. These two precious metals have been the basis for many monetary systems. Gold stands first as a precious metal in terms of value followed by silver. Price of gold and silver like any other commodity is driven by supply and demand forces along with speculation. The price of silver is extremely volatile as compared to the price of gold due to lower market liquidity and higher demand fluctuations. Investors protect themselves from the adverse effect of temporal price volatility by adopting hedging trading mechanism in derivative market. Multiple Commodity Exchange is India's biggest commodity exchange that provides a transparent and neutral platform for buyers and sellers to trade with each other under its rules and regulation. Buyer and seller can avail hedging mechanism on Multiple Commodity Exchange to protect themselves from adverse price movements.

OBJECTIVE OF THE STUDY

The present treatise attempts to examine the short run and long run causality of future and spot prices of gold and silver in order to evaluate the performance of Multiple Commodity Exchange (MCX) in price discovery.

REVIEW OF LITERATURE

The main functions of the commodity derivative market are risk management and price discovery. The mechanism of price discovery in commodity derivative market is established by long run and causal relationship between spot prices and future prices. Kawaller et.al. (1987) examined the intraday price relationship between two variable S&P 500 Index and the S&P 500 Index futures. Their results show that both S&P 500 spot and futures markets were simultaneously related with a lead lag relationship. Stoll and Whaley (1990) further extended the study on causal relationships between spot and futures markets using intraday data for both S&P 500 and the major market index (MMI). They concluded that futures lead was stronger than cash index lead. Chan et.al. (1991) also found much stronger bidirectional dependence between stock index and stock index futures price. Wahab and Lashgari (1993) used cointegration analysis to examine the temporal causal linkage between stock index and stock index futures prices for S&P 500 and the FTSE 100 index. They concluded that the spot to futures lead appears to be more pronounced across days relative to the futures to spot lead. Pizzi et.al. (1999) investigated the price discovery in the S&P 500 spot index and its index futures by using intraday minute by minute data. They found bidirectional causality between spot prices and future prices. There was stronger lead effect in futures market. Roope et.al. (2002) make a comparison of the Singapore exchange and the Taiwan futures exchange in term of their information efficiencies. They found that price discovery primarily originates from the Singapore futures market. Zapata, Fortenbery and Armstrong (2005) investigated the relationship between eleven future prices traded in New York and the world cash prices for exported sugar. They concluded that the future market for sugar leads the cash market in price discovery. They found unidirectional causality from future price to spot. Gupta and Belwinder (2006) investigated price discovery mechanism in the NSE spot and future market by considering daily closing values. They applied Johansen test and vector error correction mechanism. They found bilateral causality between the Nifty index and futures. They further confirmed the stronger causal relation from Nifty futures to Nifty index as compared to the vice-versa.Bose, Suchismita (2008) studied the multi-commodity indices of metals and energy products. She found that both contemporaneous futures and spot prices contribute to price discovery. Wagner and et al. (2009) examined the relationship between spot and futures markets in the EU ETS. They concluded that the spot and futures prices are linked by the cost-of-carry approach. They further concluded that the futures markets lead the price discovery process of CO2 emission certificates. Zhang, Frank (2010) examined the implication of high-frequency trading forstock price volatility and price discovery. He found positive correlation between the high-frequency trading and stock price volatility after controlling firm's fundamental volatility and other exogenous determinants of volatility. However, the high-frequency trading was negatively related to the market's ability to incorporate information about firm fundamentals into asset prices. The stock prices tend to overreact to fundamental news when the high-frequency trading was at high volume. Kumar Narender and Arora Sunita(2011) examined the role of price discovery in case of gold by considering data for spot and futures prices for a period of four and a half years starting from June 2005 to December 2009. They concluded that futures market in India is performing its role of price discovery in case of gold. Arora Srinivasan, P. (2012) examined the price discovery process and volatility spillovers in Indian spot-futures commodity markets. The study confirmed the flow of information from spot to futures commodity markets.

The research work on the price discovery function or mechanism showed mixed results.Some studies confirmed the bidirectional causality and some studies confirmed the unidirectional causality from spot to future price in various markets. But there is lack of exploration of price mechanism in the Multiple Commodity Exchange that started its operations in 2003. The present treatise is an attempt to study the cointegration and causality in MCX between future prices and spot prices of gold as well as silver that will help investors to discover the price of these precious metals for hedging purpose.

RESEARCH METHODOLOGY

The present study is based on the spot and future prices of gold and silver for a period of six years starting from 1 January 2007 and up to 31 December 2012.A series of 1783 spot and future return has been analyzed with the help of EViews 7. The data of spot and future prices of gold and silver was studied for stationarity, cointegration and causality through following statistical tests:

Augmented Dickey–Fuller test : It is a test for a unit root in a time series sample. It examines whether a time series variable is non-stationary using an autoregressive model. It tests the existence of a unit root as the null hypothesis. The testing procedure for the ADF test consists of estimating the following regression:

$$\Delta y_t = \propto + \beta t + \gamma y_{t-1} + \delta_1 \Delta y_{t-1} + \cdots + \delta_{p-1} \Delta y_{t-p+1} + \varepsilon_t$$

The unit root test is carried out under the null hypothes is against the alternative hypothesis of . The calculated test statistic is compared to the relevant critical value. If the test statistic is less than the critical value, then the null hypothesis is rejected implying no unit root is present.

Johansen Cointegration Test : It tests the cointegration of several I (1) time series. It permits more than one cointegrating relationship. This test evaluates the long run or equilibrium relationship. If the residual from the regression equation of the series (which are non stationary in level but are stationary after first differencing) is stationary then it confirms that the series are cointegrated.

Vector Error Correction Mechanism : This mechanism examines the long run causality and short run causality between variables. There may be disequilibrium in the short run in the cointegrated series having long run relationship. The error generated from such cointegratedseries is termed as equilibrium error. The error correction mechanism equation, stating the dependence of Y on X and equlibrium error, is :

$$Y_t \quad \propto_0 \quad \propto_1 \quad X_t \quad (Y_{t \; 1} \qquad X_{t \; 1}) \quad {}_t$$

where $Y_t \quad Y_t \; Y_{t \; 1}$

$X_t \quad X_t \; X_{t \; 1}$

${}_t$ *random error term*

Schwartz information criteria have been used to select the lag length in vector error correction mechanism.

BASIC STATISTICS OF SPOT PRICES AND FUTURE PRICES OF GOLD AND SILVER

The spot and future prices of gold and silver for a period of six years starting from 1 January 2007 and up to 31 December 2012 have been taken for the purpose of examining price discovery function of Multiple Commodity Exchange. Prices are taken from the MCX's website (www.mcxindia.com). The series of spot and future prices of gold and silver have been converted into return series by applying the following formula:

$$R_t \quad (In\, P_t \;\; In\, P_{t \; 1}) * 100$$

where R_t is the return for day t, P_t is closing prices forday t, $P_{t \; 1}$ is the closing prices of previous trading day and *In* is natural log.The basic statistics of spot return and future return of gold and silver are portrayed in the exhibit 1:

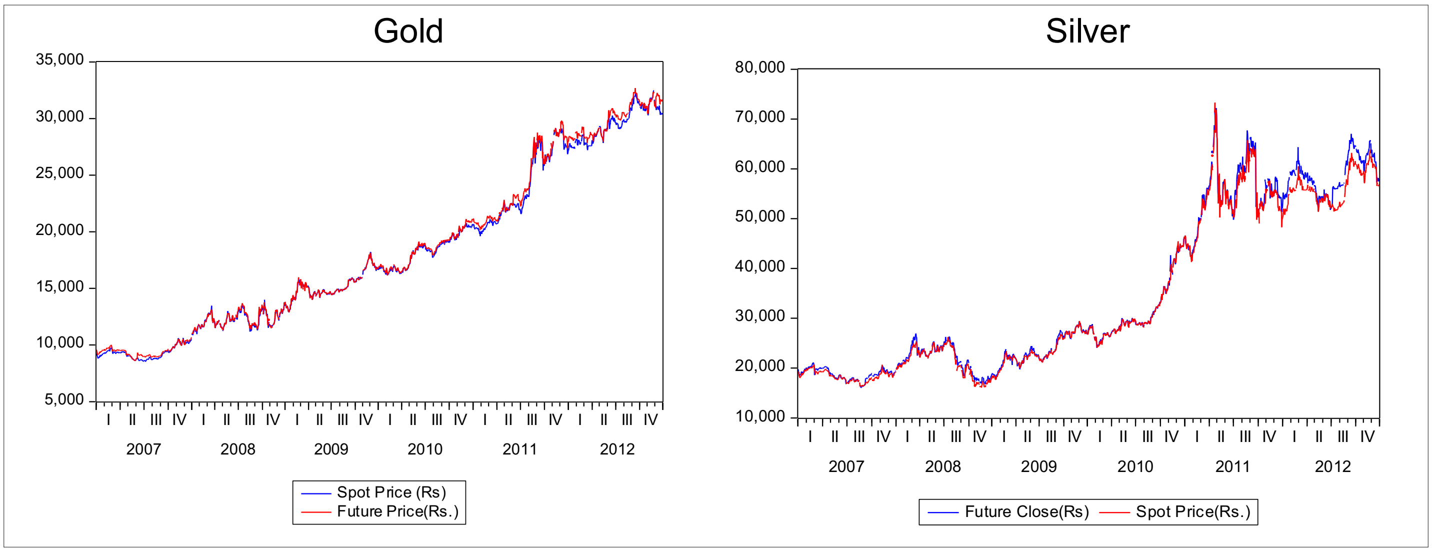
Exhibit 1: Basic statistics of spot return and future return

Descriptive Statistics	Future Return		Spot Return	
	Gold	Silver	Gold	Silver
Mean	0.00067	0.00061	0.00067	0.00061
Median	0.00078	0.00095	0.00054	0.00057
Maximum	0.08112	0.08403	0.0954	0.11246
Minimum	-0.0639	-0.167	-0.0534	-0.1614
Std. Dev.	0.0103	0.01716	0.01029	0.01701
Skewness	-0.0175	-0.7376	0.1503	-0.8026
Kurtosis	10.1016	11.6935	10.4012	13.6172
Jarque-Bera	3746.77	5776.39	4076.23	8565.9
Probability	0.000000	0.000000	0.000000	0.000000
Observations	1783	1783	1783	1783

The basic statistics of gold and silver return series have similar values and features in terms of average, skewness and peakedness. However, the variability in prices are more in silver as compared to gold as indicated by higher standard deviation of silver returnsas compared to gold returns. The value of kurtosis statistics is more than 3 indicating that the data is leptokurtic i.e. more peaked as compared to the normal curve. The value of probability is zero in all series indicating the rejection of null hypothesis of normal distribution by the Jarque-Bera test.

The time series of spot prices and future prices of gold as well as of silver are first tested for stationarity by graphical method and then by applying Augmented Dickey–Fuller test. The graphical presentation in exhibit 2 for spot prices and future prices of gold and silver indicates that time series are non stationary.

Exhibit 2



The augmented Dickey–Fuller test is further applied to test the null hypothesis of unit root. Exhibit 3 indicates the results of augmented Dickey–Fuller test for future and spot prices of gold:

Exhibit 3: Results of augmented Dickey–Fuller test on future and spot prices of gold

Null Hypothesis: FUTURE PRICE has a unit root			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		0.352673	0.9809
Test critical values:	1% level	-3.433815	
	5% level	-2.862957	
	10% level	-2.567572	
Durbin-Watson stat		2.022818	

Null Hypothesis: SPOT PRICE has a unit root			
		t-Statistic	Prob.*
AugmentedDickey-Fullerteststatistic		0.139422	0.9686
Test critical values:	1% level	-3.433815	
	5% level	-2.862957	
	10% level	-2.567572	
Durbin-Watson stat		2.002665	

The null hypothesis that spot prices and future prices of gold have unit root cannot be rejected as the probability value is greater than 0.05. A peculiar point to note here is that value of Durbin–Watson statistic i.e.d is almost equal to 2 indicating no autocorrelation.

Augmented Dickey–Fuller test is further applied to test the null hypothesis of unit root for spot prices and future prices of silver. Exhibit 4 indicates the results of augmented Dickey–Fuller test for future prices and spot prices of silver:

Exhibit 4: Results of augmented Dickey–Fuller test on future and spot prices of silver

Null Hypothesis: FUTURE PRICE has a unit root			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.623931	0.8628
Test critical values:	1% level	-3.433815	
	5% level	-2.862957	
	10% level	-2.567572	
Durbin-Watson stat		1.931803	
Null Hypothesis: SPOT PRICE has a unit root			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.659885	0.8545
Test critical values:	1% level	-3.433815	
	5% level	-2.862957	
	10% level	-2.567572	
Durbin-Watson stat		2.002665	

The null hypothesis that spot prices and future prices have unit root cannot be rejected as the probability value is greater than 0.05. Again, the value of Durbin–Watson statistic i.e.d is almost equal to 2 indicates no autocorrelation.

TRANSFORMATION OF NON-STATIONARY TIME SERIES TO STATIONARY TIME SERIES

The series of future prices and spot prices of gold and silver are non-stationary time series as confirmed by the results of augmented Dickey–Fuller test. These non-stationary time series are transformed to stationary time series by estimating differentiated log of future prices and by estimating differentiated log of spot prices. Again the augmented Dickey–Fuller test is applied on differentiated log of spot price{dlog(spot)} and on differentiated log of future price {dlog(future)} to test the null hypothesis of unit root.Exhibit 5indicates the results of augmented Dickey–Fuller test for differentiated log of future returns and for differentiated log of spot returns of gold:

Exhibit 5: Results of augmented Dickey–Fuller test on future and spot returns of gold

Null Hypothesis: FUTURE RETURN has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-41.50236	0.0000
Null Hypothesis: SPOT PRICE has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-42.51342	0.0000

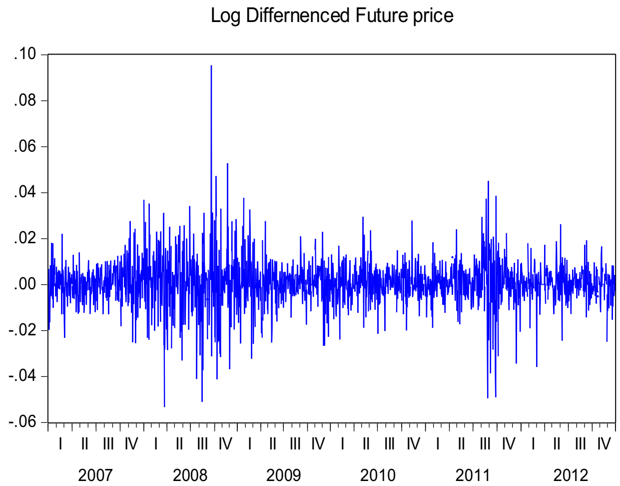
Exhibit 6indicates the results of augmented Dickey–Fuller test for differentiated log of future prices and for differentiated log of spot prices of silver:

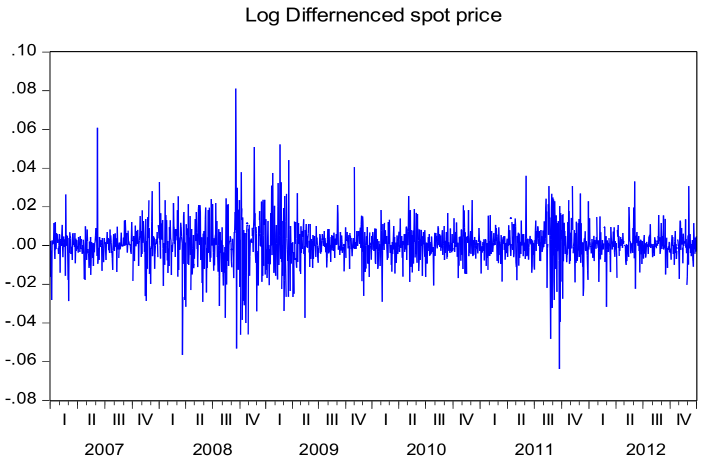
Exhibit 6: Results of augmented Dickey–Fuller test on future and spot returns of silver

Null Hypothesis: FUTURE RETURN has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-41.76515	0.0000
Null Hypothesis: SPOT PRICE has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-44.24043	0.0001

The null hypothesis that spot returns and future returns have unit root is rejected as the probability value is 0 i.e less than 0.05. The results for future and spot returns of silver are also same. The null hypothesis that spot returns and future returns of silver have unit root is also rejected. The graphical presentation of spot returns and future returns of gold in exhibit 7indicates transformation of non-stationary time series to stationary time series:

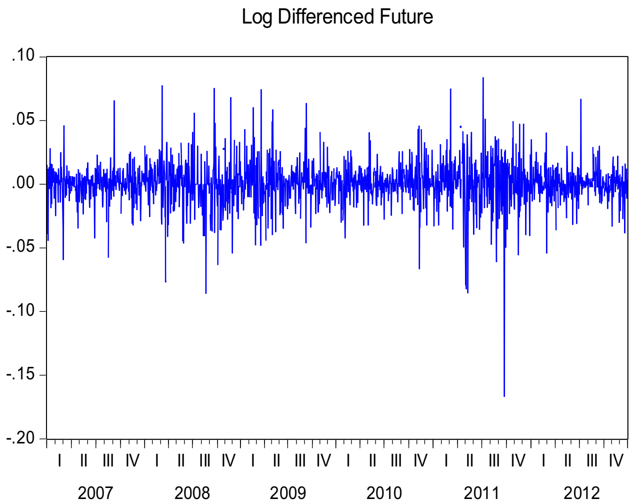
Exhibit 7 Spot and Future returns of Gold

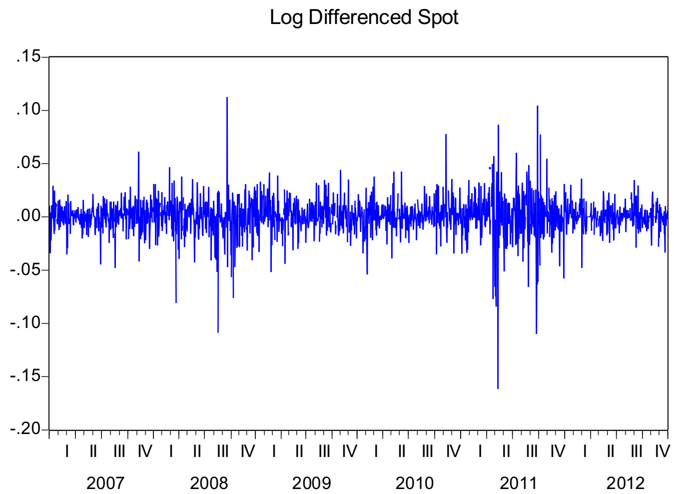




Similarly, the graphical presentation of spot return and future returns of silver in exhibit 8 indicates transformation of non-stationary time series to stationary time series

Exhibit 8 Spot and Future returns of Silver





The time series of spot prices and future prices are non-stationary at level form and stationary at the first difference for gold as well as silver. So it can be concluded that both series are I(1) series and these series may be cointegrated. Johansen cointegration test is first applied to determine either the future and spot series of gold are cointegrated or not. Exhibit 9 portrays the result of Johansen cointegration test on future prices and spot prices of gold:

Exhibit 9: Result of Johansen cointegration test on gold prices

Included observations: 1779 after adjustments
Trend assumption: Linear deterministic trend
Series: FUTURE SPOT
Lags interval (in first differences): 1 to 4

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.020493	36.88997	15.49471	0.0000
At most 1	3.02E-05	0.053689	3.841466	0.8167

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

The time series of gold spot prices and future prices are cointegrated as confirmed by the result of Johansen cointegration test. The same test is further applied to determine either the future and spot series of silver are cointegrated or not. Exhibit 10 portrays the result of Johansen cointegration test on future prices and spot prices of silver:

Exhibit 10: Result of Johansen cointegration test on silver price

Included observations: 1779 after adjustments
Trend assumption: Linear deterministic trend
Series: FUTURE SPOT
Lags interval (in first differences): 1 to 4

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.018754	34.09571	15.49471	0.0000
At most 1	0.000234	0.415495	3.841466	0.5192

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

The time series of silver spot prices and future prices are also cointegrated as confirmed by the result of Johansen cointegration test. But this test does not show any long term and short term causal relationship between two time series. Vector error correction mechanism is applied to explore the dynamism of equilibrium process in short term as well as long term. Exhibit 11 portrays the result of vector error correction model for gold return series. The lag of three years (please make sure that it is a lag of three years and not three days!) for future and spot return series of gold was selected on the basis of Schwartz information criteria.

Vector Error Correction Estimates
Date: 08/10/13 Time: 07:15
Sample (adjusted): 1/08/2007 12/31/2012
Included observations: 1778 after adjustments
Standard errors in ( ) & t-statistics in [ ]
SR=Spot Returns
FR=Future Returns

Error Correction:	SR	FR
Vector Error Correction Long Run Granger Causality		
CointEq1	-1.627230	0.782668
	(0.07577)	(0.11119)
	[-21.4746]	7.03930]
Vector Error Correction Short Run Granger Causality	Dependent variable SR	Dependent variable FR
Independent variable		
SR(-1)	0.130879	-0.657816
	(0.06112)	(0.08968)
	[2.14138]	[-7.33508]
SR(-2)	-0.046796	-0.492315
	(0.04041)	(0.05929)
	[-1.15816]	[-8.30377]
SR(-3)	-0.060877	-0.209061
	(0.01904)	(0.02794)
	[-3.19742]	[-7.48338]
FR(-1)	-0.759326	-0.016666
	(0.06979)	(0.10241)
	[-10.8799]	[-0.16274]
FR(-2)	-0.290759	0.035999
	(0.05170)	(0.07586)
	[-5.62380]	[0.47453]
FR(-3)	-0.106080	0.013895
	(0.02855)	(0.04189)
	[-3.71545]	[0.33168]
C	0.000711	0.002432
	(0.01832)	(0.02688)
	[0.03879]	[0.09047]

Vector error correction estimates on gold returns indicatethat there is autocorrelation in spot returns for lag one and three whereas there is no autocorrelation in future returns. The three lag terms of gold future returns are significant with gold spot returns as dependent variable. The results are same for gold spot returns with gold future returns as dependent variable. Further, the error correction terms are significant for spot returns as well as future returns. So, the feedback relationship exists between gold spot returns and gold future returns. However, the error correction termsof spot return series is more than the future return series, as depicted by the three times higher t value of spot returns as dependent variable, indicating a stronger feedback from future market to spot market.

Vector error correction mechanism is further applied to explore the dynamism of equilibrium process in short term as well as long term in silver series. The lag of four years (?) for future and spot return series of silver was selected on the basis of Schwartz information criteria.

