

Jaipuria International Journal of Management Research

January-June, 2017 • Issue 01

VOLUME

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Objective of the Journal

The objective of the journal is to provide a platform to faculty, research scholars and practitioners of management discipline globally to highlight new knowledge, innovation, technology usage and latest tools of research in the areas of management science. Its focus is on applied research and to bridge the gap between management theories and practice. The journal aims to follow international benchmarks in papers selection, refereeing, editing, proofing and production as per the latest methodology and standards. Its International Advisory Board provides policy guidelines for publications in the journal.

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Chief Editor's Desk

Esteemed Patrons

It is my privilege to share with you all our next issue of IJMR for the period January to June 2017. With publication of this issue, Jaipuria International Journal of Management Research (IJMR) has entered into its third volume. We take pride in timely publication of our journal with pure research based papers and case studies on contemporary management issues. Due to overwhelming response of the researchers and practitioners in contributing their research papers for the journal, we are able to publish the journal always in time. I express my sincere thanks to all contributors who consider our journal relevant and trustworthy in its processes and approach. This is the best benchmark of quality of the publication. I want to reiterate here that IJMR is purely an academic pursuit to encourage management research globally and we continue to do so.

I express my sincere regret to the authors whose papers couldn't be accommodated in the journal issue. Papers in the journal are included as per reviewers' feedback following double blind review process. Reviewers primarily consider three-four aspects for selecting a paper viz. originality, relevance to the journal theme, research work, and timely submission and if the author has followed the writing style as prescribed in journal's guidelines. As a result, even many quality publications which don't adhere to journal guidelines are rejected. I suggest all the contributors to go through journal website and follow the journal guidelines while preparing your manuscript and send research based papers only for the journal well in advance.

As mentioned in previous issues also, self-check by the authors before sending a paper to the journal is highly advisable as we strictly believe in ensuring plagiarism free contents and check all the manuscripts at our end. If similarity check produces result beyond the prescribed limit of the reviewers and editorial board, then paper is automatically rejected and no further communication is made to revise the paper. I am sure all contributors would help us in maintaining academic and research integrity and shall send us original contents only for publication consideration.

Seven research papers and two case studies are included in the current issue of the journal. Papers from different continents have found place in the current issue. We are trying to reach more and more authors globally and hope that in the times to come, we shall have papers from further more countries.

Many of you have might have gone through availability of full text contents of the journal on i-Scholar platform if you subscribe to i-Scholar and journal contents are also indexed in J-Gate. References of these papers will also be available on google scholar. It is requested to all the readers and authors to recommend the journal to UGC for inclusion of the same in their list of approved journals. It is based upon your recommendations that UGC includes a journal in their list.

With this issue, we are now into publication of the third volume of the journal. I assure you that we shall maintain publishing the journal in time and will follow fully transparent criteria for selection and inclusion of papers in this journal without any prejudice. This journal will always serve as the most suitable platform to worldwide academia, researchers and management practitioners to highlight and showcase their work.

Please send your candid feedback to further improve the quality of the journal.

Dr. Rajiv R. Thakur

Chief Editor – Jaipuria International Journal of Management Research

Director – Jaipuria Institute of Management, Noida

Editorial

With great pride in timely publication of first issue of third volume, we share with you all current issue of the journal. If we look back, we realize how fast the two years have passed by! After hectic work in discussing with advisory board and reviewers' board to formulate policies for the journal and arranging logistics for the journal, today, our two volumes have already been out and with this issue even first issue of third volume is in your hands. This journey wouldn't have been possible without active contribution of all stakeholders. We whole-heartily thank everyone who directly or indirectly contributed in bringing out this journal.

The present issue contains seven contemporary research papers and two highly relevant case studies. From among many papers submitted for publication consideration, finally the above mentioned papers are selected after going through very rigorous reviewing and editorial process.

First paper titled 'Improving Olympic Performance of India via Principles of Management' deals the state of sports and athletics in India. Recalling his own experience in sports, author implores the facilities, incentives, and opportunities both for participants and promoter and explore the strategy, policy and facility development that will enhance the performance of the national athletes and sport teams in international sport competitions.

In second paper on 'From Digital Divide to Facebook Divide, Reconstruct our Target Market Segments with Facebook Native and Facebook Immigrant' author studies how Facebook has been able to create division among target market segments. He has coined new terms like digital immigrants, digital native and so on and analyzed impact of Facebook on these different kind of users.

Third paper titled 'Analyzing the Factors Affecting Supply Chain Performance of Organized Retail Industry: A Study on Indian Metro Cities' is about analyzing key factors that are affecting supply chain performance of organized retail industry in India. The results of this study indicates that supply chain relationships, involvement of top management and customer satisfaction plays significant role in the performance of supply chain.

Next paper on 'Financial Inclusion - Initiatives, Schemes and Programmes' is on most contemporary issue of Financial Inclusion. Even today, billions of people remain excluded from formal financial systems worldwide. Financial inclusion is a critical driver of social and economic growth, giving the world's poor access to quality financial services to help them better their own lives. Papers discusses various scheme of Government of India for financial inclusion of all sections of society and their outcome.