Exhibit 12: Results of vector error correction model on silver returns

Vector Error Correction Estimates
Date: 08/10/13 Time: 07:15
Sample (adjusted): 1/08/2007 12/31/2012
Included observations: 1778 after adjustments
Standard errors in ( ) & t-statistics in [ ]
SR=Spot Returns
FR=Future Returns

Error Correction:	SR	FR
Vector Error Correction Long Run Granger Causality		
CointEq1	-1.805105	1.088852
	(0.09457)	(0.12580)
	[-19.0884]	[8.65571]
Vector Error Correction Short Run Granger Causality	Dependent variable SR	Dependent variable FR
Independent variable		
SR(-1)	0.367499	-0.877291
	(0.08101)	(0.10776)
	[4.53655]	[-8.14105]
SR(-2)	0.097139	-0.668278
	(0.06301)	(0.08382)
	[1.54167]	[-7.97302]
SR(-3)	-0.040184	-0.417197
	(0.04268)	(0.05677)
	[-0.94162]	[-7.34903]
SR(-4)	-0.083361	-0.196979
	(0.02130)	(0.02833)
	[-3.91376]	[-6.95210]
FR(-1)	-0.947777	0.141774
	(0.08306)	(0.11049)
	[-11.4105]	1.28311]
FR(-2)	-0.559940	0.138783
	(0.06703)	(0.08917)
	[-8.35358]	[1.55645]
FR(-3)	-0.307066	0.055978
	(0.04853)	(0.06456)
	[-6.32702]	[0.86707]
FR(-4)	-0.110015	-0.001729
	(0.02748)	(0.03656)
	[-4.00323]	[-0.04730]
C	0.003948	0.000497
	(0.03270)	(0.04350)
	[0.12073]	[0.01143]

The results are same for silver return series. There is autocorrelation in spot returns for lag one and four whereas there is no autocorrelation in future returns. The four lag terms of silver future returns are significant with silver spot returns as dependent variable. All the four lag terms for silver spot returns are also significant with silver future returns as dependent variable. So, the feedback relationship exists between silver spot returns and silver future returns. The error correction terms are significant for spot returns as well as future returns. The error correction terms of spot return series of silver is more than the future return series indicating a stronger feedback from future market to spot market.

DISCUSSION

The present treatise confirms the results of earlier studies of Kawaller et.al. (1987), Chan et.al.(1991), Stoll and Whaley (1990), Wahab and Lashgari (1993), Pizzi et.al. (1999) on stock exchange data and the results of recent studies of Bose, Suchismita (2008), Kumar Narender and Arora Sunita (2011), Arora Srinivasan, P. (2012) on commodity exchange data regarding the feedback relationship between spot and future market. This relationship exists between spot and future market in case of gold and silver in MCX also. Some studies found the bidirectional causality and some studies found the unidirectional causality from spot to future price in various markets. The present work confirms the bidirectional causality between the future returns and spot returns for gold and silver in MCX. The present study further confirmed the stronger causal relation from future market to spot market as compared to spot market to future market for gold and silver.

CONCLUSION

Gold and silver as a precious metals are popular investment avenue for investors. Their price is driven by supply and demand forces along with speculation. Silver returns are more volatile as compared to gold returns. The volatility in gold returns and silver returns attracts investors to enter in derivative market in order to hedge against price risk. The present treatise attempts to evaluate the performance of MCX in the price discovery of these precious metals. The presence of cointegrationbetween spot prices and future prices of gold and silver indicates long run relationship between these two prices.The bidirectional causality in case of gold and silver indicates the contribution of both future as well as spot returns in the price discovery mechanism.So,investors in gold and silver by analysing the information of futures market for current spot prices as well as future prices can effectively hedge the price risk. The results of present treatise indicate virtuous performance of futures market in the price discovery of gold and silver. The efficient price discovery may be attributed to low transaction cost, convenience in taking leverage position and availability of various futures contracts in futures market. The hedging efficiency of MCX can be further studied to guide traders that may help them in reducing portfolio variance.

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INVESTMENT PERFORMANCE OF DERIVATIVE BASED INVESTMENT STRATEGIES : EMPIRICAL EVIDENCE

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ABSTRACT

Empirical literature on finance indicates numerous investment strategies based on fundamental factors such as price-earnings ratio, book to market ratio, size effect, value premium etc. to magnify the returns of investor in investment jargon. In the present paper, an attempt has been made to examine the profitability associated with derivatives based investment strategies i.e. Long Future (Naked), Covered Call, Long Straddle, Short Straddle in Indian capital market during the period of June 2000 to December 2010. The empirical results exhibited that average monthly returns of all the four investment strategies studied for the whole study period were noted higher than the average riskless return and benchmark index. The long straddle investment strategy scored highest average monthly return (18.88 percent) among all the derivative investment strategies and long future (naked) investment strategy delivered lowest average monthly performance (4.63 percent) in this regard. On the other hand, the present paper reveals none of the strategies generated lower variability of returns than the market portfolio i.e. CNX Nifty-50 during the entire study period. The information inputs depict the long straddle investment strategy as highest risky (92.87 percent) investment strategy among all the derivative investment strategies and short straddle investment strategy delivered lowest variability of monthly returns (10.54 percent) in this regard. The performance outcomes in terms of risk adjusted performance i.e. Sharpe ratio reveals that the majority of investment strategies (3 out of 4) have outperformed the benchmark market proxy. The average Sharpe ratio of short straddle investment strategy (1.63) was observed highest among all the investment strategies. On the other hand, long straddle emerged as looser investment strategy (0.09) during the whole study period. Thus, the present paper documents evidences of superior investment performance that could be constructed better than that of the passive benchmark portfolio. On the whole, the study indicates the ability of the derivative based investment managers to meet the expectations of the investors.

Keywords: Derivatives, Stock Market Volatility, JEL Classification: G11, G14

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INTRODUCTION

Investment strategy is a procedure basically designed to pioneer investors for making investment in the financial markets or designing the portfolio that can yield maximum return at the minimum risk to the investors. Sharpe (2004) stated that investment strategy is not an approach for short-term trading. It is, alternatively, the key element of a plan designed to take into account the needs and circumstances of a particular investor. Together, a financial advisor and an investor can use the tools of financial economics to craft an investment strategy that will be both efficient and suitable for the investor in question. In financial literature, various strategies have been designed and examined by investment managers, academicians and practitioners to achieve this objective. Broadly these strategies are divided into two parts i.e. Passive and Active Strategies. These strategies are very much in circulation for the investment management of portfolios.

To exploit these strategies, the derivatives instruments have been considerably employed by investment managers as well as investors across the globe. The major advantage of derivative products is their suitability to hedgers, speculators and arbitragers. Hedgers basically hedge their risk of existing underlying positions, speculators accept the risk offered by hedgers and arbitragers establish an efficient link between markets. The unusual pay-offs from equity derivatives, enables investors to create patterns of portfolio pay offs that are unattainable by a simple combination of conventional investment instruments (i.e. stocks and fixed income securities). Derivatives trading started in India in the year 2000 and from the very beginning rapid growth has been noted in this market. Primarily, the present study purports to evaluate the investment performance of four derivatives based investment strategies i.e. Long Future (Naked), Covered Call, Long Straddle, Short Straddle in Indian capital market. The above mentioned investment strategies used in the present study are overwhelmingly being applied by investment managers due the their less complex structure and application in comparison to other tedious derivative instruments, as risk management tool as well as to attain the investment performance greater than market portfolio.

REVIEW OF LITERATURE

Available literature on investment strategies have shown that there is no specific or standardized strategy, investors can rely upon. Every study has shown different ways of managing investments such as Fama and French (1993) identified five common risk factors in the returns of stocks and bonds in formulating investment strategies and revealed that out of five, three risk factors are related to stock market i.e. an overall market factors, firm size and book-to-market equity and two factors i.e. maturity and default risks are associated with bond market. Adam and Maurer (1999) examined the performance of protective put and covered short call strategies by making some assumption about investor's tolerance and revealed that both the strategies had lower expected return in comparison to the pure stock options but protective put looked more impressive than covered short call strategy. Arshanapalli, Switzer and Hung (2004) established a dynamic asset allocation strategy investing in EAFE (Europe, Australia and Far East) and the S&P 500 indexes to time the market and generate a superior abnormal return on a portfolio. Results revealed that an out-of-sample tests along with the transaction costs showed, an investor can rely on model signals to allocate assets between the indexes and produce significantly more terminal wealth than would passive portfolios invested in either index alone.

Bartram (2004) investigated the motivation behind the use of options as a risk management tool and stated that in the presence of uncertain exposure due to price and quantity risk, options might be a useful component of corporate risk management. Sehgal and Tripathi (2005) investigated the size effect in Indian stock market by taking the sample of 482 Indian companies for the time period of 1990-2003. The results of the study indicated that size based investment strategy are economically feasible as it provides extra normal returns on risk adjusted basis and also not affected by any seasonality or business cycle factors. Hsu and Campollo (2006) examined the performance of fundamental indexation strategy used for investment purpose. Empirical results revealed that fundamental indexes outperformed their respective cap benchmark significantly two per cent per annum in United States and 3.5 per cent globally. Best, Best, Hodges and Yoder (2007) investigated the empirical relationship between the Sharpe ratio and the investment horizon for portfolios of small stocks, large stocks, and corporate bonds and evidenced that relative portfolio rankings varied with the investment horizon and portfolio rankings for auto correlated returns were different from those for independent returns. Choudhary (2007) examined the relationship between investment performance of equity securities and alternatives investment strategies based on their market capitalization, P/E ratio and earning per share by taking the time period of 1997-2005. The results of the study revealed that low market capitalization strategy was found superior to both low P/E ratio and low earning per share investment strategies in terms of absolute and risk adjusted rate of return. Assogbavi and Leonard (2008) examined the momentum investment strategy based on past market information to evaluate performance, time formation/holding period and seasonality impact on the Canadian market. It was evidenced that investors who based their portfolio construction on momentum investment strategy earned higher returns by shortening their portfolio formation/holding periods. Malik (2008) evaluated the performance of six derivatives based investment. The results indicated the superior performance of index futures (naked) and covered call and options based investment strategies like straddle and strangle could not generate better performance than benchmark portfolio.

Tripathi (2008) examined the perception, preferences and various investment strategies in Indian stock market by conducting a survey of 93 investment analysts, fund managers and active equity investors in the area of Delhi and Mumbai. The results of the study revealed that investors used both fundamental as well as technical analysis while investing in Indian stock market. Bernstein, Lerner and Schoar (2009) examined the direct private equity investment strategies across Sovereign Wealth Funds and their relationship to the funds' organizational structure. It was evidenced that Sovereign Wealth Funds particularly those with the active involvement of political leaders were associated with trend chasing since these funds were more likely to invest at home when domestic equity prices were higher and invested in abroad when foreign equity prices were higher.

Singh and Choudhary (2009) investigated whether overreaction hypothesis matters in the Indian stock market. The results of the study documented non-existence of overreaction hypothesis while the abnormal returns were exhibited by momentum investment strategies of one-year holding period in Indian equity market. Tripathi (2009) examined the relationship between four company fundamental variables i.e. market capitalization, book equity to market equity ratio, price earning ratio and debt equity ratio and equity returns in Indian stock market and exhibited that market capitalizations and price earnings ratio have statistically significant negative relationship with equity returns while book equity to market ratio have statistically significant positive relationship with equity returns in India. The results of the study also showed that investment strategy based on these above mentioned variables produced extra risk adjusted returns over the study period. Choudhary and Choudhary (2010) examined the association of systematic risk and return in Indian equity market and suggested that higher risk is associated with higher levels of returns. Loffe and Cour (2010) investigated the performance of contrarian and momentum strategy on the Russian Stock Market by considering the period of 1996-2009 and found no evidence for the presence of profits due to contrarian and momentum strategies on the Russian stock market. It was also revealed that both the strategies have produced undistinguished profits irrespective of the time periods. Boasson and Boasson (2011) examined the risk and return performance of hedge fund investment strategies applied on S&P 500 Index. The results revealed that all the hedge fund investment strategies seemed to provide an attractive investment opportunity for exploiting market inefficiencies, market failures and arbitrage opportunities. Mankar (2012) tested the performance of moment investment strategy and evidenced that superior returns can be secured by following the securities' historical data without bearing extra amount of risk. Knapp (2013) hypothesised that analysts have limited knowledge for the market even if they are experts which cause them to formulate investment strategies by seeing the patterns that are actually absent in the market and results in poor investment decisions. For the determination of best trading strategy, knapp and his team randomly applied four investment strategies i.e. momentum, relative strength indicator, up and down persistency and the moving average convergence random investment strategy by taking ten to fifteen years data of four different stock indices: the UK FTSE, the MIB FTSE (Italian stocks), the DAX (German) and the S&P 500 and concluded that random application of above mentioned four strategies show less volatility than sticking with one of the strategies.

On the basis of above literature, it can be rightly said that there is no single standardized strategy that can be used by investors to earn money. Every paper has taken into account different strategy for making money in the stock market such as some papers have dealt with the fundamentals of the companies i.e. earning yield, book to market ratio and cash flow yield for making investments whereas others have considered momentum and contrarian strategies. It is worthwhile mentioning here that there are very few papers that have examined derivatives based investment strategies. In this line the present paper is an attempt to exclusively evaluate the investment performance of derivative based investment strategies in Indian market and contribute to existing literature which still lacks the paper such as the present one.

RESEARCH METHODOLOGY

Objectives of the Paper

To examine the investment performance of various derivatives based investment strategies.

To examine the risk-return relationship of different investment strategies.

Investment Strategies

The present study has considered four investment strategies involving the use of S&P CNX Nifty futures and options. The strategies are as follows: -

Long Future (Naked): A future contract is a standardized forward contract. Future contract is called long future, if an investor enters into a contract to buy something in the future. It is called naked because investor does not enter into any kind of counter contract.

Covered Call: The covered call is a strategy in which investor sells a call option on a stock which he owns. An OTM (Out of the Money) call is sold. This strategy is adopted by the investors who are neutral to moderately bullish about the stock. This option is exercised only if the stock price increases above the strike price.

Long Straddle: A straddle is a strategy which is used when a stock/index price is expected to show very large movements. Under this strategy, an investor takes a long position (buying) of call and put on the same stock/index at the same maturity and strike price.

Short Straddle: Short straddle is totally the opposite of long straddle. Under this strategy, an investor takes a short position (selling) of call and put on the same stock/index at the same maturity and strike price.

DATA SOURCE AND TIME PERIOD

For the purpose of present study, S&P CNX Nifty has been considered as a representative index of stock market for the evaluation of the derivatives based investment strategies in India. S&P CNX Nifty tracks the behavior of a portfolio of blue chip companies i.e. the largest and most liquid Indian securities. It covers 25 sectors of the Indian economy and offers investment managers exposure to the Indian market in one efficient portfolio. Nifty includes 50 of the approximately 1,300 companies listed on the NSE, captures approximately 60 per cent of its equity market capitalization and is a true reflection of the Indian stock market. Therefore, S&P CNX NIFTY has been considered as underlying asset for the application of various investment strategies. Index futures on S&P CNX Nifty were permitted for trading on National Stock Exchange (NSE) in June 12, 2000 and Index options were introduced on S&P CNX NIFTY in June 29, 2001 and till now, India's experience with the equity derivatives market has been extremely positive e.g. the derivatives turnover on the NSE has surpassed the equity market turnover i.e. turnover of derivatives on the NSE increased from Rs. 24 billion in 2000–2001 to Rs. 292,482 billion in 2010–2011, and reached Rs. 313,497 billion in 2011–2012. The average daily turnover in this segment of the markets on the NSE was Rs.1,259 billion in 2011–2012 compared to Rs. 1,152 billion in 2010–2011[*]. The present paper has considered the historical data of Index futures and Spot Nifty from June 12, 2000 to December 31, 2010 and Index options from June 29, 2001 to December 31, 2010. Data for Index option have been collected from NSE Website (www.nseindia.com) and data for Index futures and Spot Nifty have been taken from the database Metastock.

The present paper followed the methodology of maintaining derivatives based investment strategies offered by Malik (2007). In the present paper, S&P CNX Nifty has been taken as an underlying asset for the purpose of investment. Four derivatives based portfolios have been constructed by taking into account the six different strategies namely Long Future (Naked), Covered Call, Long Straddle, Short Straddle. For comparing the results of derivatives portfolio, cash portfolio on the S&P CNX Nifty over the corresponding period of time to that of derivatives portfolios has also been considered. A simulation procedure has been employed by adopting the philosophy of buy- and- hold for all the portfolios (derivatives as well as cash) with an initial investment of Rs. 1,00,000 (Rs. one lakh) for each portfolio. The amount has been used as margin money for taking exposure in futures and options (short) and paying of option premium for taking long position in the options. It has been presumed that twenty five percent of the notional value of exposure at every point in time would be the minimum required margin. The transaction cost of buying and selling the contract has not been considered. The buy-and-hold method has been used for derivatives portfolio and spot portfolio, where Nifty futures contracts have been purchased at the beginning of the contract and was held till the expiry of the futures contract during the entire period under study. In the case of maintaining the long position (long naked future) in the index futures, the rolling approach has been used. The rolling approach refers that at the expiry of every month's futures contract, the next month contract would be purchased at the closing price on the last day of the expiry of the preceding month and the futures contract of the current month would be squared-off or allowed to expire at the closing price on the expiry of the contract, and so on the position in the index futures contracts are rolled over the entire period of 127 months beginning from June 12, 2000 to December 31, 2010. In case of covered call, the long position in the index futures have been covered by taking the short position of the out-of-money calls with strike price higher by 1-2 percent of the spot closing price. However, in the case of investment strategies involving options, the straddle (long as well as short), the present paper has taken out-of-money calls with strike price higher by 1-2 percent and in-the-money put with strike price higher by 1-2 percent of the spot price on the day of entering into the contracts amounting in the formation of straddle for the purpose of empirically examining the performance of straddle (long as well as short).

INVESTMENT PERFORMANCE MEASUREMENT

Return is prime motive to persuade investments and probably the one to sustain it. In the present paper, the simple percentage return has been considered and calculated by following the equation: -

$$R_i = \frac{P_t - P_{t-1}}{P_{t-1}} X\ 100 \qquad (1)$$

Where,

R_i=Monthly return on investment, P_t=Investment value at the time of Expiry, P_{t-1}= Value of Investment in the beginning.

Uncertainty of expected return geminates risk, which is defined as the quantification of varying expectations. In investment parlance, risk is represented by variability in expected return stream and is better measured by sigma ($_P$).In the present paper the risk has been expressed in terms of standard deviation of monthly returns and calculated by following the equation: -

$$_i = \sqrt{\frac{(R_i - \bar{R}_i)^2}{n-1}} \qquad (2)$$

Where,

$_i$=Standard Deviation, R_i=Return on investment, $\bar{R}_i$=Mean return

Though risk - return analysis is an important dimension of investment performance evaluation yet it is not adequate to depict the whole picture of investment performance. In finance literature, simultaneous cognizance of risk and return along with the benchmark portfolio return has been preferred for investment performance measurement. Taking cue from this the present paper has also used Sharpe's ratio to examine the performance of investment strategies. The measure of the ratio is: -

$$S_i = \frac{R_i - R_f}{i} \tag{3}$$

Where,

S_i=Sharpe Ratio, R_i=Return on Investment,

$_i$=Risk free Return, $_i$=Standard Deviation

The Sharpe ratio is computed for all the four investment strategies and for the benchmark index for each year of the study period i.e. 2000-2010.

EMPIRICAL RESULTS AND DISCUSSIONS

Risk-Return Analysis

Investment is considered as the postponement of current consumption in anticipation of expected benefits. Investors defer consumption to yield maximum possible expected cash flows to magnify returns by acquiring ownership of financial instruments with varying expectations of return. The inherent feature of investment is the uncertainty of expected return which geminates risk, the quantification of varying expectations. Risk-return is an integral part of investment decision-making and the twin acts as a vital input in investment performance measurement and reporting. Return is prime mover to induce investments and probably the one to sustain it. Market participants are always tempted to scout for better investment alternatives for higher return / yield. Table 1 exhibits the performance inputs regarding return of the derivative based investment strategies such as Long Future (Naked), Covered Call, Long Straddle and Short Straddle with underlying asset as S&P CNX Nifty. Furthermore, the Table also contains the returns of spot market investment strategy (buy and hold of Nifty cash portfolio) and return of risk free asset i.e. 364 days Treasury bill of government of India.

The empirical results reveal that in the majority of whole study period (7 out of 11 years) long future investment strategy has generated superior average monthly returns over the riskless return. In relation to benchmark investment strategy i.e. investment in CNX Nifty spot portfolio, long future investment strategy has yielded better-average monthly return in majority of years of whole study period. However, it is curious to note that average monthly return for whole study period (4.63 percent) was noted higher than the riskless return (0.54 percent) as well as market returns (1.12 percent). It contradicts the Treynor (1965) premise that investment is to put the money down the rat hole. Another useful derivative based strategy is Covered call whereby an investor holds a long position in an asset and writes (sells) call option on that same asset in an attempt to generate increased income from the asset. This is often employed when an investor has a short-term neutral view on the asset and for this reason holds the asset long and simultaneously has a short position via the option to generate income from the option premium.

The performance inputs of covered call strategy based on S&P CNX Nifty for the period of 114 months reveal that in the majority of whole study period (9 out of 10 years) covered call investment strategy has yielded superior average monthly returns over the riskless return and spot market investment strategy. It is worthwhile to mention that average monthly return of covered call for whole study period (8.49 percent) was noted higher than the riskless return (0.52 percent) as well as market returns (1.43 percent). In the league of investment strategy, Long straddle is an investment strategy which is used when investors anticipate very large movements in stock/index prices. Under this strategy, an investor takes a long position (buying) of slight out-of-the-money call(strike price higher by 1-2 percent of the spot price) and slightin-the-money put(strike price higher by 1-2 percent of the spot price) on the same stock/index at the same maturity and strike price. Investors, using this strategy are directional neutral.

Empirical results regarding the performance inputs of S&P CNX Nifty long straddle reported in Table 1 exhibits that in the majority of whole study period (6 out of 10 years) long straddle investment strategy has produced superior average monthly returns over the risk free rate of return which is measured as return on 364-days treasury bills. In relation to benchmark investment strategy, long straddle investment strategy has generated higher average monthly return in majority of years of whole study period. It is interesting to observe that long straddle strategy has experienced much higher performance (18.88 percent) than the risk free return (0.52 percent) as well as market returns (1.43 percent) measured in terms of average monthly return of whole study period. Short straddle strategy is carried out by holding a short position in both slight out-of-the-money call(strike price higher by 1-2 percent of the spot price) and slight in-the-money put(strike price higher by 1-2 percent of the spot price) that have the same strike price and expiration date. The short straddle is a risky strategy and used by investors only if they believe that stocks' price will not move up or down significantly. Interestingly, this derivative based investment has not reported any negative return in the whole study period. It is worthwhile to mention that even in the year 2008, a witness of global recession, short straddle investment strategy outperforms the spot market strategy (-6.33 per cent) as well as risk free return (0.65 percent) and yielded positive return (29.89 per cent) to the investors. Furthermore, it is noticeable that in terms of average of monthly return of entire study period, short straddle strategy has experienced higher performance (15.94 percent) than the risk free return (0.52 percent) as well as market return (1.43 percent).On the whole, it may be concluded that this derivative instrument proposes better investment avenues than spot market instrument. Commensurate to investment objectives, risk distracts flow of investments with added agility.

Conservatism is embedded in investors' psychological texture; one is twice engaged to avoid risk than to magnify return. In investment parlance, risk is represented by variability in expected return stream and is better measured by sigma ($_p$). The performance outcomes, emanating from the present study in this regard are reported in Table 2.The performance outputs thus reported reveals long future investment strategy has experienced maximum exodus of variability in investment return(s) during the whole study period. The risk measured by standard deviation of monthly returns was highest (52.50 percent) in 2008, which was a financial turmoil period across the world. It is curious to note that this naked investment strategy was discovered to have experienced larger return variability in all the years and thus were more risky as compared to spot market based investment strategy i.e. buy and hold of CNX Nifty 50 benchmark index. The average risk for the entire study period (33.83 percent) was noted higher than average risk of spot market investment strategy (6.91 percent).

In the case of covered call investment strategy the performance outcomes reported reveal that the investment strategy has underperformed the buy and hold investment strategy in terms of risk as measured by variability of investment returns during the whole study period. In relation to benchmark variability of investment performance obtaining in this regard, minimum variability (9.93 percent) was noted in 2007 and maximum variability (30.93 percent) in 2008. It is significant to note that covered call investment strategy was discovered to have experienced larger average return variability (14.73 percent) over the benchmark portfolio (7.12 percent) during the whole study period and thus was more risky compared to CNX Nifty 50 benchmark index. In simple words, it indicates the greater variability of covered call investment performance in comparison to buy and hold investment strategy. The performance outcomes regarding the risk, measured in terms of standard deviation of returns of long straddle strategy emanating from the present paper reveals long straddle investment strategy has experienced higher variability in investment return(s) during the whole study period. The standard deviation of returns of 114 months was highest (154.09 percent) in 2001, which was an initial period of derivative trading in Indian stock market. Furthermore, the straddle investment strategy was discovered to have more return variability than investment in Nifty spot portfolio during whole study period. The average standard deviation for the whole study period (92.85 percent) was noted higher than average risk of spot market investment strategy (7.12 percent).

Consequently, greater variability is embedded in the performance of long straddle investment strategy during the study period which advocates the familiar opinion of volatile nature of derivatives instruments. The empirical results regarding the standard deviation of monthly returns of short straddle exhibit the investment strategy has experienced reasonable exodus of variability in investment return(s) during the whole study period. The risk measured by standard deviation of returns of 114 months was highest (28.68 percent) in 2008 and was lowest (5.31 percent) in 2010.Furthermore, the difference between variability of short straddle and spot market investment strategy was noted to be not as high as in other derivative based investment strategies. The average of risk measured in terms of standard deviation for the whole study period (10.67 percent) was noted higher than average risk of spot market investment strategy (7.12 percent).

Investment Performance Analysis

Since performance measurement portrays investment strategy's success, it is equally important that such performance be measured in an unambiguous manner accep Table to the industry participants and academicians to avoid any confusion or misrepresentation. Though risk - return analysis is an important dimension of investment performance evaluation yet it is not adequate to depict the whole picture of investment performance. Therefore, it is imperative to examine the ex-post investment performance in relation to the theoretical measures to take cognizance of risk and return simultaneously along with the benchmark portfolio return. The essential idea behind this is to compare the returns obtained by derivatives based investment strategy with the returns that could have been obtained for the client if one or more appropriate alternative portfolio (unmanaged portfolio) had been chosen for investment at a given risk level. The reason for this comparison is straight forward being more prudent to evaluate investment performance on relative basis than in terms of either risk or return alone. An investment strategy may generate superior return by exposing investments to a higher risk level than the unmanaged portfolios. It needs to be examined whether the higher risk exposition of investments yielded commensurate return. Therefore, performance evaluation methodology should take cognizance of such vital aspects in its ambit to rate investment performance in the most prudent and unambiguous manner that considers the relative risk level and strength of the market for meaningful investment analysis.

In finance literature, Sharpe Model (1966) is one widely acknowledged risk adjusted performance evaluation measure which considers total risk in the evaluation of investment performance of managed portfolios. The performance outcomes obtaining in this regard are presented in Table 3. The information reported reveals that in the majority of study period (8 years) the naked investment strategy has outperformed the benchmark market proxy (CNX Nifty-50) while in the remaining period (2000, 2002 and 2004) yielded inferior performance in terms of Sharpe measure. It is curious to note that the average Sharpe ratio of naked strategy (0.17) was observed higher than the average of similar measure (0.14) of benchmark portfolio. Empirically, it may be deduced from the results reported above that long future (naked) investment strategy yielded superior performance than the simple buy and hold investment strategy during the whole study period of 11 years. The empirical results regarding the covered call investment strategy depict that this strategy has yielded positive excess return per unit of risk in the majority of whole study period (9 out of 10 years) and similar results were noted (8 out 10 years) regarding spot market based investment strategy. In relation to benchmark investment performance obtaining in this regard, minimum investment performance measured in terms of Sharpe ratio (-0.06) was noted in 2008 and maximum performance (1.41 percent) in 2008. It is worthwhile to observe that covered call investment strategy was discovered to have experienced better average investment performance measured in terms of Sharpe ratio (0.69) over the same of buy and hold investment strategy (0.19) during the whole study period.

The performance outcomes of Sharpe measure regarding long straddle investment strategy indicate that in the half of the study period (5 out of 10 years) the long straddle investment strategy has performed better than the buy and hold strategy of CNX Nifty-50 spot portfolio. Furthermore, the average Sharpe ratio of straddle strategy (0.10) was observed lower than the average of similar ratio (0.19) of benchmark portfolio. On the whole, it may be deduced from the empirical evidences reported that long straddle investment strategy is enable to deliver superior performance than the simple buy and hold investment strategy during the whole study period of 10 years. The information inputs regarding risk adjusted performance of short straddle investment strategy reveal that in all the years of study period the short straddle investment strategy has yielded superior performance over the benchmark market proxy (CNX Nifty-50) in terms of Sharpe measure. Nevertheless, the average risk adjusted performance of short straddle strategy (1.63) was observed higher than the average of similar measure (0.19) of benchmark portfolio. Overall, the results reported above indicate the superior performance of short straddle investment strategy compared to investment in cash portfolio of CNX Nifty.

CONCLUSIONS

Empirical literature on finance indicates numerous investment strategies based on fundamental factors such as price-earnings ratio, book to market ratio, size effect, value premium etc. to magnify the returns of investor in investment jargon. In the present paper an attempt has been made to examine the profitability associated with derivatives based investment strategies i.e. Long Future (Naked), Covered Call, Long Straddle, Short Straddle in Indian capital market during the period of June 2000 to December 2010. The results reported in the paper have important bearing for the investment decision making. It is significant to note that average monthly returns of all the four investment strategies studied for the whole study period were noted higher than the average riskless return and benchmark index. The empirical results have also exhibited that the long straddle investment strategy scored highest average monthly return (18.88 percent) among all the derivative investment strategies and long future (naked) investment strategy delivered lowest average monthly performance (4.63 percent) in this regard. On the other hand, the present paper reveals none of the strategies generated lower variability of returns than the market portfolio i.e. CNX Nifty-50 during the entire study period. It provides credence to the popular perception of higher volatile nature of equity derivative instruments.

The information inputs depict the long straddle investment strategy as highest risky (92.87 percent) investment strategy among all the derivative investment strategies and short straddle investment strategy delivered lowest variability of monthly returns (10.54 percent) in this regard. Thus, on the risk dimension all the examined investment strategies yielded inferior performance to spot market portfolio. The performance outcomes in terms of risk adjusted performance i.e. Sharpe ratio reveals that the majority of investment strategies (3 out of 4) have outperformed the benchmark market proxy. It is curious to note that the average Sharpe ratio of short straddle investment strategy (1.63) was observed highest among all the investment strategies. On the other hand, long straddle emerged as looser investment strategy (0.09) during the whole study period. Thus present paper documents evidences of superior investment performance that could be constructed better than that of the passive benchmark portfolio. On the whole, the paper indicates the ability of the derivative based investment managers to come out fully on the expectations of the investors. Above all, the present paper has also generated results indicating positive risk-return relationship of investment strategies. Such positive relationship indicates the inherent higher volatility of derivative instruments. It is apparent from the results that there is huge gap between the investment performance of simple buy-and-hold investment strategy and derivatives based investment strategies. This gap could be one of the causes of high volatility of Indian equity market as well as large trading in equity derivatives. However, the market regulator has to keep this in consideration while making regulations for this segment of market.

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Table 1: Return of Derivatives based and Spot Market based Investment Strategies

	2000 Return	2001 Return	2002 Return	2003 Return	2004 Return	2005 Return	2006 Return	2007 Return	2008 Return	2009 Return	2010 Return	Average
Risk Free Return	0.82	0.66	0.51	0.41	0.41	0.48	0.56	0.63	0.65	0.36	0.5	0.54
Spot Market	-2.05	0.12	0.82	3.62	1.9	2.35	2.7	3.66	-6.33	4.27	1.26	1.12
Long Future	-15.17	-1.19	-0.23	18.64	6.12	14.82	13.52	17.21	-31.37	23.33	5.29	4.63
Covered Call	N.A	1.37	3.39	10.17	8.49	10.59	14.66	11.91	-1.07	18.56	6.83	8.49
Long Straddle	N.A	84.69	5.96	78.95	-3.57	55.64	-17.591	6.27	-12.71	-17.93	9.04	18.88
Short Straddle	N.A	6.49	11.09	6.92	15.9	11.42	8.5	18.2	29.89	27.42	13.55	15.94

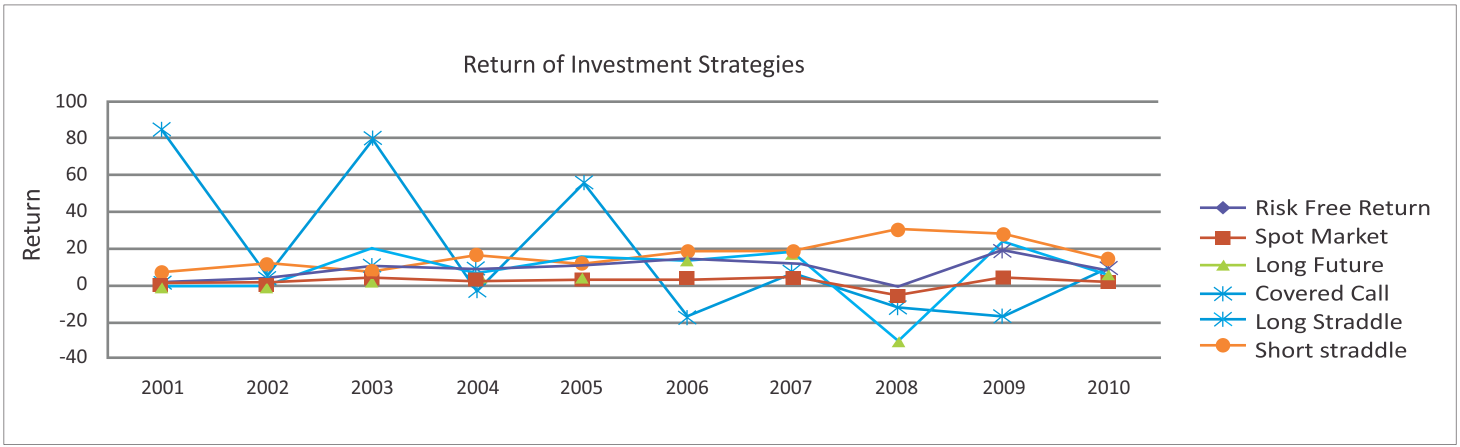


Table 2: Risk of Derivatives based and Spot Market based Investment Strategies

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Average
Spot Market	7.23	8.87	5.86	6.55	7.17	6.07	5.54	5.73	10.24	7.18	5.55	6.91
Long Future	34.68	39.73	25.2	35.15	30.3	37.54	27.56	26.9	52.5	35.19	27.3	33.83
Covered Call	N.A	23.29	10.84	12.591	13.33	13.3	11.73	9.93	30.93	12.95	58.43	14.73
Long Straddle	N.A	154.09	84.99	28.86	65.57	101.79	44.02	89.45	91.32	60.97	107.39	92.85
Short Straddle	N.A	12.26	8.73	9.48	9.04	6.19	8.3	9.76	28.68	8.91	5.31	10.67

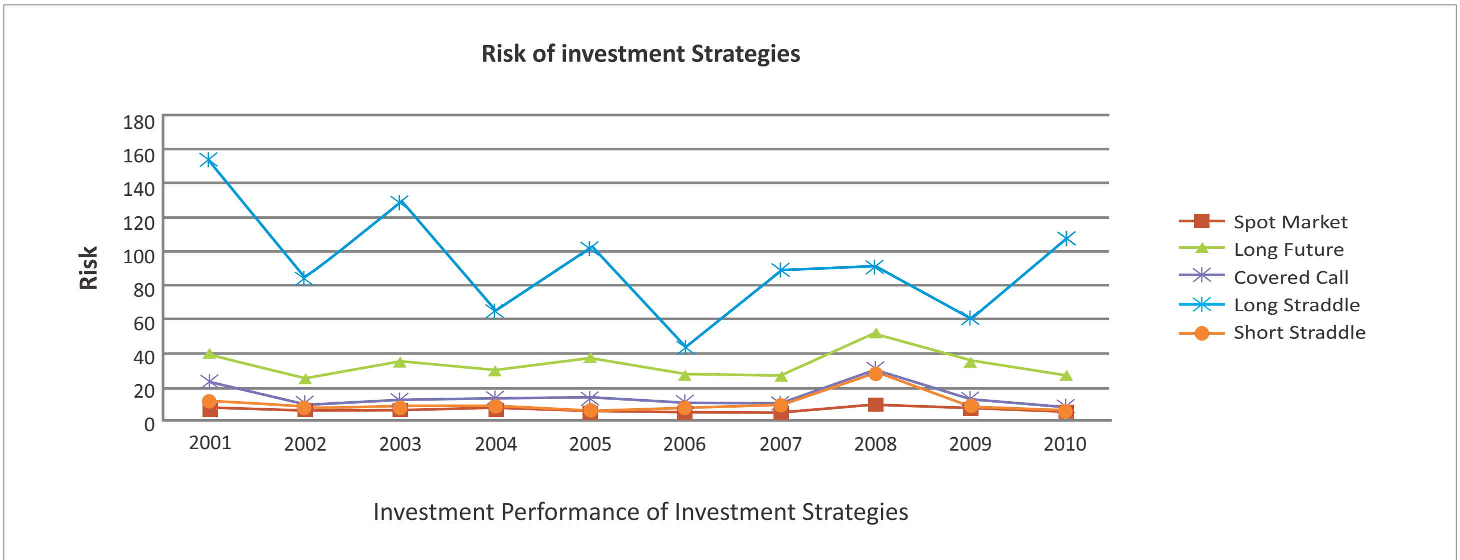
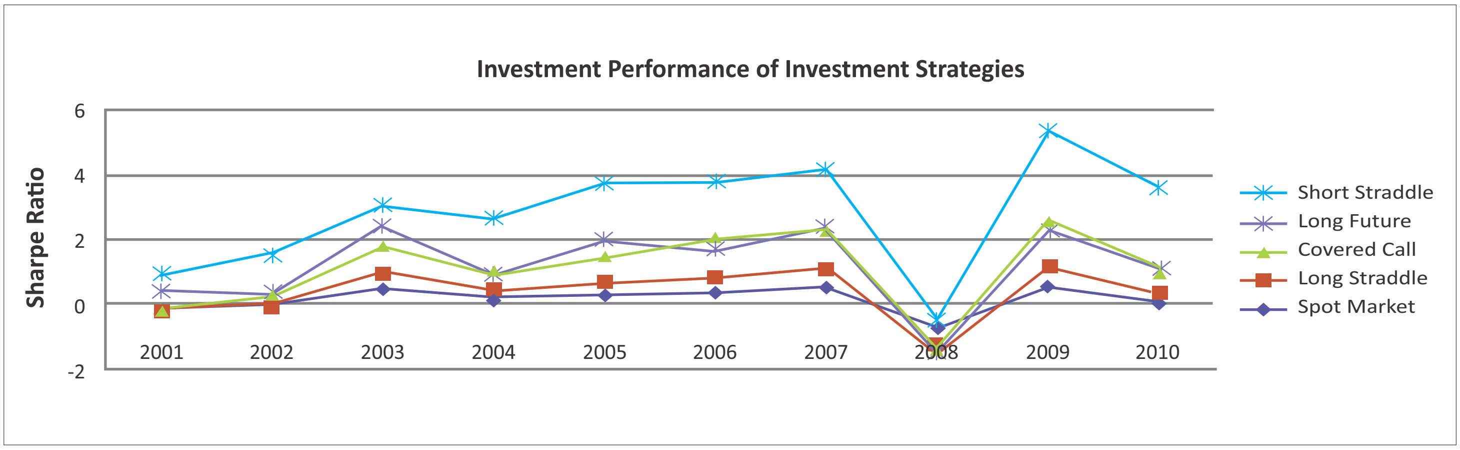


Table 3: Risk adjusted Performance of Derivatives based and Spot Market based Investment Strategies

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	Sharpe Ratio	
Spot Market	-0.4	-0.06	0.05	0.49	0.21	0.31	0.39	0.53	-0.68	0.54	0.14	0.14
Long Future	-0.46	-0.05	-0.03	0.52	0.19	0.38	0.47	0.62	-0.61	0.65	0.18	0.17
Covered Call	N.A	0.03	0.27	0.77	0.61	0.76	1.2	1.14	-0.06	1.41	0.75	0.69
Long Straddle	N.A	0.55	0.06	0.61	-0.06	0.54	-0.41	0.06	-0.15	-0.3	0.08	0.1
Short Straddle	N.A	0.48	1.21	0.69h	1.71	1.77	2.16	1.8	1.02	3.04	2.46	1.63



THE ENTREPRENEURIAL ATTITUDES PROCESS AND INNOVATION IN THE SUCCESS OF SMALL STARTUP FOOD RETAIL BUSINESSES IN THE UK

Mohammed Shahedul Quader

ABSTRACT

The aim of this paper is to explore the role of the entrepreneurial behaviour, process and innovation in the successful establishment and growth of food retail stores, especially convenience shops, by interviewing owners of food retail shops in the area of North West London. Previous researches revealed that entrepreneurship consists of the entrepreneurial attitudes and behaviour of the owner, the entrepreneurial process which is the progress of the business from the opportunity identification until the establishment of the business, and the changes and innovations made in order to improve and expand the business. Therefore, to examine the topic qualitative research methods and techniques were employed. The sample of food retail shops was separated into two groups, 'food specialists' and 'convenience store owners'. The analysis of the findings identified that distinctive differences exist between the two groups on the subject and specifically in the three aspects of entrepreneurship. Finally from these dissimilarities a number of conclusions were drawn for clear understanding.

Keywords: Entrepreneurial, Attitudes, Process, Innovation, Retail and Business.

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INTRODUCTION

From a broad and comprehensive picture of entrepreneurship there are three themes of great importance such as entrepreneurial attitudes and behaviour, entrepreneurship process and innovation. Each of these themes has significant contribution and association with the whole definition. Entrepreneurship attitudes and behaviour are involved with the character traits that process the entrepreneur, entrepreneurship process concerns the stages that the entrepreneur traverse to finally establish a new business and innovation is the creation of changes and exploitation of opportunities. From economic point of view it is essential to examine academic literature and thought, surrounding the area of entrepreneurship and analyzes the UK food retail market with an emphasis on small businesses. The purpose of this research is to investigate the role of the entrepreneurial attitudes, process and innovation in the strategic success of small start up businesses in the food retail industry, focusing on convenience stores and specialized food retailers. To achieve a greater insight, a survey was conducted using as samples food retail stores in the area of North West London. The findings of this survey were interpreted and related to the existing literature, in order to provide a better grasp of the main concepts of the topic under discussion.

ITERATURE REVIEW

The Entrepreneur

There are different and significant definitions of the term 'entrepreneur' and the notion of 'entrepreneurship.' Often researchers and analysts quote the definition that is relevant for their area of study (Cohin, 2002). Zimmerer and Scarborough (2007) define the entrepreneur as 'one who creates a new business in the face of risk and uncertainty with the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalise on them.' However, Drucker (1999) argues that a husband and wife who start up another Mexican restaurant in the American suburb take risk, as they gamble on the increasing popularity of eating out in their area, but

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Create neither a new satisfaction nor a new consumer demand. From that point of view they are certainly not-entrepreneurs even though a new venture is created. Moreover, Gray (2002) quoting Schumpeter (1934) defines an entrepreneur as 'someone who acts as an agent of change by bringing into existence a new combination of the means of production'. Johnson (2001) and, Craig and Lindsay (2002) assert that the entrepreneur is both open to and able to create novelty and a capacity for innovation.

By definition, entrepreneurs search for opportunities to increase profit. Often entrepreneurs perceive opportunities where others may perceive problems. While ordinary people avoid uncertainty caused by change, entrepreneurs see change as an opportunity and the matter of uncertainty is not a major consideration for them (Burns, 2007; Drucker, 1999). For many entrepreneurs, the problem is to focus on one opportunity at a time. As they see opportunities everywhere, they have problems following one opportunity through before another one gets highlighted along. This is one reason why entrepreneurs are not able to continue developing their business after it has reached a certain size (Burns, 2007). A further characteristic of the entrepreneur is the high need for independence. That is frequently seen as 'the need to be your ownboss' (Morrison, 2000). That is the most mentioned trait of the entrepreneur, but independence means different things to different people, such as controlling destiny, accomplishing things or being in a situation where one can fulfil its own potential (Burns, 2007, Zimmerer and Scarborough, 2007). Another driving force which is very strong for entrepreneurs is the high need of achievement (Littunen, 2000).

Entrepreneurship

Some of the definitions that coin the term 'entrepreneurship' are: (a) a creative act where something is built/created that did not exist in the past; (b) capturing an opportunity that may be hidden in the environment; and (c) creation that is opportunity driven rather than resource driven i.e. if the opportunity is signaficient, the resource will be found. Entrepreneurship constantly contains a degree of risk because it is something new and different. This also makes it difficult to evaluate. It results in the creation of value for the individual, community or society. (Rae, 2000; Rae and Carswell, 2001; Johnson, 2001; Craig and Lindsay, 2002; Gray, 2002).

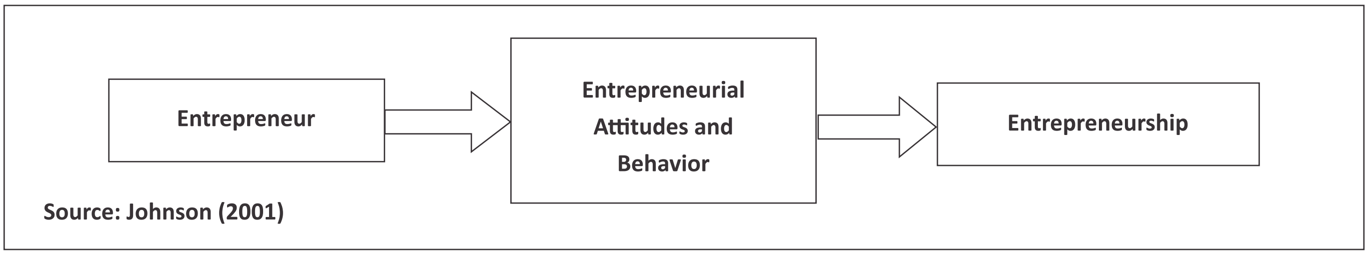
Entrepreneurial Attitudes and Behaviour

Entrepreneurs need to possess a wide range of characteristics, such as the ability to manage the risks and ultimately reduce them, the capacity for innovation, locus of control, the ability to recognise and capture opportunities, as well as making independent and self directed decisions. The entrepreneur is also an individual who has a high need for achievement and is able to tolerate ambiguity and uncertainty (Littunen, 2000; Morrison, 2000; Johnson, 2001; Craig and Lindsay, 2002) for the anticipated income. The majority of the population dislikes uncertainty (risk aversion), especially in the monthly income, which can be a major cause of stress. For entrepreneurs the possibility of missing a piece of business which will affect their income is a reason why they are reluctant to take holidays (Drucker, 1999; Burns, 2007). Interlinked with ambiguity and uncertainty is their willingness to take measured risks. Entrepreneurs try to avoid risks and insure against them. Choosing to establish a new business is a risky decision and from that point the entrepreneur starts to live with ambiguity and uncertainty about the future. Entrepreneurs are prepared to take more risks and employ their own resources to establish their business which may affect their personal economic situation if they fail (Georgellis et-al 2000 and Hill et-al 2002).

Furthermore, the entrepreneur's abilities to identify opportunities and innovate are two of the most important features (Storey, 2007). Innovation is the principal instrument that is used to create or exploit an opportunity (Johnson, 2001). Entrepreneurs link innovation to the market place so as to develop and tap an opportunity and make the business grow. Although, innovation is difficult to define and takes

several forms, entrepreneurs are always innovative (Burns 2007). In addition, locus of control is a primary trait of the entrepreneur and is divided into internal and external locus of control. Internal locus of control is an attribute of entrepreneurs who believe that they can exercise control over the environment and ultimately their destiny. On the contrary, if the entrepreneur believes in fate, he has an external locus of control and is less likely to take the risk of starting a business (Drucker, 1999). Entrepreneurship is important to business because of the value added (Craig and Lindsay, 2002), the new products or services created (Johnson, 2001), the competitive advantage and economic change provided (Gray, 2002) and the formation of ventures which bring together resources to exploit the new opportunities identified (Rae and Carswell, 2001). However, not all businesses are entrepreneurial and in fact most of them are not (Craig and Lindsay, 2002; O'Gorman, 2001). It is not surprising therefore that entrepreneurs are relatively rare and not all business owner-managers are entrepreneurs (Gray, 2002; Craig and Lindsay, 2002). Figure-1 provides a holistic view of the notion of entrepreneurship. Entrepreneur, entrepreneurial attitudes and behaviour, and entrepreneurship are three aspects which are strongly interrelated; one has to elapse through those stages to be considered an entrepreneur.

Figure 1: The Process of Entrepreneurship



Entrepreneurial Process

By definition, the entrepreneur is attempting to do something that has not been done before. Innovation implies something new and probably unknown, something that has not happened yet (Morris, 1998; Littunen, 2000; Kickul and Walters, 2002). According to Craig and Lindsay (2002), entrepreneurial events are easier to understand and achieve better results when approached by process. A great advantage of the process is that the entrepreneurial efforts can be separated into specific stages. Moreover, entrepreneurship can be easier integrated in this way into the activity in any organisation. Among the several models of the entrepreneurial process that have been put forward, the present research adopts the one developed by Morris (1998) because of its extended and multidimensional nature of the definition of the entrepreneurial process. The model is separated to the following six specific stages such as: (a) opportunity identification, (b) concept development, (c) determinant of resource requirements (d) acquisition of necessary resources (e) concept implementation and operation management and (f) harvesting of the venture.

a) Opportunity Identification:

In the entrepreneurial process there are at least two phenomena: the presence of enterprising individuals and the presence of beneficial opportunities (Craig and Lindsay, 2002; Morris, 1998). 'This level of definition embraces the sources and processes of discovery, evaluation and exploitation of opportunities and the set of individuals (entrepreneurs) who discover, evaluate, and exploit them (Vyakarnam et-al 1999). Craig and Lindsay (2002) state that opportunities are defined in terms of attributes such as superior product or service, a market need, a large and growing market, forgoing profit, margins and a sustainable competitive advantage. Morris (1998) distinguishes that the entrepreneur must specify exactly what the opportunity consists of and has to determine the size and scope to the most accurate extent possible. In order to achieve that successfully, Drucker (1999) suggests seven major opportunity sources. These sources are separated into *internal* and *external*. The internal are signs of changes in the economy, in society, and in the knowledge contant:

The unexpected: Incidents or developments that cause failures or successes, which were unexpected, and possibly because of constraints in the assumptions, vision knowledge, or understanding.

Incongruities: Differences between what is and what ought to be, or what is and what everyone assumes to be, or between efforts and expectations.

Process Need: Like the unexpected or the incongruities, it exists within the process of a business, an industry, or a service. It improves a process that already exists, replaces a link that is weak, redesigns an existing old process around newly available knowledge. Sometimes it makes a process possible by supplying the 'missing link'.

Industry and market structure: Substantive changes in regulation, competitive entrants, power in distribution channels, technology, or market requirements that lead to industry or market restructuring.

The external changes are in the social, philosophical, political, and intellectual environment, which are:

Demographics: changes created by developments in the size, age, structure, composition, employment, income, or educational status of the population.

Changes in perception, meaning and mood: regardless of realities, general change in outlook, perception, or interpretation of the facts, this in turn influences the needs, wants, and expectations of people.

New know/edge: development of new information, insights, technological advances, or theories. (Drucker, 1999; Burns, 2007; Beaver, 2007).

Morris (l998), states that implicit in Drucker's analysis is the need to attack the conventional wisdom or the popular assumptions regarding a potential opportunity.

b) Concept Development

According to Kickul and Walters (2002) and Johnson (2001), the entrepreneur with an opportunity clearly in mind specifies a business concept. The particular concept can be a new product or service, a new process or method for accomplishing a task, or even a new application of an existing product. However, Johnson (2001), supports that if confusion between the opportunity and the business concept occurs, the product or the business concept might fail. Entrepreneurs have often highly innovative ideas for new product concepts but no opportunity exists, or the opportunity exists but the business concept is too indistinct or unclear. Table-1 links the opportunities with the business concepts.

c) Determinant of Resource Requirements

Financial requirements are a very important factor, and entrepreneurs are not famous for their estimation skills regarding the issue (Gray, 2002). Money surely is a resource required for every entrepreneurial event. However, a review of success and failure stories reveals that money is not always the defining factor of clarifying the performance of an entrepreneurial event. Furthermore, the entrepreneur with a good idea will be able to find the necessary resources (Burns and Dewhurst, 1996; Morris, 1998). In order to identify the needed resources, which typically are not financial, insight, judgment, and patience is required. These resources include for example, established customer contacts, creative technical skills, loyal distributor, and a good location. A good location may obviously be a determining factor in the success of a concept. Bennett and Smith (2002) argued that in some cases, the excessive self-confidence of the entrepreneur, might lead him to believe that resources such as this are secondary and that is a recipe for failure.

d) Acquire the Necessary Resources:

Entrepreneurship is related to the ability to invent concepts which is the second stage in the entrepreneurial process; and the greatest attempts of entrepreneurial behaviour are when trying to locate resources and implement the concept, which are the stages two, three, four and five. When an entrepreneur begins with a concept in mind, he does not have any resources and does not know where to get them (Morris, 1998). The Entrepreneur is employing all his power while trying to discover resources (Craig and Lindsay, 2002; Gray, 2002). According to Morris (1998) resource acquisition requires creative interpretation of rules; it entails begging, borrowing,

Table-1: Linking Opportunity to Business Concept

The Opportunity	The Business
Decline of Demographic segmentation and emergence of youthful, life style based, market segment	Ford Mustang automobile-'affordable lifestyle- sports car'
Fast pace of change and information overload experienced by many consumers	Cable News Network (CNN) with ability to provide instant information any time from anywhere
Large number of people interested in computer possibilities but intimidated because of complexities and rigors involved in the available products	Apple Personal Computer with simple icons and a playful mouse

(Source: Morris 1998)

Criteria for rating a concept as good, average or weak include the need for it to be: (a) Unique (b) Comprehensive (c) Internally Consistent (d) Feasible, and (e) Sustainable. (Georgellis *et-al.* 2000; Irwin, 2000; and Morris, 1998).

and/or "stealing" resources from conventional and non-conventional sources. The entrepreneur during this process of discovering resources becomes a borrower, a trader, a politician and a negotiator. At the same time, not all resources have to be owned or directly controlled by the entrepreneur. Morris (1998) used the term 'leveraging' to describe the achievement of economic or competitive advantage through the use of resources, not owned or controlled by the company. In essence, 'leveraging' is about renting, borrowing, leasing, contracting or temporarily employing resources instead of buying. Furthermore, because the company is temporally committed to those resources/assets, it has more flexibility which enables the company to manoeuver in the marketplace more quickly (Georgellis et-al 2000).

e) Concept Implementation and Operation Management

The implementation stage is challenging and however ready and well prepared the entrepreneur is he is very likely to face problems that require immediate solutions. Obstacles arise that were not anticipated and some of the assumptions made while planning prove to be unfounded. On the one hand, the entrepreneur must not lose sight of the overall vision and on the other hand, he needs to be capable of adapting, modifying, and adjusting the concept, resource requirements, the approach to resource acquisition and the operating methods as circumstances evolve (Johnson, 2001; Craig ad Lindsay, 2002). Many entrepreneurs, as brilliant as they are at creating a venture and generating the ideal circumstances to implement their vision, are also poor managers (Morris 1998). Entrepreneurs try to accomplish too many tasks themselves and do not know how to delegate. Moreover, they tend to over control their employees and micro-manage the enterprise. Fear of someone stealing their innovative ideas makes them hesitant to seek for advice or assistance. Finally, once the enterprise starts to work properly, entrepreneurs fail to employ professional managers in order to obtain sustainable growth (Georgellis et-al2000).

f) Harvest the Venture

Nowadays, opportunities and product life cycles are shrinking, resources are becoming rapidly obsolete, and customer loyalties are more ephemeral. For example, Akio Morito of Sony explained that his company's primary task was to make its own products obsolete (Hill et al 2002). Therefore, one can recognise that it is as important for the entrepreneur to be quick and energetic as it is for him to have a model for the planning and implementation of a new business. Morris (1998) compares the venture with the stock market. He states that 'one example might involve looking at the business as an investment in a blue chip stock versus a high-tech stock. In the blue chip scenario, the entrepreneur is expecting a stable and acceptable income every month; this way the venture is used as a source of income into the near future. In cotrast, with a high-tech stock the entrepreneur expects no income as all the capital is invested into growth and development; thus the entrepreneur anticipates profits in the five to six years.

Figure 2: Alternatives at Each Stage in the Entrepreneurial Process

Stage-1	**Identifying an Opportunity**	Changing Demographics Emergence of New Market Segments Process Needs New Technologies Incongruities Regulatory Change Social Change
Stage-2	**Develop the concept**	New Products New Services New Processes New Markets New Organizational Structures/Forms New Technologies New Sales or Distribution Channels
Stage-3	**Determine the Required Resources**	Need for Skilled Employees Need for General Management Expertise Need for Marketing and Sales Expertise Need for Technical Expertise Need for Financing Need for Distribution Channels Need for Sources of Supply Need for Production Facilities Need for Licenses, Patents, and Related Legal Protection
Stage-4	**Acquire the Necessary Resources**	Debt Equity Leveraging Schemes Outsourcing Leading Contract Labour Temporary Staff Supplier Financing Joint Ventures Partnerships Gifts
Stage-5	**Implement an Manage**	Implementation of Concept Monitoring of Performance Payback to Resource Providers Reinvestment Expansion Achievement of Performance Goals
Stage-6	**Harvest the Venture**	Absorption of New Concept into Mainstream Operation Licensing of Rights Sell Venture Go Public Shut Down Venture

(Source: Morris 1998, p. 27)

Figure 2 presents an integral analysis of the concept of entrepreneurial process and supplies alternatives at each stage. The process can be applied in literally any organisational context. The six major stages in the process have been examined and key tools and concepts for addressing each stage have been identified. Every phase of this process has been discussed earlier in this research. It is important to keep in mind about the dynamic nature of the process. Not only do the stages overlap but also there are likely to be feedback loops between them (Morris, 1998).

INNOVATION

Entrepreneurs are defined by their use of innovation to exploit or create change and opportunity, and the purpose is to make a profit (Burns, 2007). Likewise, not all managers or owner-managers are entrepreneurs who can run a business without trying new ways of doing' business (McDaniel, 2000). Change creates opportunity and entrepreneurs create value by exploiting or creating change, for instance, materials, prices or demographics. Their ability to identify opportunities and innovate are the two most important distinguishing features of entrepreneurs. Innovation is the prime tool entrepreneurs use to create or exploit an opportunity, and firms that grow do so because they innovate in some way. According to Burns (2007) and Johnson (2001) for all firms, of any size, innovation has become something of a 'holy grail' to be sought after and encouraged. Moreover, Mintzberg (1983) believes that innovation means to break away from established patterns. According to Burns (2007) innovation is many things. For example, innovation can be the substitution of cheaper material in an existing product, or an improved way of marketing an existing product or service, or a better way of distributing or supporting an existing product or service, Innovation is about doing things differently. Although, to make innovation successful, even if no change in the product is involved, it is important for it to be linked to customer demand (Burns 2007).

Gray (2002) state that entrepreneurs are competitive and always strive to gain an edge over their competitors. McDaniel (2000) defined innovation as the setting up of a new production function. The definition contains five specific cases leading to a new production function, which are: (a) The introduction of a new product; (b) The introduction of a new method of production; (c) The opening of a new market; (d) The conquest of a new source of supply of new materials; and (e) The carrying out of a new organisation of an industry (McDaniel, 2000; Johnson, 2001; and Burns; 2007). Bolton and Thompson (2007) mention that creativity is the starting point whether it is associated with invention or opportunity spotting. This creativity is turned to practical reality (a product, for example) through innovation. Entrepreneurship then sets that innovation in the context of an enterprise (the actual business) which is something of 'recognised value'.

Innovation and Small Firms

Small firms that introduce new products in their product range are very few and even fewer are the firms that launch new products in the economy as a whole. This is more often an ability that large companies accommodate, and that is because of the resources they command (Burns, 2007). Moreover, studies propose that although small firms are less likely to perform research and development (R&D) than large organisations, they conduct it more effectively and launch new products in their product range faster than large firms (Beaver and Prince, 2002). A US study concluded that small firms produce 2.4 times as many innovations per employee as large firms; and another UK study found that small firms are more likely to introduce essentially new innovations than large ones (Burns, 2007). Beaver and Prince (2002) suggest that R & D take time before the firm has a new viable product with which to enter the market. They support that major barriers to innovation of the small business are access to finance and the presence of equity gaps.

On the one hand, Beaver and Prince (2002) and Burns (2007) agreed that innovation is an essential condition of economic growth and a critical element in the competitive struggle of both enterprises and nation states. They declare that small and medium-sized enterprises (SMEs) in their turn have a substantial contribution to provide to the process of innovation. Likewise, Georgellis *el-al* (2000) concurs with them that smaller firms have unique advantages associated with efficient and often informal communications, lack of bureaucracy, along with flexibility and adaptability through nearness to markets. Bums (2007) states that, small firms are innovative in customer relationships, and try to find low costs methods of networking with customers. On the other hand, the obstacles faced by small enterprises are a lack of technically qualified labour, poor usage of external information and expertise, incompatibility of management, difficulties in attracting and securing finance and the high cost of regulatory compliance (Burns and Dewhurst, 1996; Zimmerer and Scarborough, 2007). It is clear that the advantages SMEs have are primarily behavioural while limitations are related to resource issues.

UK Food Retail Industry — Market Overview

Food retailing in the UK includes many different types of businesses but is mostly dominated by the major grocery multiples. These companies are rapidly extending their product range into non-food areas and diversifying into different store formats. This is taking them into direct competition with smaller convenience stores. The supermarket run by a major grocery multiple now often includes a bakery, a butcher's counter and a fresh-fish counter, thus it replicates the offerings of specialised food retailer. The UK food retail market was worth £103.8billions in 2007; this figure includes sales of non-food products (Institute of Grocery Distribution 2008).

Value of Food Retailing

Table 2 shows the value of each sector of the UK food retail market based on estimates from the IGD (Institute of Grocery

Distribution 2008). These figures include non-food sales. The nine major supermarket chains together accounted for *59.8%* of the market in 2007, their sales having grown by 17.3% since 2003. The discounters, on the other hand, achieved a 12.8% growth in sales between 2003 and 2007, they accounted for only 0.7% of the market in the latter years. Convenience stores are a significant sector of the market, accounting for *15.7%* of sales in 2007 but showing a slow growth of 7.2% over that period. This reflects the large number of very small independent businesses in the sector. Sales by petrol forecourt retailers have grown by 10% since 2003 and accounted for 3.2% of the market in 2007 (Keynote 2008). The 'others' category covers a very wide variety of stores, including large businesses such as frozen-food chains, regional and local supermarket chains, and wholesalers which are likely to be the main drivers of growth.

Table 2: The UK Food-Retailing Market by Sector at Current Prices (£m and %) 2003-2007

	2003	2004	2005	2006	2007
Supermarkets *	52,896	55,420	57,477	59,481	62,072
% of total	59.5	59.4	59.5	59.6	59.8
Discounters	671	708	725	742	757
% of total	0.8	0.8	0.8	0.7	0.7
Convenience Stores	15,200	15,600	15,800	16,000	16,300
% of total	17.1	16.7	16.4	16.0	15.7
Petrol forecourt retailers	3,000	3,100	3,200	3,200	3,300
% of total	3.4	3.3	3.3	3.2	3.2
Others	17,133	18,472	19,398	20,377	21,371
% of total	19.3	19.8	20.1	20.4	20.6
Total	88,900	93,300	96,600	99,800	103,800
% change year-on-year		4.9	3.5	3.3	4.0

Note: ** Tesco, Sainsbury's, ASDA, Sfeway, Somerfield (including Kwik Save), Marks & Spencer, Iceland, Morrisons and Waitrose*

Source: Institute of Grocery Distribution 2008.

CONVENIENCE SHOPS

For the purposes of this research, convenience stores are defined as small newsagents with a product range based around essential grocery items such as milk and bread, sweets, cigarettes and newspapers, and often also an off-license range of wines, beers and spirits (Keynote 2008). They tend generally to serve a small neighborhood area. Most convenience stores are located in sites where they can serve a local community of residents. Convenience stores can be divided into several distinct groups. According to Keynote report (2008) *unaffiliated independent stores* are independently- run convenience stores, which are often family owned.

Table 3.0 shows unaffiliated independents account for *74.5%* of store outlets in the convenience sector, but in table 4 their share of sales is forecasted 51.5% in 2008. This share will be the target for the symbol groups and convenience multiples, which have increased their collective share of the market from 38.7% in 2006 to a forecasted 41.7% in 2008 (Institute of Grocery Distribution 2008).

Table 3: UK Sales by Non-Specialised Food Stores and All Retail Sales at ConstantPrices (£bn and %), 2004-2008.

	2004	2005	2006	2007	2008
Non-specialized food stores	66.1	67.9	69.7	71.5	74.5
% change year-on-year	-	2.7 1	2.7	2.6	4.2
All retail sales	180.8	86.2	192.7	201.4	213.4
% change year-on-year	-	3.0	3.5	4.5	6.0
Non-specialized food stores					
as a% of all retail sales	36.6	36.5	36.2	35.5	34.9

Source: Office of National Statistics 2008

Table 4: Value of Food Retailing Through Convenience Stores by Type of Outlet at Current Prices (£m and %), 2006-2008

	2006	2007	2008
Unaffiliated independents % of total	8,850 55.3	8,770 53.8	8,750 51.5
Symbol groups % of total	4,009 25.1	4,230 26.0	4,630 27.2
Convenience multiples % of total	2.171 13.6	2,270 13.9	2,458 14.5
Co-operatives % of total	970 6.1	1,030 6.3	1,162 6.8
Total	16,000	16,300	17,000

Source: Key Note 2008

Number of Stores

According to table 5 (IGD 2008), there were *45,343* 'dedicated convenience stores' (excluding petrol forecourt stores) in the UK in 2008. This represents a decline of 2.3% since 2006. Although, as the table shows, unaffiliated independent stores still account for *74.5%* of the sector. Their numbers have fallen by 4.8% over the last 2 years.

Table 5: Number of Convenience Stores in the UK by Type, 2006-2008

	2006	2007	2008	2006-2008
				% Change
Unaffiliated independents	35,500	34,250	33,787	-4.8
Symbol groups	6,961	7,175	7,371	5.9
Convenience multiples	2,715	2,756	2,804	3.3
Co-operatives	1,236	1,297	1,381	11.7
Total	46,412	45,478	45,343	-2.3

Source: Institute of Grocery Distribution 2008

There was a 1.4% decline in the number of stores run by unaffiliated independent retailers between 2006 and 2008 (Institute of Grocery Distribution, 2008). Although independents still represent the majority of convenience-store outlets, they are the least effective at generating sales revenue, while convenience multiples and co-operatives are the most effective, as Table 6 presents.

Table 6: The Convenience-Store Market by Type of Outlet (£m, number of store £ and £), 2002

	Sales	Number	Average Sales
	(£m)	of Stores	Per Store ((£)
Unaffiliated independents	8,750	33,787	258.975
Symbol groups	4,630	7,371	628,137
Convenience multiples	2,458	2.804	876,605
Co-operatives	1,162	1,381	841,4193
Total	17,000	45,343	74,920

Source: Institute of Grocery Distribution 2008

Independents are finding it increasingly difficult to manage their businesses in the face of increased competition. Many owners are selling out as they near retirement age. There has been an estimated 23% fall in the number of small UK corner shops run by people of Indian, Pakistani and Bangladeshi descent over the last decade, from 15,000 to 11,500. Further improvements to product ranges and the increasing professionalism of food retailers, along with UK consumers' taste for variety in their food basket, will continue to drive the market forward. The increasing number of single-person households will favour the further development of the convenience sector, while the major grocery multiples will continue to increase the proportion of non-food items sold in their stores (Keynote 2008). Table 7 forecasted that the value of tile food retail market will grow from £l08 billions in 2009 to £126.5 billions in 2013, an increase of 17.1% (The Office for National Statistics 2008). Supermarkets will continue to dominate the grocery market, but their growth is likely to be tempered by continued price competition and by the planning restrictions that will limit the development of new stores.

Table 7: The Forecast UK Food-Retailing Market by Sector at Current Prices (£m and%), 2009-2013.

	2009	2010	2011	2012	2013
Supermarkets	64,584	67,088	69,700	72,000	74,500
% of total	59.8	59.9	59.5	59.0	58.9
Discounters	771	800	820	850	870
% of total	0.7	0.7	0.7	0.7	0.7
Convenience stores	17,000	17,750	18,700	19,500	20,100
% of total	15.7	15.8	16.0	16.0	15.9
Petrol forecourt retailers	3,500	3,700	4,000	4,300	4,600
% of total	3.2	3.3	3.4	3.5	3.6
Others	22.145	22,662	23,980	25,350	26,430
% of total	20.5	20.2	20.5	20.8	20.9
Total	108,000	112,000	117,000	122,000	126,000
% change year-on-year		3.7	4.6	4.1	3.7

Source: The Office of National Statistics 2008.

METHODOLOGY

It was identified that research has been undertaken by theorists to examine the value of entrepreneurship to SMEs in the UK food retail market, using qualitative and quantitative primary research methodologies and techniques. Therefore, primary research was also thought to be necessary to achieve the objectives of the present study. To obtain primary sources of information, qualitative research methods and techniques were applied. Interviews were based on previous qualitative and quantitative published researches concerning entrepreneurship in the retail industry and were conducted through a selected sample of North West London's food retail shops, an area which has been characterised by an abundance of convenience stores. For the analysis of the primary research findings, the sample has been separated into specific themes enabling comparisons to be made with theories, arguments, models and concepts identified via the secondary research.

'The purpose of interviewing is to find out what is in someone else's mind. Researchers usually interview people to find out from them those things that researchers cannot directly observe or find out (Greenfield, 2007: Zikmund, 2006). According to Gubrium and Holstein (2008), 'qualitative interviewing is based on conversation with the emphasis on researchers asking questions and listening and respondents answering. The present research required the kind of detailed information that such interviews generally supply and it was also thought to be reasonable to rely on information gathered from a small number of informants because the author aimed to investigate experiences, emotions and feelings of the respondents (Denscombe, 1998). For this reason the author decided that semi-structured or non-standardised interviews methods are the most appropriate type (Zikmund, 2006) to be employed in this research (see Appendix A). The researcher identified a small number of food retail shop owners to participate in the survey which were selected randomly from a list of food retail shops obtained from yellow pages. The technique was thought to be the most suitable as the decision on sample size was governed by the need to provide rich information to investigate the issues thought to be involved in this study and enable subsequent analysis. This further enabled the author to attempt and acquire a representative sample of the characteristics of those being studied and elicit reliable and valid responses from them.

INTERVIEWS

The interviews were held in the shops, and were conducted by interviewing seven owners of retail shops who accepted to participate in the survey in the North West London area. The retail shops were divided into two categories: firstly, shops that offer only food products and secondly, shops that trade both food and non-food products. The fact that the researcher decided to conduct the interviews in the specific area turned out to be of great importance as it reduced costs that would have arised in time and travel. Moreover, accessibility to the interviewees was considered important and as such no particular constraints were faced as the researcher got direct contact with the interviewees. Table-8 bellow presents the detail of the interview.

the second is the entrepreneurial attitudes and behaviour' they possess; and finally, 'the degree of innovation' they exercise. According to the literature review those are the basic three aspects that characterise the entrepreneur (Drucker, 1999; Georgellis *et-al* 2000; Morrison, 2000; Burns, 2007 Johnson, 2001; Colin, 2002; Craig and Lindsay, 2002; Zimmerer and Scarborough, 2007).

ANALYSIS OF FINDINGS

The author decided to separate the food retail shops into two groups; food retail shops that offer both food and non-food products, and shops with food commodities only. The responses were examined and divided into three themes, which derived from concepts used in the literature, and these are: (a) The entrepreneurial process; (b) The entrepreneurial attitudes and behaviour, and (c) Innovation (see Appendix B and Appendix C). It was decided to do so because Saunders *el-al* (2007) mentioned that categories must have both internal and external aspect, i.e. must be meaningful both in relation to the data and to the other categories.

Table 8: Details of the Interviews and Interviewees.

Owner No.	Organisations	Duration	Contract No.	Category
1	Casa Giovanni	35-40 minutes	02074354913	Food only
2	Oriental Foods	40-45 minutes	02077940777	Food only
3	Western Food Stores	30-35 minutes	02073283788	Food only
4	Royal Food & Wine	35-40 minutes	02074310072	Food and non- food
5	Lob ins Food & Wine	35-40 minutes	02074830521	Food and non- food
6	Daniel's Delicatessen	30-35 minutes	02077947206	Food only
7	Costcutter	40-45 minutes	02079167414	Food and non- food

As the author conducted the interviews it was identified by him that retail shops which sell food fall into two categories on the one hand, shops in which the product range consist of food items only, and on the other, stores supplying food products along with other items. The interviews were conducted with seven shop owners. Three of them suggested that their shops offer convenience to their customers, and four stated they were food specialists. In order to understand and explore the differences between these categories the interview design was based on the literature review and was separated into three sections. The first is the 'entrepreneurial process' each of the owners undertook to establish the shop;

The 'process' theme:

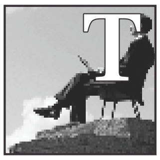
To understand and explore the entrepreneurial process, six questions were studied. The purpose of the first two questions was to classify in which of the two groups the interviewee was included, and once this was clear, the interviewer had to identify the initial scope for the establishment of the business. The respondents number four, five and seven offered food and non-food products. When asked to classify their service between 'food specialist' and convenient shop they chose convenient shop, and so constitute group one. Likewise, the

owners with numbers one, two and three who operate shops offering only food products respond that food specialist better characterises their business: thus they are in group two. However, the respondent number six expressed that the business is 'a bit of both' but the author analyses this case with the food specialists group. As pointed out by Craig and Lindsay (2002), entrepreneurial events can be explored thoroughly when approached by process, thus, they were separated into stages. The entrepreneurial process is divided into six stages. Morris (1998) states that opportunity identification s the first stage where the entrepreneur must specify the source of the opportunity perceived. Drucker (1999) argues that seven major opportunity sources exist; the unexpected, incongruities, process need, industry and market structure, demographics, changes in perception meaning and mood, and new knowledge. Each of these sources has particular characteristics.
Furthermore, the owners of both groups were asked to explain the reasons why they decided to establish a new business. The responses between the interviewed owners of group one were relatively similar; owner number five and seven responded that the location was unique and no other shops were near. Similarly, owner four launched the store because it was on sale at a reasonable price and the location was fine. The results of group two were different from group one to some extent. Owner one, two and three replied that the product range available in their shops was not offered in that neighbourhood at the moment of the start up. Owner number six assumed a dissimilar reason and stated that 'I thought it was a good spot and for a little while no other shop was around.' Also, he stated that 'because the previous owner was rude with customers, it was a question of putting that right.' As a result, the opportunity source of the convenient shop's owners and food specialists were distinctive. In the former case, important drivers for the establishments of the shops, according to the replies received were the geographic area, and in a specific case the owner was attracted by the selling price of the shop. Along with the literature, this opportunity source, is the *changes in perception, meaning and mood,* which is really change in the external environment. However, sometimes entrepreneurs perceive opportunity which others perceive as problems. Thus, the nature of this opportunity is subjective.

Moreover, food retailers one and two because of the particular product range offered, perceived this as an opportunity. This opportunity source is *the industry and market structure,* because another shop does not exist in the market to provide exactly the same mix of products. In the case of owner three, two different types of opportunity sources emerged: *the industry and market structure* and *demographics.* Likewise with a previous food specialist the first opportunity source was his exclusive supplies; also he carried out a market research and the result was a change in demographics of the area. The owner observed that as a chance, and declared that 'the market could support this type of business.' Retailer six was slightly different, for the reason that the perceived opportunity was the location and that is *changes in perception, meaning and mood,* however a second factor affected the establishment, that was the bad service provided by the previous owner. Thus, by replacing this broken link and providing high-quality customer service is also included in the *process need* opportunity source. Up to this point all the owners had the same progress in the entrepreneurial process. From the findings of the interviews it appeared that once the retailers progressed further with their businesses, the stages of the entrepreneurial process begins to overlap from case to case, and especially between the two different groups convenient shop owners and food specialists.

The next question asked was related to the development of the concept. Kickul and Walters (2002), and Johnson (2001) asserted that the concept can be new product or service, a new process or method for accomplishing a task, or even a new application of an existing product. The owners of group one answered clearly that it was something that has been done before, thus product development did not take place. On the contrary, food specialists responded that they introduced and offered new products to the market, which had several consequences. Thus, this stage of the entrepreneurial process did not exist for the owners of convenience shops while deciding to set up a business. In contrast, food specialists had to introduce new products to the market, so concept development was necessary in order to establish the product and to attract consumers to purchase it. Although. respondent six, who claims to be both convenient and food specialist, did not have to develop a concept. The reason why might be that products available in his shop are available elsewhere but the quality is better, and another fact is, this owner purchased a food retail shop which existed already, something that none of the other food specialists did, thus it confirms the existence and value of the literature. The next two stages to be explored were the planning of the owners to *determine the required resources* and to *acquire the necessary resources.* The commencement of the business according to Morris (1998) and Gray (2002) involves the determination of required resources, such as need for general management, need for marketing and sales expertise, need for production facilities, need for financing, need for skilled employees and need for sources of supply. From this set of options provided in the literature, only the latter three could be examined, because the owners interviewed considered that in operating small retail shops, thus, for instance no need for production facilities would occur. In addition, the author explores how owners *acquire the necessary resources,* which according to Morris (1998) and Georgellis *et-al* (2000), can achieved by debt/borrowing, partnerships, joint ventures leasing or control and own all the needed resources.

The literature reveals that financial requirement is an aspect of great importance, although, life stories uncover that money is not always a determining factor in the performance of a business. Discovering the needed resources, which typically are not financial, requires insight, judgment, and patience: for instance, to establish customer contacts, to obtain technical skills, to have a loyal distributor, or to select a good location. Likewise, as discussed in the literature, acquiring the needed resources is a complex task, and when an entrepreneur has a new concept in mind, he neither possesses any resources, nor has information as it where from to obtain them. Concerning the issue of determining the required resources, in the cases examined by the researcher none of' the respondents claimed that they borrowed large sums of money to start the firm. The majority of the interviewees stated that selling their other property supported them to start with the new businesses. Only the owners number four and one required skilled employees for their shops. Additionally the findings uncovered that five out of seven owners decided to fully own their shops and needed equipment, and therefore acquired the needed resources. The results revealed that determination and acquisition of the needed resources depends on the starting point for each retailer. For instance, the owner four declared that when he purchased the shop all the essential equipment was included in the price and the only skilled personnel needed was a manager. That was his acquisition of the needed resources. Alternatively, the food specialist number three, did not employ any skilled staff because he had the experience and knowledge to manage his business. For this reason, he acquired the necessary resources differently; meaning, he rented the shop, and he both owned and leased the required equipment.



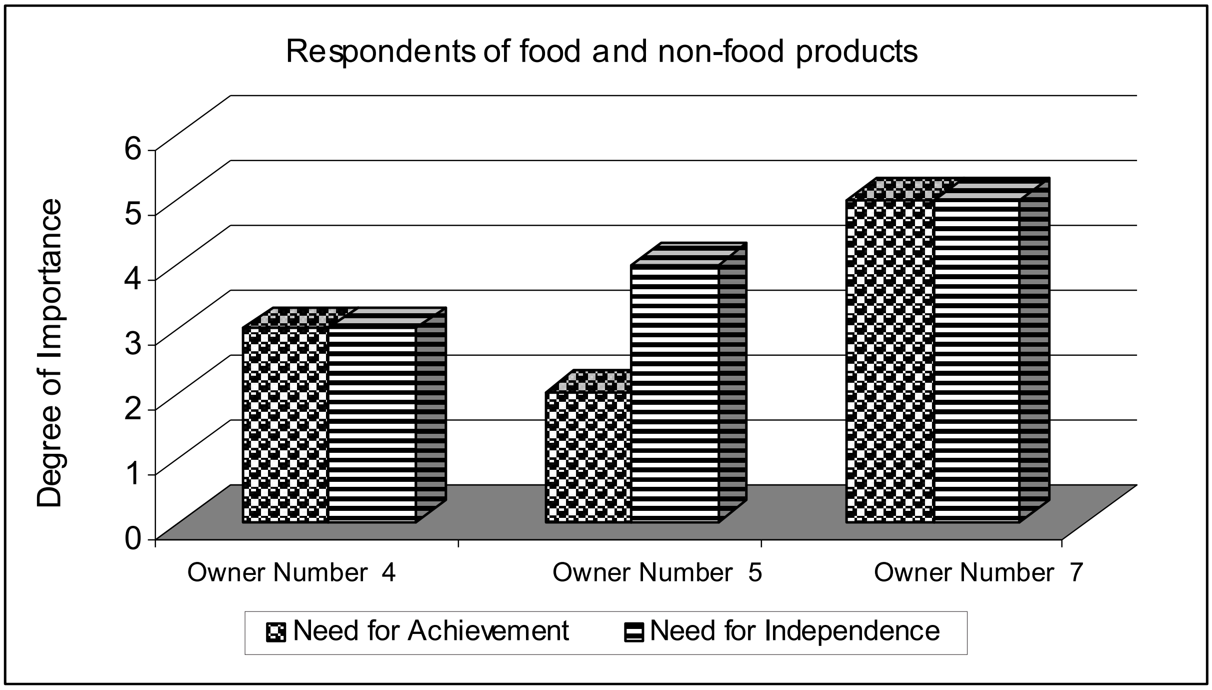
THE 'ATTITUDES AND BEHAVIOUR' THEME

The literature suggests that entrepreneurs possess a wide range of characteristics, such as ability to manage risks, an internal locus of control exercising and tolerance over ambiguity and uncertainty (Littunen, 2000; Morrison, 2000; Johnson, 2001; Craig and Lindsay, 2002). The author employed in this case two questions to explore the risks faced by the owners both in the start up and during the progress of the business, and examined the locus of control that characterised each interviewee. The literature points out that entrepreneurs have the ability to manage risks and exercise an internal locus of control. The responses obtained on the risk issue were described by the interviewees in financial terms. All of the respondents linked the risks with financial risks. Only in one particular case, the interviewee 'number four' raised a dissimilar paradigm and asserted that 'he had undesirable customers who threatened the staff of the Central Wine Stores. Likewise, the majority of food specialists' related their risks with financial constraints, and one owner classified the particular sources of supply needed as a risk. The author identified that most of the respondents correlated the risk taking mainly with financial issues and also how they overcame these. From the interviews conducted it occurred that most of the owners sold their property to avoid borrowing huge amounts of money for the start up to acquire the needed resources. Only the shop owner number four replied that the initial risk when the business was started was 'undesirable' customers, and is still a serious problem. Similarly food specialists expressed that risks were mainly financial but the owner of Casa Giovanni declared risk and difficulty was in the sources of supply, because the products provided in the shop could only be imported from Italy, therefore, correct planning had to take place in advance in order to locate suppliers abroad.

In relation to the locus of control, all of the respondents had very similar views on the subject. Respondents from both groups answered that one can exercise control over the environment and decide his actions, however, fate at the same time as they say is influencing life, and sometimes dominates it. Convenient shop owner number seven offered a very representative answer; she said 'to a point you can control your life, but finally you are in fate's hands' (COSTCUTTER). The widely held opinion was that on the one hand, life is not entirely predetermined but on the other, one can not control life completely. Thus the locus of control is neither internal nor external but is located in between. The literature described that the entrepreneur is more likely to have essentially internal locus of control, and that was not the case according to the findings of the research; none of the respondents had an articulate internal locus of control. The purpose of the following two questions is to identify the importance of the need for independence and achievement of the respondents, in order to explore association between these characteristics and their decision to create a new venture. The literature argues that a typical entrepreneur holds high need for achievement and high need for independence (Littunen, 2000; Morrison, 2000; Burns, 2007: Zimmerer and Scarborough, 2007). The scale used was numbered from one to five, with one as not important at all and five as extremely important. The literature concludes that entrepreneurs have high need for both characteristics and that they are extremely important factors in starting a new firm.

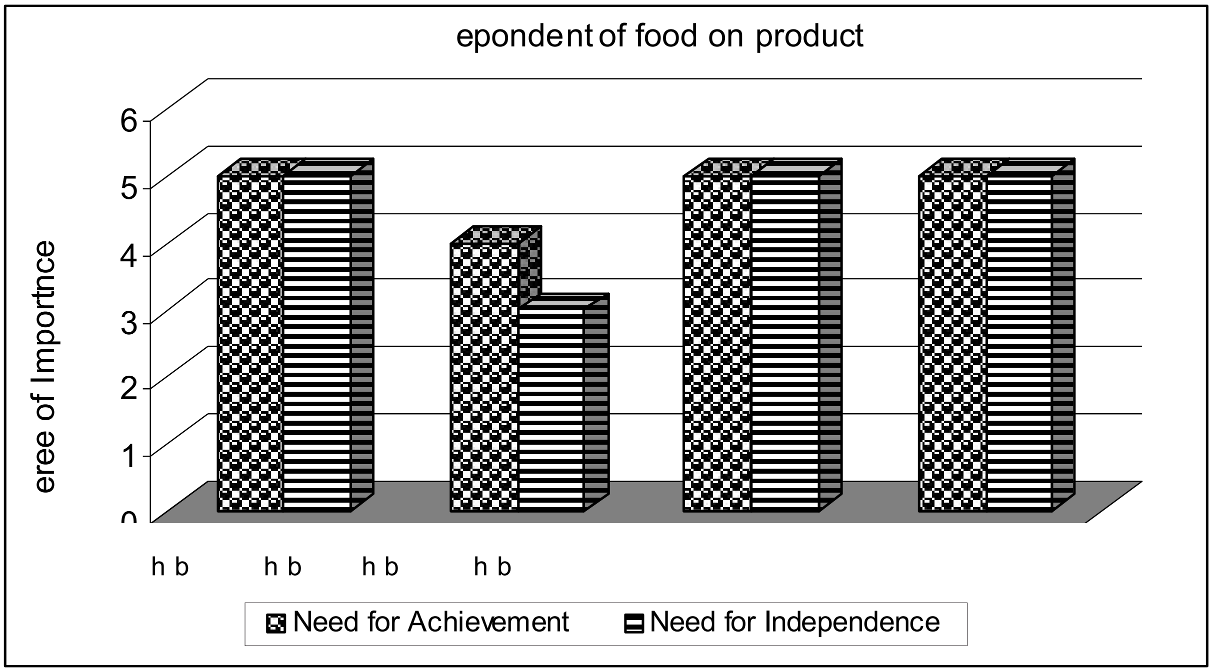
It is better to present the findings in charts in order to analyse, discuss and compare the results accurately. The first group of respondents are the owners of retail shops with both food and non-food items product range. As presented in chart-1 owners four and five have an average of three out of five, concerning the need for achievement and independence to establish a new firm. Obviously, these needs were important for them to take the decision of creating a business but were not extremely important. In the same group, owner seven, responded that both aspects are extremely important in the decision to establish a business. The explanation for the differences on the issue between owners in the same group might be the fact that she always used to be her own boss and that factor influenced and increased these needs.

Chart 1

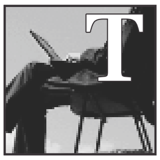


In the food specialists group the findings are contradictory. Chart 2 clearly reveals that in this category the need for independence and achievement are at higher levels and in fact three of the four respondents chose that both aspects are extremely important to start a business. Therefore, one can conclude, that these feelings of independence and achievement, are stronger in the food specialists, and possibly that it is related with the fact that they had to introduce new products in the market, something that did not happen with group one. However, owner number two appears to have slightly different attitude than the others. One can surmise that on the fact that this retailer came into the business accidentally and had not planned to start this shop based on to the interview (Oriental Foods).

Chart 2



Drucker (1999) and Burns (2007) reveal that entrepreneurs have the ability to live and manage ambiguity and uncertainty concerning the performance of the firms. The author attempted to explore this fact. It was identified in the interviews conducted that for all the shop owners in both the groups, ambiguity and uncertainty, was part of their lives. These two aspects do not differentiate and change in businesses offering dissimilar product ranges. Every retail shop owner from the sample felt that they could tolerate and live with ambiguity and uncertainty, and it is needed. This information verifies the literature, and specifically the existence of these feelings in the interviewees.



THE 'INNOVATION' THEME

Burns (2007) suggested that innovation is asignificant entrepreneurial characteristic. For that reason, McDaniel (2000) argued that owners or owners-managers can operate without offering new products or services, or changing the way they do business, therefore not all owners can be recognised as entrepreneurs. It is demonstrated in the literature that businesses grow due to innovation, and innovation means to break away from established pattern (Mintzberg, 1983). However, innovation can fail if it is not related to customer demand; even if change in the product is involved (Burns, 2007). Most of the responses on the topic were positive; to be precise most of the interviewees claimed that they often try to enhance their product range with new products, but they mentioned several constraints in doing this. The reasons given were that some suppliers do not deliver in the specific area, or if products are not introduced by the suppliers, they do not have the power to locate new products. In other situations because the size of the shop is not enough, changes in product range means replacing new products with others in the shop (Royal Food and Wine, COSTCUTTER, Daniel's Delicatessen).

The results of the research were similar in both groups of owners. To some extent owners attempt to innovate but constraints such as size, sources of supply and limited market power do not allow them to achieve the desirable level. However, none of the interviewees was considered to be employing any new service as a method of innovation. Even though all of them are still surviving and operating in the market but if the degree of entrepreneurship is measured in terms of innovation, as presented in the literature, the interviewed owners cannot be considered as entrepreneurs. In the light of innovation Drucker (1999) and Gray (2002) asserted that if a person creates a new business, but does not produce a new satisfaction or a new consumer demand in the market in which he entered, then he cannot be considered as an entrepreneur. The purpose of this question was to explore this issue from the interviewees of this research and so to evaluate the literature. The convenience shop owners clearly declared that they created neither a new consumer demand nor a new satisfaction. Distinctively the owner of Lobins Food and Wine said 'I cannot say that it is a new satisfaction like Coke for example, but I provide convenience'. In contrast, three food specialists asserted that they formed a new satisfaction in the area, in the food retail market because of the special product selection they provide. In addition, the owner of Daniel's Delicatessen stated that he created satisfaction to the customers in terms of shopping pleasure. He added that *'I agree that my shop is not a supermarket but it is comfortable, warm; you are friendly and you know your customer's names.*'

One can identify from the answers that there exists a difference between the groups in this topic. Convenience shop owners do not feel that they have created any new satisfaction or consumer demand, but food specialists have a different view of their businesses. From that point of view food specialists did create a new satisfaction and a new consumer demand to some extent, therefore, the food specialists groups are more innovative. This fact confirms the value of the literature on the topic, and based on that statement one can assume that, up to a point, food specialists are entrepreneurs. According to Gray (2002) entrepreneurship is important to the business because it provides a competitive advantage, and entrepreneurs always fight to gain an edge over their competitors. Two of the convenience shop owners responded that they cannot do anything to stay ahead of their competitors, and the important thing for them is to keep loyal customers from the people who live near their shops. The owner of the Lobins Food and Wine said along with the products available he also rents movies, and that is a competitive advantage.

Alternatively, the group of food specialists described their products as a competitive advantage, because they are not available in other shops. The owner of Western Food Stores shop perceives as advantage that he sends letters and informs the customers about new products available, and he offers advice on how to cook his products, and keeps customers loyal to his stores. Similarly, the owner of Daniel's Delicatessen claimed that 'my competitive advantage is that I know all my customers by name, and in some cases I do the shopping for them and call them a taxi also to go home.' One can assert that nowadays there are millions of options and new ideas available in order to stay ahead of the competitors and therefore to behave as an entrepreneur. Innovation and entrepreneurship are interlinked, so the more innovative owners are, the more fruitful results will be obtained. Food specialists on this issue perceive it as a competitive advantage due to their special products as well as customer service and relationship. The product range available in their shops cannot be purchased anywhere else, therefore is a benefit, but they are losing market share from other food retail shops in the area. According to the literature, the owners of Lobins Food and Wine as well as Western Food Stores and Daniel's Delicatessen are more innovative and are attempting several methods to gain a competitive advantage, and hence, possess some entrepreneurial characteristics.

CONCLUSIONS

The conclusions drawn concerning the entrepreneurial process, which owners followed while establishing their new venture are distinct between the two groups viz, the convenience shop owners and food specialists. In the former case two owners were attracted by the exclusive locations of the shops, and one by the selling price of the existing business, and therefore decided to establish their retail shops. In the latter case, owners identified that some products were not available in their area, and decided to supply these and fill this market gap. Food specialists had to develop a new concept for their businesses, which convenience shop owners, had not needed to do, because they produced a concept which was already known to the local consumers. In the light of the findings it was clear that determination and acquisition of the required resources for the establishment of the new venture were dissimilar between the interviewees, irrespective of the type of retail shop they owned. Specifically, this fact was mainly influenced by the starting point of each researched case. For instance, the owner Royal Food and Wine Store, took over the business; therefore he owns both the shop and all the important equipment from the beginning and he hires a person as manager. Alternatively, the owner of the Western Food Stores rents the shop and leases part of the equipment while not needing any skilled employees. Consequently, the two cases mentioned made different progress in the determination and acquisition of their resources.

However, the majority of the respondents associated risks with financial limitations, with the exception of two cases, owners one and four, who respectively described their business risks as the need for exclusive sources of supply, and trouble with undesirable customers. Although none of the interviewees stated that financial or any kinds of risks were a major constraint on the progress of the business during its establishment and after, as all respondents appeared to have the ability to manage their risks. Taking into consideration the findings of the research, the majority of the owners had neither internal nor external locus of control. This contrasts with the literature in which the characteristic of the entrepreneur is described as being a strong internal locus of control. Thus, one can assume that the respondents of this study did not significantly possess this trait of the entrepreneur. Furthermore, from the analysis of the interviews it was clear that food retailers in comparison with convenience shop owners had a stronger need for independence and higher need for achievement. One can link this to the different approaches which these owners had to implement in order to enter the specific market: that is to say that convenience shop owners were starting a new venture, although, they did not identify a new opportunity or they had to develop a new concept for the success of the business. Alternatively, for food specialists who attempted to place new products and influence the local consumer demand, their need for independence and achievement grew into higher levels. The typical ability of the entrepreneur, that is, to tolerate ambiguity and uncertainty was a feature that all of the interviewees of this research shared. Consequently, the validity of the literature and the entrepreneurial attitudes and behaviour of the respondents were confirmed.

RECOMMENDATIONS TO FOOD RETAILERS

- Firstly, some owners mentioned that sources of supply and space of the shops are sometimes constraints to introduce new products. These problems must be effectively solved in order to make change, thus innovate.
- Secondly, the service of delivery is an innovative method and can create a competitive advantage; consequently owners should consider this aspect and develop it.
- Thirdly, small business owners can rent, lease, contract or temporarily employ resources/assets instead of buying them, that could provide more flexibility and enables the business to manoeuvre in the marketplace quickly and thereby the retailer will be able to perform tasks beyond the capabilities of currently owned fixed assets.
- Lastly, all owners or owners-managers should be more opportunistic, meaning to discover and develop opportunities and new concepts frequently. Also they must be self confident and self motivated, with the willingness to take greater risks and live with greater uncertainty.

RECOMMENDATIONS FOR FURTHER RESEARCH

- In order to examine thoroughly entrepreneurship in the food retail sector this research can be undertaken in more than one area. If one explore and investigate the topic in nearby areas and neighbourhoods, this will increase reliability and representativeness. Also, the approach employed in this subject, that is the identification and examination of the entrepreneurial process, entrepreneurial attitudes and behaviour, and innovation of the owners of food retail shops can be used to explore another retail sector, for instance fashion retailing.

- Furthermore, one can investigate the possible relation and cooperation of entrepreneurship and innovation, with the marketing activities of the SME's in order to sustain and grow in the market and the marketing efforts used by these firms.

- Finally, to research and identify the entrepreneurship employed by founders of organizations whose activities encompass the Internet and conducting transactions merely online. Therefore to determine the progress of these entrepreneurs from the evaluation of opportunities to the establishment of the e-business.

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APPENDIX-A. THE INTERVIEW QUESTIONS

The Entrepreneurial Process:

1. Which of the following two categories better characterises your business? Food Specialist Shop or a Convenient Shop?
2. How did you decide to start your business? For example, you identified an opportunity in the market, you perceived a change in the demographics of the area, you inherited it, or something else?
3. Did you have to develop a new concept for the establishment of the business? For example, did you develop new products, or identify a new market?
4. Did you think about determining the required resources for the start up of the business? (i.e. a need for skilled employees, need for general management, or need for sources of supply?)
5. How did you acquire the necessary resources? By dept, equity, leasing or renting schemes, joint ventures, partnership, or something else?

Entrepreneurial Attitudes and Behaviour:

1) How did you manage the risks you faced and which of your actions do you think assisted in the reduction of these risks?
2) Do you believe that you can exercise control over your environment, and ultimately your destiny as a person, or are you a fatalistic?
3) How important is the high need for independence, for example to be your own boss, in the establishment of the business on to a scale I to 5 (where if one is the least important and five the most)

Not at all important		Important		Extremely important
1	2	3	4	5

4) How important is the high need for achievement to the establishment of the business to a scale 1 to 5.

Not at all important		Important		Extremely important
1	2	3	4	5

5) Do you feel that you can tolerate ambiguity and uncertainty concerning the performance of the business?

Innovation

1) How often do you introduce new products and/or services offered by the business?
2) Do you think that you created a new satisfaction or a new consumer demand with the products you provide?
3) Which of your actions supports your business to stay ahead of the competition and what is your competitive advantage?

APPENDIX-C: RESPONSES OF OWNERS OFFERING FOOD PRODUCTS ONLY

The Entrepreneurial Process

Q. No.	Owner No.4	Owner No.5	Owner No.7
1st	'It is a convenience shop which sells from magazines and cigarettes to food.'	'Is a convenient shop.'	'More convenience.'
2nd	'I heard that this place was on sale so I decide to take over the business.'	'Well as there was no any other shop around to sell magazines, food, groceries and I did it.'	'There is no many small shops in the middle of the town.'
3rd	'No, it was another corner shop.'	'I wouldn't say that I offered something new	'No I didn't have to think about developing anything really it was something ready.'
4th	'I just hired a person as a manager and I don't think other skilled employees are needed.'	'Yes, I had to think how to organise everything and open the shop from staff to suppliers.'	No you don't need anything in particular to run this shop neither professional skills nor special suppliers.'
5th	As I said I bought the shop.'	I own both the shop and the equipment. And that is the best way I think.'	'We rent everything that is in the shop.'

APPENDIX-B: RESPONSES OF OWNERS OFFERING FOOD AND NON-FOOD

The Entrepreneurial Process

Q. No.	Owner No. 4	Owner No.5	Owner No.7
1st	‘I had some undesirable customers who were threatening the staff, which is inherent when you sell alcohol.'	‘I had to be careful where to locate the shop. That is all.'	The most important thing was that we did not have to borrow any money.'
2nd	‘I believe in fate but 1 do think to some extent you can control your environment.'	‘I believe that you control your life and only you can change it.'	‘To a point yes I believe that you are in fate's hands.'
3rd	Independence is good for you so I would give 4. Because it is great	‘It Is 5. That was the reason I opened a shop on my own.'	I have never known anything else, I always my own
4th	‘That Is extremely important that is 5.'	‘It is as important as the factor of independence. Yes it is 5.'	‘Achievement is as important as the need for independence, I think 5.'
5th	As you gain experience, you understand that is natural, to live with uncertainty.'	‘Yes I can stand it; I wish I would be 100% sure that my profit would increase.'	‘You have to learn to live with that.'

INNOVATION

Q. No.	Owner No.4	Owner No. 5	Owner No. 7
1st	'That is very regular, twice a week. And most of the times it happens by customer feedback.	‘I try to have every month new products. How may depends on the supplier.'	‘Once every 2 months, if I had a bigger shop I would do it mere frequently.'
2nd	‘No we have maintained the satisfaction and the consumer demand.'	‘I cannot say that it is a new consumer demand like Coke for example but I offer convenience.'	‘Satisfaction to the households around yes, because there wasn't a shop here.'
3rd	'I don't do many things to stay ahead of the competition but the advantage is that I have loyal customers.'	‘The competition is high and my shop offers convenience to the people living around so I can satisfy them'	‘Well I can't do anything to ensure that I will have new customers, but I try to keep the existing.'

APPENDIX-C: RESPONSES OF OWNERS OFFERING FOOD PRODUCTS ONLY

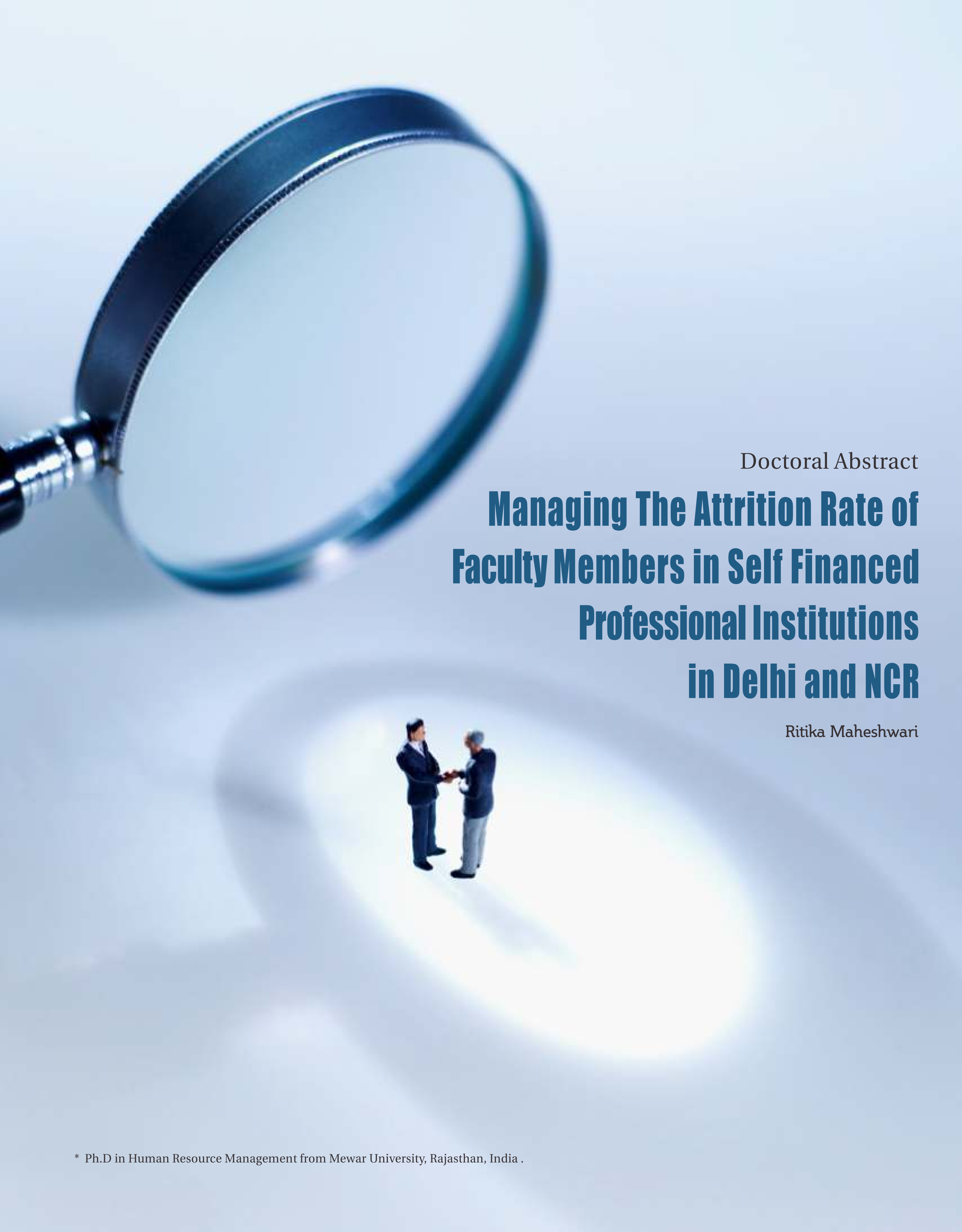
Q. No.	Owner No.1	Owner No.2	Owner No.3	Owner No.6
1st	‘l am a food specialist.'	‘1 sell Chinese, Taiwanese products as food specialist.'	‘I am a food specialist.'	‘It is a bit of both.'
2nd	‘1 saw that nobody was offering Italian products in the area.'	‘I bought the shop from a friend at as good price.'	'I did look at the population and I thought that the local area can support this type of business.'	‘Only geographically I thought that it was a good spot, and for a little while no other shop was around.'
3rd	'Yes I think I have discovered a new market.'	'10 years ago there was not any shop to sell Chinese food around.'	'It is something new for the area.	‘I bought the shop from somebody and what I did was to increase the range and pand the selling space.'
4th	'I bad the sources of supply and skilled employees before starting, so I acquired the resources beforehand.'	'No, I was planning to run the shop with my husband.'	'Supply was easier than I thought. Staffing: I didn't think I had much luck to get the right staff.'	'The owner before introduced me to his suppliers and I found some thing new through specialist magazines. Also, I did not think about hiring any staff at all.
5th	'I put my hand in my pocket and pull out money, my own resource.'	‘I own the shop, so bought everything.'	‘I rent the shop, I lease the equipment, and a bit of money saved up.'	‘Everything was ready, we came with the purchase of the shop.'

INNOVATION

Q. No.	Owner No.1	Owner No.2	Owner No.3	Owner No.6
1st	At the moment every week.'	‘I always try new products.'	‘If I could do it everyday I would, but I do it once every 2 weeks.'	'As often as possible, once or twice a month. Problem is supplier many times do not deliver in this location.'
2nd	'Yes, there was nothing similar to this here, at least not as organised like my store.'	‘Yes I think I did, and if it wouldn't be me, it would be someone else.'	‘I don't know to be honest. With one shop in one town you can't say.'	‘Satisfaction in terms of people enjoying shopping. It is not supermarket but is comfortable, warm; you're friendly and you now their name.'
3rd	‘I try to bring new products and keep all the customers satisfied.'	‘Well the competition is not very high, but I have very few customers. My products are my advantage.'	‘I have customer database, I send them letters for new products, and try to satisfy their needs.'	'My competitive advantage is that I know all my customers with their names, and in some casesI do the shopping for themand call them a taxi to go.'

INNOVATION

Q. No.	Owner No.1	Owner No.2	Owner No.3	Owner No.6
1st	'I believe I reduced the risks because I am supplying this shop with products, because I am importing them from Italy myself.'	'First I didn't borrow any money from the bank and second I stick with my husband is better.'	'I bad to believe in what I was doing; I risk money from my pocket but I didn't manage the risks at all. It was something I al ways wanted to do.'	'We had financial risk but we didn't realise how big It was until we have been doing it for one year. We didn't get any loan for the start up and that support us.'
2nd	'Up to a point I believe in fate.'	'I believe in fate, but if I was 40 years younger I could do more here.'	'I believe in fate definitely,you can't control the environment.'	'A bit of both really, I would never image that I would have a shop in North West London but it happened.'
3rd	'Independence is an extremely important driver, I think 5.'	'I would say 2, but I came in this business by accident.'	'Very important, it is 5.'	'I would say 5.'
4th	'I would say 5 again; I feel I want to do something always.'	'I imagine is sometimes important to feel you can achieve something, so I think 3.'	'It is very important I would give 5 but if I would do it again I would do it with somebody else with a	'Yes you need to achieve something while you doing It. Let say 4.'
5th	'Yes I think I can, you can't be always 100% sure	Yes I can stand is. Whatever happens you have a bad day but you got a good day in the corner.'	'Yes I can, I would rather not have it, but you have to can.'	'it is always a little bit of uncertainty, but you have to deal and get on with it.'



Doctoral Abstract

Managing The Attrition Rate of Faculty Members in Self Financed Professional Institutions in Delhi and NCR

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INTRODUCTION

Liberalization of the Indian economy and rationalization of business procedures has ensured a high economic growth with a rapidly expanding base for the manufacturing and hi-end service sectors like finance, telecommunication, information technology etc. leading to the growth of higher education sector. In order to meet the demand, lots of private higher education players have entered into the education sector with a variety of courses and specialization. At present India is striving to compete as a globalized economy in areas that require highly qualified and trained professionals, and thus the quality of higher education has become increasingly important. Experience which the students will derive from higher education is, to a large extent, dependent on the performance of faculty, both as teachers and researchers. The faculty has a major role in student learning and thus in the present research, an attempt has been made to formulate an approach to prioritize the initiatives that institutions need to take for the retention of their competent faculty members, who serve as an asset for these institutions.

The education system in India is much more improved these days and is one of the leading ones in the world. Besides various government initiatives, the role of the private institutions in the development of education industry in India cannot be denied. At present, India's private education market worth USD 68 billion. Moreover, the period of past ten years has witnessed the increase in the number of private colleges/institutes/universities providing professional education, which has resulted in the increased demand of highly qualified professionals in the market. Thereby, a large number of faculties are required by these institutes for their curriculum development and academic deliverance. Again the lucrative opportunities available in the corporate sector exert a pull on the existing faculty towards the corporate career from academic profession. This creates a void at various levels in the existing institutes to be filled in. The occupational migration of faculty from academics to the core industry, the additional faculty requirement of the existing institute for newly introduced courses and the faculty required for the newly established college's altogether creates an immense demand for faculty. This high demand and low supply is resulting in faculty crisis in the country, especially for those self financed professional institutions who desire quality deliverance of knowledge. In this context faculty attrition has a serious impact on the institute and its reputation thereby resulting in the increased costs both direct and indirect.

Since, there are considerable number of self financed institutions offering professional courses running in Delhi and NCR; the study will help examining several innovative and visionary pathways in the search for effective and efficient methods to improve retention of competent faculty members associated with self financed institutions.

The study has identified eight pertinent objectives which are as follows:

1. To determine the overall attrition rate of faculty members associated with self financed professional institutions running in Delhi & NCR.
2. To determine the cost of attrition borne by the management of institution per faculty member.
3. To identify the employee motivators for joining teaching profession and in particular a self financed professional institution as an employee.
4. To study the impact of demographic factors on intention to leave.
5. To study the impact of personal factors on intention to leave.
6. To study the relationship between intention to leave and controllable factors.
7. To study the relationship between intention to leave and uncontrollable factors.
8. To analyze the reasons for growing intention of faculty members to leave the self financed professional institutions and provide with some corrective measures that can be adopted by the institutions for retaining their competent employees.

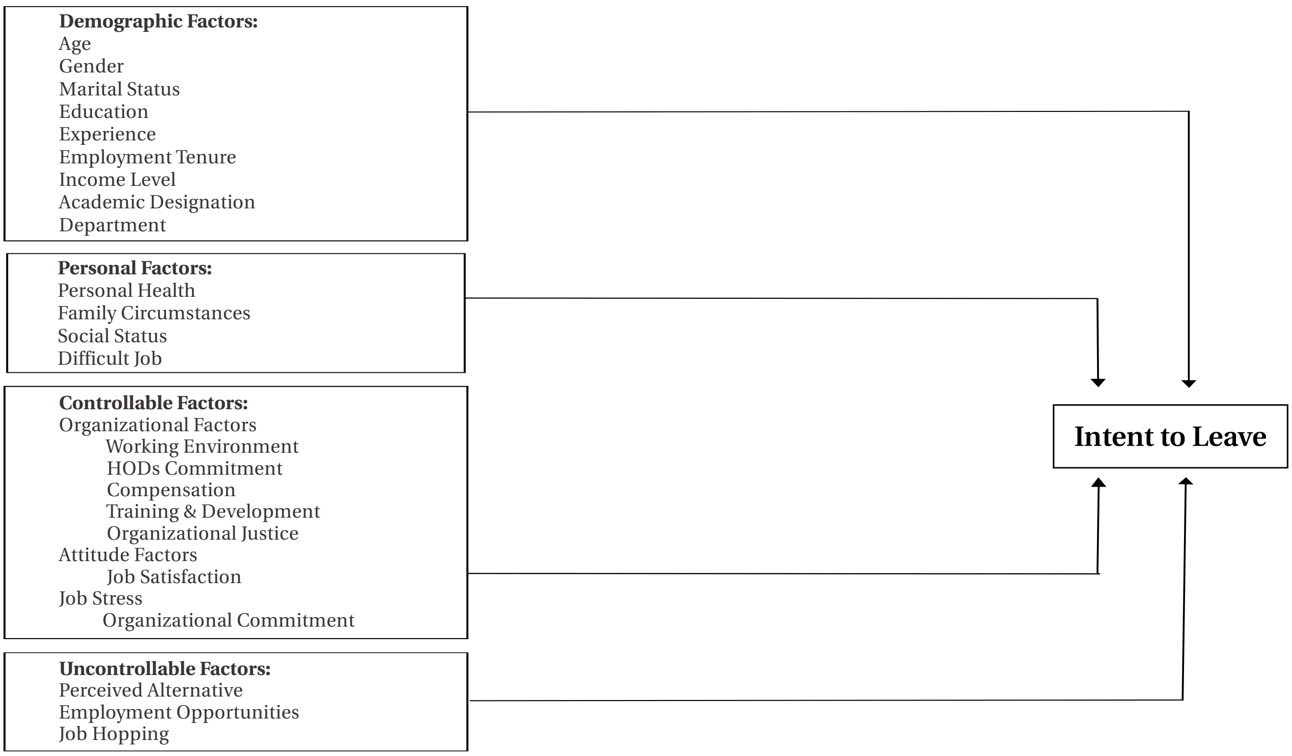
Researchers who have studied attrition and retention have used varied definitions for the terms attrition, mobility, and turnover. That is why often the numbers associated with teacher (faculty) attrition vary considerably. The main reason for this variance is that researchers define attrition differently (Ingersoll, 2003). Depending on the focus and scope of the study, some researchers define attrition as including only those who leave the profession for one or more years while others include those who leave a school/college/institution whether by transfer or to take a position in another district. As a result, very similar research may produce very different outcomes. Teacher/faculty mobility refers to movement between schools/colleges/institutions. Individuals who move between schools/colleges/institutions are referred to as movers. While the problem of mobility does not result in a net loss to the teaching profession, it does create problems for schools/colleges/institutions which are forced to replace these teachers. Moreover, attrition in combination with mobility is considered as employee turnover. Abbasi et al (2000) defines employee turnover as the rotation of workers around the labour markets; between firms, jobs and occupation; and between the states of employment and unemployment.

But by which ever means, either attrition, mobility or turnover, the ramifications are same in terms of the effort and expense incurred (Hunt & Carroll, 2002; Carroll, 2007). It is important to note that the use of different attrition definitions depends on the focus of the study. As Grissmer and Kirby (1987) state, there is no single definition of attrition, and it is the policy or research context that frames the definition. Also, examining the existing populations of current teachers/faculty members to determine their intent to leave act as a proxy for attrition (e.g., Billingsley & Cross, 1992; Cross & Billingsley, 1994; Gersten, Keating, Yovanoff, & Harniss, 2001; Littrell, Billingsley, & Cross, 1994; Singh & Billingsley, 1996; Westling & Whitten, 1996; Whitaker, 2000). Moreover, in contrast to looking at teachers' behavior, the use of intent allows researchers to assess the relationship of teachers'/ faculties career plans to a range of district and teacher/faculty variables without the expensive and time-consuming task of finding those who left.

For the present study, the researcher has defined the attrition of faculty members in self financed professional institutions as those faculty members who have moved to other colleges/institutes as well as those who have left teaching altogether. In other terms, the researcher is concerned with those individuals who have left their present employed institutions, no matter whether they have moved to other institutions or have left the teaching profession as a whole. For the matter concerned, the researcher is making use of the two terms attrition and turnover interchangeably. Also, the intent-to-leave or turnover intention is used as a proxy for understanding attrition or turnover.

Also, there are several factors which are found to be related to the actual turnover or attrition (Cotton & Tuttle, 1986; Hulin, 1968; Horn, Katerberg & Hulin, 1979; Mobley, 1977; Porter, et al., 1974). Based on the literature, several general research problems are identified. Firstly, the previous studies on attrition have been quite extensive. However, only relatively few of those studies have gone further to investigate the various factors related to employee's intentions to leave the organization (i.e. behavioral intention). (Shore & Martin, 1989) noted that turnover intention is an appropriate dependent variable because it is linked with actual turnover. Therefore, research is still needed in this area to identify the related factors to these intentions to leave among the employees (faculty members) of the self financed institutions. Secondly, even though employee's intention to leave the organization is found to be most immediate predictor of the actual turnover (i.e. leaving), several other factors (controllable factors) are also identified to be related to the actual turnover or attrition. They are job satisfaction, job stress, organizational commitment and organizational factors (Hollenbeck & Williams, 1986; Horn et al., 1992; Mobley, 1977). Similarly, perceived alternative employment opportunities (Hulin et al., 1985; Steel & Griffeth, 1989) and job-hopping (Ghiselli, 1974; Abelson, 1993) are two identified uncontrollable factors found to be related to the actual turnover or attrition. Thirdly, besides controllable and uncontrollable factors, demographic factors are also found to have an impact on attrition or actual turnover of employees. The demographic variables include age, gender, organizational tenure, job tenure, educational level, marital status and job status (Arnold & Feldman, 1982; Bannister & Griffeth, 1986; Horn et al., 1979; Kirschenbaum & Weisberg, 1990).

Thus, the following framework is proposed for the current study based on analysis of the important constructs which act as strong predictors of attrition. In the proposed framework, controllable factors (including organizational factors, attitude factors and organizational commitment), uncontrollable factors (comprising perceived alternative employment opportunities and job-hopping), personal factors, and demographic variables (comprising age, gender, marital status, experience, employment tenure, income level, academic designation and department) are treated as independent variables which have a significant impact on dependent variable, intent to leave.



Further, for the present study, the researcher has included only those Self Financed Professional Institutions which seek approval from the AICTE and get themselves affiliated to the Universities on regular intervals of time and can run only the approved courses with approved intake capacity, and are binded by the renewal process on regular intervals. Their curriculum, examinations and award of degrees is done by the affiliating University. Also, there are no regular government grants available for these institutions. They receive grants only in special circumstances (like development of girls hostel, location of the college in backward area etc.) & from AICTE for research and other activities. These institutions are eligible to collect Rs.3000/- more per annum in addition to tuition fee for the accredited programs. Institutions enjoy autonomy except in academic matters and are accountable in the matter of collection of fees, academic works, norms related to faculty and infrastructure, quality issues and all other regulatory requirements.

The 'Professional Institution' means a College or a School or an Institute by whatever name called, imparting professional education approved or recognized by the competent statutory body and affiliated to a university and includes a constituent unit of a deemed to be university imparting professional education.

In the course of the study the following hypotheses have been tested:

H1: Demographic factors are associated with intention to leave. Specifically,

H1a: Age is negatively associated with intention to leave.

H1b: Males have greater intention to leave than females.

H1c: Unmarried have greater intention to leave than married.

H1d: Level of education is positively associated with intention to leave.

H1e: Tenure of an employee in an organization is negatively associated with his or her intention to leave.

H1f: Experience is negatively associated with intention to leave.

H1g: Level of income is negatively associated with intention to leave.

H1h: Position is negatively associated with intention to leave.

H1i: There is significant difference in intention to leave amongst various departments.

H2: Organizational factors are negatively associated with intention to leave. Specifically,

H2a: Working Environment is negatively associated with intention to leave.

H2b: Top Management/HODs support is negatively associated with intention to leave.

H2c: Compensation is negatively associated with intention to leave.

H2d: Training and Developmental Opportunities is negatively associated with intention to leave.

H2e: Organizational Justice is negatively associated with intention to leave.

H3: Attitudinal factors are associated with intention to leave. Specifically,

H3a: Job Satisfaction is negatively associated with intention to leave.

H3b: Job Stress is positively associated with intention to leave.

H4: Organizational Commitment is negatively associated with intention to leave.

H5: Perceived Alternative Employment Opportunities is positively associated with intention to leave.

H6: Job Hopping is positively associated with intention to leave.

H7: Personal Factor is positively associated with intention to leave.

The study derives its significance from its potential contribution at two primary levels: theoretical and practical. At the theoretical level, the present study is expected to bridge a gap in the literature for empirical research focusing on employee's retention in Self Financed Professional Institutions. For the practical contributions, this study is expected to provide new solutions and visionary pathways in the search for effective and efficient methods to improve retention of competent faculty members associated with self financed institution. The findings of the current study can be used by organizations/institutions to develop policies, practices, and strategies that would enable higher levels of employee retention and create greater efficiencies in meeting strategic business objectives.

RESEARCH METHODOLOGY

For the study of cause-related behavioral intentions to leave amongst the faculty members of self-financed professional institutions, exploratory research in the form of secondary data analysis and focus groups is conducted to identify the causes that self-financed professional institutions should be concerned about for their increasing faculty attrition rate. As a result, the following causes are identified as salient: demographic variables (comprising age, gender, marital status, experience, employment tenure, income level, academic designation and department); uncontrollable variables (comprising perceived alternative employment opportunities and job-hopping); controllable variables (including organizational factors, attitude factors and organizational commitment) and personal variables. Then conclusive research in the form of descriptive cross-sectional survey is undertaken to quantify how and why cause-related behavioral intentions to leave amongst faculty members are influenced by identified variables (causes). Finally, the causal research in the form of experiment has been designed for obtaining evidence about the nature of relationship between the causal variables (independent variables) and the effect (dependent variable) to be predicted.

The various steps undertaken in designing the sampling process are as follows:

- Target Population: Assistant Professors, Associate Professors and Professors in self financed professional institutions and their respective employers; Sampling Unit: every employed faculty member in self financed professional institution and their respective employer; Extent: NCT Delhi and adjoining cities of neighboring states of Haryana (including Gurgaon, Faridabad, Mewat, Palwal, Rewari, Jhajjar, Rohtak, Sonipat and Panipat), Uttar Pradesh (including Gautam Budha Nagar Dist.-Noida & Greater Noida, Ghaziabad, Bulandshahr and Meerut), and Rajasthan (including Bhiwadi and Alwar); Time: The data has been collected between February and August 2012.
- Sampling Frame: The sampling frame consisted of an on-line dictionary listing the self financed professional institutions running in Delhi and NCR.
- Sampling Technique: The sampling is done through probability sampling technique i.e., the samples have been gathered in such a process that provided all the individuals in the population equal chance of being selected. Since the population included all the faculty members employed in self financed professional institutions and their respective employers running in NCT Delhi and adjoining cities of neighboring states of Haryana, Uttar Pradesh and Rajasthan, a multi-stage sampling design have been used. In the first stage, a sample of nine cities have been shortlisted out of a total of seventeen cities of National Capital Region (NCR) through Simple Random Sampling (SRS) technique, specifically making use of lottery system. The shortlisted cities include: NCT Delhi, Gurgaon, Faridabad, Palwal, Rohtak, Sonipat, Noida, Greater Noida, and Bhiwadi. Now, out of a list of around 250 self financed professional colleges/institutes running in these cities, 30 colleges have been shortlisted in the second stage by making use of Simple Random Sampling (SRS) technique, specifically computer generated list. In the third stage, the faculty members of these selected colleges have been approached, maintaining a ratio of 1:10 i.e. from one college, a sample of only 10 faculty members has been taken through Systematic Sampling technique. The pattern used is based on seniority level. The senior most faculty of the college/institute has been approached, followed by the 3rd most senior faculty, followed by 6th most senior faculty and so on.
- Sample size: A sample of 294 employees (faculty members) and 27 employers of self financed institutions have been taken in consideration for the study.

Execution: 325 questionnaires have been distributed to the respondents (faculty members of self financed professional institutions), but out of the 325 respondents approached, after screening, only 294 usable questionnaires could be obtained. Also, the researcher personally tried to approach 30 employers of self financed professional institutions, but could make it to only 27. The researcher explained on the purpose of doing the research and asked respondents (employers of self financed professional institutions) to answer various questions pertaining to the field. The response rate, with 294 returned employee's questionnaire, is 90.46%; whereas the employers interviewed response rate turned out to be 90.00%.

For the purpose of this study, the Minnesota Satisfaction Questionnaire introduced by Weiss et al. (1967); the Index of Organizational Reactions Questionnaire introduced by Smith (1976); the Organizational Commitment Questionnaire introduced by Porter et al.'s; the Perceived Alternative Employment Opportunities (PAEO) scale adapted from Mowdey et al (1984), Billings and Wemmerus (1983), Arnold and Feldman (1982), and Michaels and Spector (1982); the Michigan Organizational Assessment Questionnaire introduced by Cammann et al, (1979) are used as the main references in developing the questionnaire for the study.

The pilot study of the research instrument (questionnaire) was conducted during the month of January in the year 2012. It was facilitated to 50 respondents (faculty members) of self financed professional institutions. It was observed that the time taken to complete the questionnaire ranged between 8-10 minutes and the feedback on clarity of words and instructions were positive with minimal changes required. The respondents could understand all questions with little difficulty. Also, the reliability coefficient (Cronbach's Alpha) of the pilot test came out to be 0.884 which is considered a good reliable score.

In order to further the research, the collected questionnaires during the real period of the study has been tested on its reliability scale. The reliability of the items is assessed by computing the coefficient alpha (Cronbach, 1951), which measures the internal consistency of the items of the scale, that is, how closely related a set of items are as a group. For a construct/dimension to be considered reliable and acceptable, coefficient alpha of the scale should be above 0.7 but above 0.6 for new scales is also acceptable (Nunnally, 1978). Due to multi-dimensionality of the behavioural turnover intention construct, coefficient alpha is calculated separately for all the factors (dimensions) of the scale. For the present study, all alpha coefficients ranged from 0.601 to 0.963, indicating a good consistency amongst items within each factor (dimension). The overall scale reliability came out to be 0.894 which also shows that the scale exhibits fairly good level of consistency and reliability. Hence, our data is internally consistent and reliable.

Also, the validity of a scaling procedure implies that the data must be unbiased and relevant to the characteristic/construct being measured. Different validity terms are used to demonstrate various aspects of validity. The types of validity which are generally referred in research literature include face/content validity and construct validity (Sureshchander, Rajendran and Anantharaman, 2002). The degree to which the measure spans the domain of construct's theoretical definition is defined as the construct's content validity (Rungtusanatham, 1998). Since the entire intention to leave dimensions are identified from the literature and were thoroughly reviewed by professionals of the education sector, content validity of the instrument used in the present study has been ensured. Construct validity is "the vertical correspondence between the construct which is at an un-observable, conceptual level and a purported measure of it which is the operational level" (Peter, 1981). By empirically assessing convergent validity, construct validity can be established (O'Leary-Kelly and Vokurka, 1998). Evidence for convergent validity is obtained when there is a high correlation between two or more measures that are believed to measure the same construct (Kaplan and Sacuzzo, 1993). In this study, the statements measuring "Perceived Alternative Employment Opportunities" and "Job Stress" represented by items E1-E4 and G1-G6 in the questionnaire are the other measures used. The correlation between the "Intent to Leave" scale with the other measures "Perceived Alternative Employment Opportunities" and "Job Stress" came out to be 0.722 and 0.575 respectively (p value > 0.01), indicating an acceptable convergent validity.

The most fundamental assumption in data analysis is normality, referring to the shape of data distribution for an individual metric variable and its correspondence to the normal distribution. If the variation from the normal is sufficiently large, all resulting statistical test are invalid, as normality is required to use F and t statistics (Hair, Anderson, Tatham and Black, 1998). For the purpose of this study, the data for all the four variables namely Controllable Factors, Uncontrollable Factors, Personal Factors and Intent to Leave were tested through the normality test. The method used in this study includes normal probability Q-Q plots. The result found they all are normally distributed. In order to further formalize the results, Kolmogorov-Smimov Test (K-S Test) have been used to prove the hypothesis that the variables distribution is normal. Since all the significant value are greater than 0.05 for all the variables, once taken independently, therefore, we accept the null hypothesis stating that the variables distribution is normal. Also, when all the variables are combined, then also the significant value is greater than 0.05, so we again accept the hypothesis that variables distribution is normal, when taken together.

FINDINGS AND CONCLUSION

The researcher has categorised the data according to personal data and job information. Nine (9) demographic characteristics or demographic factors namely, age, gender, marital status, education, experience, employment tenure, income level, academic designation and department are selected for the study. The majority of the respondents are females, enumerating N=187 (63.6 per cent) from the sample population of 294. Also, the maximum number of respondents, N=123 (41.8 per cent) belonged to the age bracket of 25-30 years and are mostly married, N=177 (60.2 per cent). Majority of the respondents possessed Masters Degree, N=172 (58.5 per cent), followed by Masters with M.Phil & PhD, N=87 (29.6 per cent) and an experience of 2-5 years, N=108 (36.7 per cent) with present employment tenure of 2-5 years in preponderance. Also, majority of respondents held the academic designation of Assistant Professor, N=190 (64.6 per cent) with income ranging from 20,001 to 40,000, N=116 (39.5 per cent). Also, 59.9 per cent (N=176) of respondents belong to Management Department of the institution, followed by 37.4 per cent (N=110) from the Engineering and Technology Department and the remaining 2.7 per cent (N=8) are from Humanities Department.

The data have been analysed to answer the research questions, which are the driving force of the study.

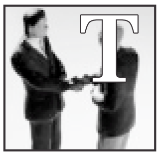
Objective One is determined through the mathematical calculation of attrition rate using the formula suggested by U.S. Department of Labour. After the extensive research, it was observed that, there are around 5 separations during a semester if the total number of employees at the mid-semester are around 21. Thus, the estimated attrition rate came out to be 23.80 per cent which shows that there is very high rate of attrition of faculty members in self financed professional institutions.

Objective Two is aimed at determining the cost of attrition borne by the management of the institution when a faculty member leaves the organization/institution. It has been observed that as an employee leaves, an institution incurs the replacement cost which includes: the cost of advertisement, the cost on account of holding an interview and the joining costs of a new employee. Also, the cost on account of recruitment is broadly divided into explicit as well as implicit cost. Explicit cost involves, monitory expenses like remuneration paid to experts, whereas, the implicit cost involves the consumption of time of the management and other authorities who are involved in the selection and interview process. The cost is also estimated to be incurred on the payment to university experts who must be there in the interview board as per the regulatory body norms. Thus, it can be inferred that, the exact cost of recruitment cannot be same for all the institutions as it very much depends upon the individual practices adopted by the different colleges/institutions in providing traveling allowance, dearness allowances, accommodation facility etc. to the new candidates who are appearing for the interview. Hence, the exact cost of a single faculty turnover could not be generalized for all the institutions.

Objective Three has been set to determine the employee motivators for joining teaching profession and in particular a self financed professional institution. Since it is very essential to know why people join teaching profession as it enables to study the correlation between the type of motivation and the propensity for staying in the teaching profession in the long run. Also, from the previous study taken from Wang & Fwu 2001, it has been reported that the type of motivation a person has while entering the profession further has a close relationship with the degree of commitment the teacher displays towards the job in the future. Following this, the mean response method is used to find out the most important reason cited by respondents for joining the teaching profession. Based on the findings, it can be inferred that the self motivating factor (Mean= 4.125) which includes personal interest in teaching & research and dignity & respect from the profession is the most important cited reason for joining teaching profession. Also, the result shows that the 'intent to leave' is significantly negatively correlated with self-motivating factors (r= -0.303, p=0.000). Thus, the employees are least likely to leave the organization if they join the teaching profession because of their inner drives. On the other hand, it has been observed that the employees who join teaching profession because of external influencing factors (r= 0.094, p=0.106) which includes influence of parents, friends, role models and limited employment opportunities available are likely to have higher intentions to leave.

Again the mean response method has been applied to fulfill the second part of objective three i.e. to find out the most important reason cited by respondents for joining a particular self financed institution. Based on the findings, it can be inferred that organization's reputation (Mean= 3.816) is rated the highest and most important determinant in selecting a particular self financed institution for employment followed by job profile offered (Mean= 3.758), and then location of the institution (Mean= 3.673). Also, it is observed that employees held neural agreement towards the factors such as, job security (Mean= 3.098), and training and developmental opportunities provided by the institution (Mean= 3.010). Whereas, the agreement towards the empowerment of employees (Mean= 2.894) and availability of attractive benefits (Mean= 2.996) seemed low.

Further, Objectives Four, Five, Six and Seven have been framed to study the impact of predictor variables on 'intent to leave' of the employees (faculty members) of self financed professional institutions. Initially, by applying mean response method and standard deviation, all the predictor variables including personal factors, controllable factors and uncontrollable factors are checked of their significant presence in terms of agreement and disagreement on the faculty members of self financed professional institutions and then inferential statistical analysis is deployed. A bi-variate correlation is carried out in SPSS 20.0 on the summated factor scores of each construct.



THE IMPACT OF DEMOGRAPHIC FACTORS ON 'INTENT TO LEAVE'

Under the demographic constructs, it was observed that the age is significantly negatively correlated (r= -0.616, p=.000) with intent to leave i.e. it (age) explained 37.94 per cent of the variation in the intentions to quit, at 99 per cent level of confidence. Also negative correlation outlines the fact that as the age group of respondents increases, their intentions to leave come down, which is in congruence to our assumption. But, on the other hand gender is not statistically significantly correlated (r= -0.047, p=.422) with turnover intention.

Also, the result showed that marital status (r=0.550, p=.000) and organizational department (r=0.171, p=.003) of the respondents are significantly positively correlated with intent to leave at 99 per cent confidence level. So, according to Guilford Rule of Thumb, the result indicated a low relationship between organizational department and intentions to leave whereas as a high relationship between marital status and intentions to leave.

Again, the correlation analysis showed that educational qualification of the respondents is a significant predictor of intent to leave (r= -0.564, p=.000). The negative correlation supports the fact that as the educational qualification of the respondents increases, they have lesser intentions to leave.

A significant and negatively high relationship is reported between total experience (r= -0.634, p=.000), tenure in the current organization (r= -0.569, p=.000), present position (r= -0.569, p=.000), gross salary (r= -0.569, p=.000) and intent to leave. The results revealed that all of the correlations are in the expected directions indicating significant and negatively moderate to high magnitude of relationship between these demographic variables and intentions to leave.

Further, the researcher discussed about the consideration of demographic factors with intent to leave through the usage of T-Test and One-way ANOVA. These tests are facilitated to analyse and test the alternative hypothesis (H 1a, H1b, H1c, H1d, H1e, H1f, H1g, H1h & H1i) set for the study.

Based on the findings, it has been observed that the respondents with age group of 40-50 years and beyond 50 years have less intentions to leave (5.92 and 4.78 respectively) whereas the respondents falling under the age brackets of less than 25 years and 25-30 years have maximum turnover intentions (13.60 and 11.84 respectively). Thus, the Hypothesis H1a, Age is negatively associated with intentions to leave holds good, as it can be inferred from One-way ANOVA test that as age of the respondents increases, there turnover intentions goes down whereas, the younger respondents have comparatively higher intentions to leave.

Further, T-Test is used to gauge the differences in intentions to leave w.r.t. gender of respondents. But, it has been observed that the T statistic is not significant at 95 per cent level of confidence. Thus, it was concluded that differences in gender of respondents do not explain deviations in turnover intentions. Therefore the alternative hypothesis H1b was rejected. Whereas, on the other hand, the T-value was significant, at 95 per cent level of confidence, for marital status of the respondents. Therefore, it was inferred that the mean intent to leave for unmarried is 5.097 which is higher than that for married, proving our stated Hypothesis H1c true. The One-way ANOVA is applied to check whether the level of education is positively associated with intent to leave. It was inferred that differences in education level have a major role in explaining deviations in turnover intentions. From the Turkey B test, it is observed that the respondents with education level Masters with M.Phil and PhD have lesser intentions to leave as compared to education level below this level. Thus, the findings contradicted the Hypothesis H1d, which states that level of education is positively associated with intentions to leave, as it can be inferred from the above test that as education level of the respondents increases, there turnover intentions comes down.

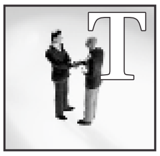
Now again, based on the findings, it is concluded that differences in tenure of the respondents have a major role in explaining deviations in intentions to leave. The Turkey B test clarified that the respondents with higher tenure in the present organization have less intentions to leave as compared to respondents who have a lesser stay in the present organization. Thus, the Hypothesis H1e, tenure of an employee in an organization is negatively associated with his or her intention to leave holds good, as it can be inferred from the above test that as tenure of the respondent in an organization increases, there turnover intentions comes down whereas, the respondents who have served the organization for less time have comparatively higher intentions to leave.

Again, One way ANOVA has been facilitated to analyse and prove the alternative hypothesis H1f which states that experience is negatively associated with intention to leave. Based on the findings, it has been observed that the respondents with total experience of 15-20 years and beyond 20 years have less intentions to leave (5.81 and 5.04 respectively) whereas the respondents having total experience of less than 2 years have maximum turnover intentions (14.61). Thus, it can be inferred from the above test that as experience of the respondents increases, there intentions to leave goes down whereas, the less experienced respondents have comparatively higher intentions to leave. Therefore, the alternative hypothesis is accepted and substantiated for the sample.

It was further concluded that differences in income levels have a major role in explaining deviations in intent to leave. Further, the application of Turkey B test clarified that the respondents with higher income level of above 80,000/month have less intentions to leave (4.48) whereas the respondents falling under the income brackets of less than 20,000/month and 20,001-40,000/month have maximum turnover intentions (11.61 and 12.10 respectively). Thus our stated alternate hypothesis H1g, level of income is negatively associated with intentions to leave, is accepted, as it can be inferred from the test that as the income level of the respondents increases, there intentions to leave comes down whereas, the respondents having lower income levels have comparatively high turnover intentions.

In order to know the relation of position held with intent to leave, One-way ANOVA has been applied and it was observed, that differences in positions of the respondents have a major role in explaining deviations in intentions to leave. Further from the table it is observed that the respondents occupying higher positions in the institute have lower turnover intentions whereas, the respondents at the junior most level have higher intentions to leave. Thus, the alternate Hypothesis H1h, position is negatively associated with intentions to leave holds true and can be substantiated for the sample.

Also, the differences in department played a major role in explaining deviations in intentions to leave. In other words, there is a significant difference between the intentions to leave of respondents amongst various departments, proving our Hypothesis H1i. Further, the Turkey B test clarified that the respondents associated with Engineering and Technology Department have maximum intentions to leave (11.30), followed by Management Department (8.86) and then by Humanities Department (6.62).



THE IMPACT OF CONTROLLABLE FACTORS ON 'INTENT TO LEAVE'

Under the controllable factors, it has been observed that the data indicated a negatively strong to moderate significant relationship between controllable factors namely, working environment (r= -0.697, p=.000), top management/HODs support (r= -0.648, p=.000), compensation (r= -0.603, p=.000), training and developmental opportunities (r= -0.622, p=.000), organizational justice (r= -0.786, p=.000), job satisfaction (r= -0.796, p=.000), and organizational commitment (r= -0.800, p=.000) with intent to leave, providing a good support to our laid down Hypothesis H2a, H2b, H2c, H2d, H2e, H3a and H4 respectively. The negative correlation coefficient indicated the fact that as these independent variable increases, the dependent variable intent to leave decreases and vice versa. Also, it has been observed that job stress (r= 0.577, p=.000), is significantly positively correlated with intent to leave, indicating the fact that as the stress level in job increases, the intention to leave also increases, thus proving our laid down alternate Hypothesis H3b true.

Therefore, the alternate Hypothesis H2 (Organizational factors are negatively associated with intentions to leave), Hypothesis H3 (Attitudinal factors are associated with intentions to leave), and Hypothesis H4 (Organizational Commitment is negatively associated with intentions to leave) receives a good support from the study, and are readily accepted and substantiated for the sample.

THE IMPACT OF UNCONTROLLABLE FACTORS ON 'INTENT TO LEAVE'

Correlation analysis is facilitated to study the impact of uncontrollable factors including perceived alternative employment opportunities and job hopping on intent to leave of the employees. Based on the findings, it is observed that the intention to leave have a strong positive significant relationship with perceived alternative employment opportunities (r= 0.726, p=.000) and with job hopping (r= 0.731, p=.000). The positive correlation supports the fact that as the perceived alternative employment opportunities and job hopping intentions increases, the intentions to leave also increases, thus our stated alternate Hypothesis H5 and Hypothesis H6 are accepted and substantiated for the sample.

THE IMPACT OF PERSONAL FACTORS ON 'INTENT TO LEAVE'

A significant positive relationship is found between personal factors and intent to leave at 95 per cent confidence level as the asymptotic significant value is 0.026 which is less than 0.05. Thus, the Hypothesis H7, personal factor is positively associated with intentions to leave is duly supported by the study.

THE DOMINANT FACTOR (MOST IMPORTANT FACTOR) INFLUENCING 'INTENT TO LEAVE'

Multiple regression technique is used to test the hypothesized relationships between the independent variables and dependent variable (Intent to Leave).

Based on the findings, it has been observed that the coefficient of correlation R came out to be 0.880, which is much greater than 0.50, thus a strong relationship between the variables is confirmed. Also, the value of R^2 or the coefficient of determination came out to be 0.774, that is, thirteen independent variables explained 77.4 per cent of variation in dependent variable (turnover intention). In other words, 77.4 per cent or 0.774 variation in the dependent variable (turnover intention) could be explained by variations in the independent variables.

Under the regression analysis, t-test has been used to check for which variables the beta coefficient is significant. Six significant variables emerged out in the coefficient test, out of a total of 13 variables. The results showed that the beta value for training and development is -0.081 and sig. (0.063) < 0.1, organizational justice (Beta= -0.125, p=.075), job satisfaction with work (Beta= -0.095, p=.019), job stress (Beta= 0.151, p=.000), perceived alternative employment opportunities (Beta= 0.321, p=.000), and job hopping (Beta= 0.130, p=.017). Since the significant value of these factors is less than 0.1, veracity of the value in "B" is asserted with a 90 per cent level of confidence.

But for remaining factors, namely, working environment, top management's commitment, compensation, job satisfaction with pay, job satisfaction with supervision, organizational commitment and personal factors, the "Sig" is above 0.1, thereby, the estimate in "B" is unreliable and is said to be statistically insignificant. But still they do have an impact on the dependent variable, intent to leave, since the significant value (p value) is 0.000 which is less than 0.01 in the goodness of fit table.

Thus, the regression equation can be written as:

$$TI = 4.730 + 0.065\,WE - 0.027\,HOD - 0.088\,PAY - 0.084\,TD^* - 0.108\,JUSTICE^* - 0.128\,JS1 - 0.086\,JS2^* - 0.146\,JS3 + 0.175\,JSTRESS^* - 0.017\,OC + 0.322\,PAEO^* + 0.149\,JH^* + 0.038\,PF$$

SUGGESTIONS AND IMPLICATIONS

During the conduct of the research, it has been found that the faculty attrition problem in self financed professional institutions is more due to the factor under the control of management. It has been observed that the perceived alternative employment opportunities showed the highest positive significant result (coefficient of regression 'B'=0.322, Beta= 0.321, p=.000) as compared to other positive significant independent factors. Thus, perceived alternative employment opportunities factor proved to be a dominant factor positively influencing the intentions to leave amongst the faculty members of self financed professional institutions in Delhi and NCR. Also, the organizational justice showed the most negative significant result (coefficient of regression 'B'= – 0.108, Beta= –0.125, p=.075) as compared to other negative significant independent factors. Thus, organizational justice proved to be a dominant factor inversely related with intentions to leave of faculty members of self financed professional institutions. The findings are consistent with Debrah (1994) who found lack of coherent and systematic human resource policies and practices as a major reason for turnover intentions.

Thus, the management of self financed professional institutions need to overcome this fatalistic thinking about organizational justice and availability of alternative employment opportunities in the face of employee attrition. The following steps can be undertaken by the management to retain their competent employees:

Changing Hiring Practices

Since, it has been observed that the employees who have cited self motivating factors as the most important reason for joining teaching profession have least intentions to leave the institution. Therefore, the candidates who have the inner drives to work for the institution with personal interest in teaching and research and who try to derive dignity and respect from the profession should be hired/chosen for the position of faculty member in a self financed professional institution. This can be achieved by bringing some changes in the selection process followed by these types of institutions. Instead of shortlisting or focusing merely on the grades or academic performance of the applicant, the focus needs to be laid on establishing the zeal and passion of the applicant towards the teaching and teaching as a profession. This would help in distinguishing the candidates who join this profession because of limited employment opportunities available in the economy to those who actually possess passion for the profession.

Employer Branding

It has been observed that the people prefer joining a self financed professional institution the most which has a great reputation or status in the society, as it builds the brand image of the candidate also. That is why we don't witness high attrition of faculty members in institutions like IIMs and IITs.

The people feel privilege to be a part of such institutions. The self financed professional institutions can also work on building their reputation by attracting the good stuff of students i.e. conducting selection process only on the basis of merit, bring fairness and transparency in drafting the polices for their employees, obeying the existing pay commission norms, providing some autonomy to teachers/faculty members in designing their own model of teaching etc.

Enriching Job Profile

The institute should also aim at utilizing the full potential of their faculty members by providing challenging tasks on their job profile. It not only eradicates the monotony of the work but also leads to overall career development of the person. This can be done by sending faculty members to various other institutions like All India Council for Technical Education (AICTE), All Indian Management Association (AIMA) for research based activities, making them associated with on-going research projects lead by AICTE, indulging them in corporate interface, opening up of various industry extensive sub courses and thereby development of their curriculum.

Harmony at Workplace

The institute should aim at creating a good healthy working environment with a culture of supportive colleagues and administrative staff with least encouragement to political activities in the institute. This can be achieved by development of policies based on trust, openness, equity and consensus.

The institute should ensure the supportive, fair, empathetic and kind head of the department with whom the faculty members are in continuous interaction.

Also, the provision for mutual safety and security should be ensured in the premises during the stay back hours of the faculty members during the period of cultural/institutional events.

Provision of Some Facilities

Some flexibility including that of timings, designing teaching pedagogy etc. should be provided to build in a feeling of commitment amongst the employees (faculty members). The institute should ensure provision of adequate privacy to the faculty members by providing separate cubicles and a computer system to work on and prepare their up-to-date lectures. The institute should also ensure easy availability and provision of seminar and research grants on yearly basis.
The institute should provide continuous professional development opportunities (like conduct of FDPs, workshops, seminars etc.) for the employees (faculty members) to nurture their skill base on regular intervals of time.

Ensuring Organizational Justice

The institution can ensure distributive justice by providing maximum fairness to the employees in terms of allocation of workload, number of hours spend in the job and their due recognition for the work undertaken. The faculty members should be duly valued as a scholar/researcher in the institute and should be encouraged to take research related activities by providing fair and equal monetary incentives in terms of sponsoring the fee of seminars and conferences, the entire academic/research trip, academic leaves etc.

In order to insure procedural justice, the management of these institutions should be very fair in drafting the evaluation procedure for the employees and all the rational points should be given due weightage in the evaluation procedure, as outlined in the policy book. The annual promotion, increments of the employees should be based on the accomplishment of required standards of performance as outlined by the policies of the institution. There should be no space for favoritism or nepotism. Clarity on all the rules and regulations and policies need to be bought out and they should be equity in following the same for all the employees. The maintenance of trust, openness, equity and consensus should be ensured.

Ensuring Competitive Salary Structure and Timely Payment

The institute should put in the best efforts to provide the most competitive salary structure to the employees in order to retain them and refrain them from getting lured away with the lucrative offers outside the institution. Also, the timely payment of the salary showed be ensured by the institution.

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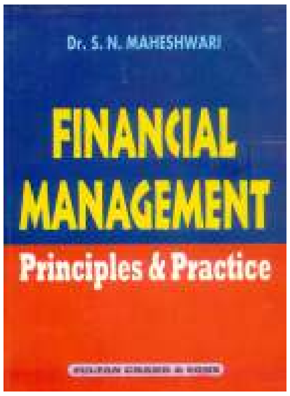

FINANCIAL MANAGEMENT-PRINCIPLES AND PRACTICE

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The fast pace of progression in today's global souk has yielded copious problems related to increasing rivalry and complex decision making, the dearth of which can trigger off catastrophic results. The opportune accessibility of pertinent statistics packaged into useful information can help to efficiently plow on the high level of commercial activity.The escalation in borrowing and loaning by business enterprises necessitates a universally accepted method for appraising the creditworthiness of the trading partner, occasioning usage of business credit ratings. Although, the method of credit rating is not impermeable as is evident from the colossal scams and frauds in the recent past, but as is said ***"Better to do something imperfectly than to do nothing perfectly"***, the stringent norms and enhanced vigilance of credit rating agencies in addition to ethical maneuvering of the concern's operations by the business administrators can prove to be pragmatic and expedient.

For this, the financial managers and executives are expected to have adequate comprehension of managing funds effectually or see the firm wallow in filth and squalor due to mismanagement and lack of upkeep. This calls for a thorough knowledge of the subject. The fourteenth and enlarged edition of the book titled "Financial Management: Principles and Practice" has been brought out congregating all the rudimentary, indispensable and vital concepts along with the related modules deemed necessary for understanding the subject better. The book under review has been revised by incorporating contemporary developments in the relevant chapters.

The author has meticulously divided the book into seven sections. The first five sections viz. "Foundations of Finance", "Financial Analysis", "Cost Analysis", "Funds Management" and "Miscellaneous" embrace the customary concepts of financial management along with recent developments and novel concepts in the respective areas. The sixth section, "Advanced Solved Problems", offers ample solved illustrations to the readers so as to assist them in cognizing and apprehending the concepts better. The last section, "Advanced Unsolved Problems and Appendices", provides opportunity to the readers to test their knowledge by attempting to solve the questions provided therein. Also, this section includes the present value and future value tables for the ease of the readers along with detailed explanation and analysis of Accounting Standard 20: Earnings Per Share under the heading Appendices.

SECTION A – "Foundations of Finance", covering fundamentals of the subject, has been sub-divided into five chapters wherein the author delves upon the meaning and scope of financial management, time value of money, valuation of securities, concepts relating to risk and return and the regulatory framework which guides the functions and operations of the business.

The rising number of scams is making it imperative to take cognizance of the gravity of the frauds and malpractices committed by business personnel. In this era of cut throat competition, it is merely the all-inclusive knowledge of finance and financial management which can safeguard the business from pre-carious mis-management of money. The comprehension of the subject facilitates the four broad decisions viz. funds requirement, financing, investment and dividend decision. The First Chapter: Financial Management: Meaning and Scope delves upon the afore-said decisions, financial forecasting as well as the role of finance manager. As against the traditional theories, an evolving concept, behavioral finance, asserts that investors are more susceptible to judgment and decision-making errors than making rational choices. Driven by subjective thinking, greed, extremes of emotion, incomplete information, fear and the whims of the crowd, investors constantly develop irrational expectancy about the imminent performance of companies and the overall economy, thus resulting in dropping the assumptions of traditional finance and falling prey to irrational investments. This budding and innovative concept has also been discussed in the first chapter.

Generally, a new investment is not anticipated to yield instant affirmative outcomes in the form of cash flows, therefore, it is imperative for the business to discern whether the future cash flows, as and when they arise, are worth the current investment or not. The concept of time value of money plays an integral role in such assessment and in making the best use of a financial player's limited funds.The author has discussed the various related valuation concepts in the *Second Chapter: Concepts In Valuation,* while the practical implementation of time value of money on valuation and appraisal of securities has been detailed in *Chapter 3: Valuation of Securities,* with the help of various illustrations. Thereafter, an analysis of risk return trade-off is useful for deciding the amount of risk that the investor is ready to bear while remaining unperturbed with the investments. The risk bearing capacity in relation to return varies from one person to the other. On the one hand,it is easy for some people to stand the equivalent of financial skydiving without batting an eye, while the others are terrified to ascent the fiscal ladder minus a secure harness. The Fourth *Chapter: Risk and Return* details the relationship between the two along with the criteria for evaluating various proposals so as to minimize risk.

Chapter Five: Regulatory Framework acquaints the readers with the prevalent legal framework as it is mandatory for all business enterprises to comply with various applicable laws, rules and regulations along with the latest amendments in the various acts. The emerging concept of limited liability partnership form of organization has also been elaborated upon.

Scrutiny of historical statistics to appraise the current as well as prospective financial health of a company is of paramount importance, especially for making critical decisions. A finance manager is required to have the requisite skill to understand and manage the business mastering the fluency in the language of finance as the goals of the business enterprise along with the measurement of their outcomes are in financial terms. It is vital to have the capability to read and comprehend financial data as well as present information in the form of financial reports.Meticulous analysis and extensive planning of finances can help supplement the financial success of any business. Considering the said significance, **SECTION B - "Financial Analysis"** has been broadly sub divided into four chapters, all of which characterize different methods, viz. comparative financial statements, common-size financial statements, trend percentages, funds flow analysis, cash flow analysis, cost-volume-profit analysis and ratio analysis, used by companies to analyze their financial statements. Ample illustrations and questions have been used by the author to aid better comprehension of these techniques and their practical implications.

The financial statement analysis alone does not suffice for better management. Extensive cost analysis is equally important. The business executives, particularly, financial analystsshould have good working knowledge about the pattern of cost behavior to expedite assessment, projections and other decisions relating to cost. **SECTION C** deliberates on **"Cost Analysis"** broadly encompassing the basic cost concepts, marginal costing and budgetary control.

The concept of cost and its components,different techniques and systems of costing, along with innovative concepts like activity based costing, back flush costing, life cycle costing and target costing have been discussed elaborately in the First *Chapter: Basic Cost Concepts.*

Companies and their clienteles persistently gauge costs and benefits. For this purpose, apposite resource allocation is a must, as for optimal domino effect, organization must distillate its resources where the excess of marginal revenue over the marginal cost is maximum, enhancing the vitality of marginal costing in decision making. Marginal costing acts as a tool of planning, monitoring and controlling costs based on selection of resource drivers and separation of costs into fixed and proportional components.The author has elucidated the same in great detail by segregating the basics from the practical applications into two chapters, the first of which titled, *Marginal Costing and Profit Planning,* tells apart marginal costing from absorption and direct from differential costing. It also explicates the rudiments of cost volume profit analysis, break even analysis, margin of safety, product pricing methods and their related concepts.

The implementation of marginal costing into real life decisions like determination of sales mix, exploring new markets, make or buy, discontinuance of a product line has been elaborated upon in the second chapter viz. *Decisions Involving Alternative Choices.* Copious illustrations in consort with systematic presentation and self-explanatory solution of the examples with proper working notes ensures effortless comprehension of the implications of various conceptslike key factor and differential costs in decision making.

Exploration of costs and their variability vis-à-vis actual and potential volumes empowers the finance manager to influence management decisions in the budgeting and reporting process. Judicious and precise comparison of budgets with actual operational results facilitates planning, scheduling, synchronization between departments, monitoring functional results,decision-making and impetus to personnel for achieving business objectives.For ensuring the realization of the plans, control is crucial as it puts into effect corrective measures where deviation is identified. Cost fluctuations caused by changes in operating levels are accurately predicted and incorporated. *The Fourth Chapter: Budgetary* Control accentuates the necessity for putting into place a budgetary control system in the organization. Also, the classification of budgets prepared in the organizations has been described systematically along with elucidation of concepts like sensitivity analysis, control ratios, responsibility accounting and zero based budgeting. The explanation in the chapter is quite comprehensive and simplifies the cognizance of the concepts and their applications in a very lucid and coherent manner.

The author has segregated **SECTION D – Funds Management** into eleven chapters broadly covering financial planning, capital structure, capital budgeting, working capital management, cost of capital, leverage and dividends, bonus and rights. The importance of an appropriate understanding of funds management cannot be overemphasized, as the lack thereof can lead to unbearable financial turmoil, irrespective of the financial reserves and repute of the organization. A company will certainly be profitable if the businessman recognizes the significance of finance in his business development cycle.

The overwhelming number of alternatives for investment or asset allocation has made it quite difficult to manage the finances of an enterprise, thus necessitating the creation of a sound financial plan. The existence of a comprehensive business plan acts as a chaperon for the overall smooth and effective functioning of the business and its absence can lead to the company losing its financial grip with disastrous consequences. *The First Chapter: Financial Planning: Meaning and Scope* deliberates upon the working capital forecasting and methods thereof, capitalization and its basis and causes, effects and remedies of under-capitalization and over-capitalization.

Adequate capital is a pre-requisite for necessary investments, the financing of which can be both internal and external, involving specific costs of each source. The proportion of a company's capital obtained through debt and equity varies on the basis of numerous factors like managerial shareholdings, corporate strategy, cost of each source of capital and taxation. Firms tend to increase leverage in case of available attractive growth prospects or when poor operating performance diminishes equity value or compels borrowing. The concepts of capital structure as well as cost of capital are extremely important because theynot only influence the rate of return of the company, but also help in ascertaining the ability of the firm to survive in a period of recession or depression. The author has meticulously dedicated separate chapters to capital structure, cost of capital and leverage. Great pains have been taken to detail all possible areas of concern in a comprehensible manner. Also, the systematic elucidation will definitely help the readers to grasp the concepts effortlessly.

Chapter 3: Sources of Finance explicates in addition to the traditional classification, financial institutions and instruments, contemporary concepts like financial engineering, re-engineering and financial intermediation. The guidelines framed by SEBI with respect to mutual funds are have also been deliberated upon in the current edition of the book.

A business seeking investment of its available resources in a project is expected to understand the risks and returns involved and to evaluate the investment prospects to maximize shareholder's wealth. The acceptability of rate of return of different investment avenues is influenced by factors that are specific to the company as well as the project. Capital budgeting decision is imperative for any business as it involves sizable, long term, irrevocable outlay of funds. The basics of capital budgeting and techniques for project selection are elaborated upon in *Chapter 5: Basics of Capital Budgeting* and incorporation of risk in these decisions has been discussed at length in *Chapter 6: Risk Analysis in Capital Budgeting* using plentiful solved illustrations so as to adequately emphasize all relevant concepts. Also, the net terminal value method has been incorporated to have an all-inclusive discussion on the methods of capital budgeting.

Fixed assets alone are not sufficient to run the business. Adequate liquid resources are equally important to maintain day-to-day cash flow, not just in the short run. Maintaining sufficient liquidity is essential to ensure the subsistence and growth of the business in the long-term as well.The various elements of effective working capital management, the management of cash, inventory, accounts receivable and accounts payable have been dealt with using practical problems in *Chapter 7: Working Capital Management.* Also, the author has introduced novel concepts like financial distress and financial insolvency in the chapter along with the addition of stone model of cash management to the other models specified in previous edition. The suggestions of various committees viz. Dehejia Committee, Tandon Committee, Chore Committee have been elaborated upon in *Chapter 8: Working Capital Control and Banking Policy.*

A separate unit, **Section E - Miscellaneous** includes topics like valuation of goodwill and shares, lease financing, investment portfolio management, social cost benefit analysis, international financial management, effect of inflation and financial management in public sector enterprises in distinct chapters.The relevant amendments in the legal and regulatory framework have been integrated to provide up-to-date information to the readers. The recent developments in tax structure for the Assessment Year 2013-14 have been incorporated in *Chapter 2: Tax implications and Financial Planning*. Also, *Chapter 3: Industrial Sickness* has been amended to include the steps for rehabilitation of sick units by improving credit flow to SME sector as issued by RBI in alliance with the government of India.

With the increasing pace of change leading to companies competing in pursuit of excellence and competitive advantage by trialing with newconcepts, strategies, tools and ideas, corporate restructuring assumes paramount importance. *Chapter 6: Corporate Restructuring: Mergers, Amalgamations and Acquisitions* deliberates upon the objectives and various forms of corporate restructuring. The approaches for determining exchange ratio have been discussed at length using practical examples.

Legal and procedural aspects of amalgamation and acquisition along with the tax implications have been discussed adequately. The author has also incorporated the important mergers and takeovers in India during the period of 2007 – 2011.

Diversified areas relating to finance have been stressed upon in this unit. Recent concepts like inflation accounting,social accounting and price level accounting have also been included.

The last two units help the reader to practice what has been learnt in the book in the form of advanced, solved and unsolved problems.The units encompass questions for all stratums of readers. Ample number of questions helps the amateurs to practice till they gain expertise.

Linguistically, the book is quite lucid and self-explanatory, advantageous for, both, a novice as well as anexpert. The coherent elucidation of nitty-grittyacts as an aid to the beginners while the advanced user benefits from the in-depth knowledge and exhaustive coverage of the relevant concepts and topics. Numerous illustrations along with systematic and detailed workings thereofimprove intelligibility and facilitate augmented comprehension of the subject.The assimilation of questions from recent university and professional examinations further boosts the substance of the book.

The book is of immense value for academicians as well as for students preparing for examinations like CA, CS and CMA conducted by various professional bodies in addition to post graduate examinations viz. M.Com and MBA of various universities. The book under review will provide assistance to working professionals and practicing business managers as it provides context and knowledge to take effective and well-informed decisions.It is an indispensable resource for the readers as it provides a holistic view with the all-inclusive text, relevant updations, illustrative features and exhaustive practical exposure.

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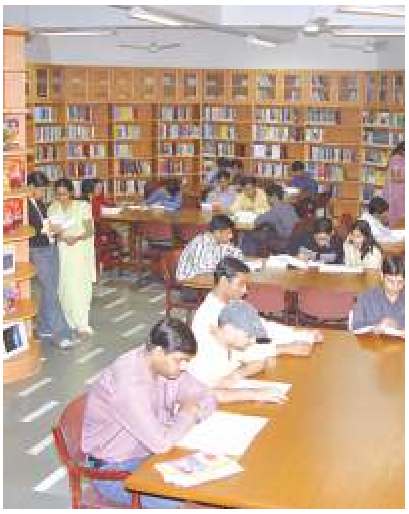

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