Fifth paper titled 'E-Procurement Adoption Determined by various Factors - Conceptual Model Based on Literature Review' discusses about competition and how growth and survival of organizations depend on adoption of new information technology (IT). Organization can reduce the average price by 5-12 percent on average and reduce the administrative cost up to 25 percent through e-procurement. This paper discusses various factors responsible for e-procurement adoption.

Next paper on 'Cost Estimation in Strategic Procurement Practices: Methodology and Applications in Indian Defense Sector' is about how estimation of cost plays very important and significant role in strategic procurement decisions. This paper provides comprehensive review of various costing methods and its underlined assumptions specifically for defense industry.

Seventh paper on 'Financial Literacy- A Present Day Need in India' examines how financial literacy has secured a vital role in India and its economic development. Even now, the level of financial literacy in India is very low as compared to other nations. Lack of financial literacy leads to the ill-informed financial decisions and these decisions in turn, have tremendous negative impact on the financial system as a whole. This paper studies various steps and initiatives taken by Indian government and its organs to improve the level of financial literacy in India.

The first case study titled 'The Leadership Change at the Casino Blue Bell – A Case Study' is about impact of leadership change and how can an organization sustain over this change of leadership and its practices?

Final case study 'Microsoft's Acquisition of LinkedIn - A Smart Move or a Mistake?' discusses how Microsoft Corp. closed its \$26 billion deal to buy the famous professional-networking site LinkedIn, bolstering the largest acquisition in the tech giant's history and how this deal can revive Microsoft's software offerings despite topical struggles by both companies.

Reviewers therefore have tried to cover different aspects of management in the current issue with each paper discussing contemporary developments in their respective area. We hope that insights and suggestions given by the authors will be of use to both academics and corporate world.

Your feedback and suggestions are welcome, as always, to further improve quality and contents of the journal.

Jitender Sharma • Shalini Srivastava

Improving Olympic Performance of India via Principles of Management

Keywords: Sports; India's Olympic Performance; Management and Sports; Strategy and Players Performance Enhancement

S.K. Bhatt*

ABSTRACT

In this paper, author discusses the state of sports and athletics in India. He also implores the facilities, incentives, and opportunities both for participants and promoters, be it state or national Olympic associations, businesses that promote them and get enhancements in name and market or societal values. The central theme of the paper is to explore the strategy, policy and facility development that will enhance the performance of the national athletes and sport teams in international sport competitions. The matter will be considered in light of problem recognition, strategy and policy, human, resource and process management.

INTRODUCTION

It was a great sight to see the Prime Minister Modi welcoming and encouraging the entire Indian team for the Rio 2016 summer Olympics in Rio de Janeiro, Brazil. India got a silver medal in women badminton, and a bronze in women wrestling. One may say that a country of 1.25 billion people should deserve more. To improve the future performances in Olympics in particular and sports in general, the Prime Minister has set up a PM's

Task Force on Olympics that recently had their first meeting in Hyderabad on April 9, 2017.

Unfortunately, the Indian society hardly looked upon sports as a prospective paying career. Author recalls in his childhood in high school, he used to play soccer at the parade ground in Dehradun. Across the field there was a player by the name of Ram Bahadur. The author used to slip out from the family to play soccer as the family would not allow playing games. Ram Bhadur played for the Amar Jyoti team in Dehradun whereas the author could play only in friendly games for the Green Team of Dehradun. Ram Bahadur ended up playing for the East Bengal team of Calcutta, and then in the Rome Olympic in 1960. That was the last time an Indian soccer team played in Olympics. To build one's future, one was told to focus on studies. The common quote was "Parhoge likhoge banoge nawab, Kheloge kudoge banoge kharab". That is, if you focus on studies, you will become a lord but if you indulge in sports, you have no future. This was the attitude as education would be the source of finding a job for a common man or woman. This was the way of life in India when the author was in High school in 1957. Hockey and football (soccer) were common games.

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Traditionally, sports competitions in India emerge from the ones provided by the state and the national Olympic associations. Locally the sport competitions may take the form of school and college competitions. There are twenty nine provinces and nine union territories and there are some thirty seven sport/Olympic associations. India takes part in every summer Olympics that are held every four years and the winter Olympics that are also held every four years too, with a gap of two years from the last summer Olympic. Only in the 2014, winter Olympic at Sochi, Russia, the Indian skiing team was not allowed to carry the green, white and saffron. It was in reaction to the Indian Olympic Association contesting the post of its chairman with only one candidate, the one who had spent 11 months in custody on corruption charges that involved pilferage of crores of rupees. (TOI April 10, 2017).

India takes part on the international scale, in the Asian Games or ASIAD, Commonwealth Games, Summer Olympic Games and the Winter Olympic Games with varying amount of participation. They do reasonably well in ASIADs. For example, in the last Asian Games in Incheon, South Korea, India ranked 8th out of 36 countries in the medal tally, with 11 gold, 9 silver and 37 bronze medals for a total of 57 medals. The last ASIAD held in India was in 1982, in which the role of Rajiv Gandhi, a member of parliament, was immensely admired (indiatoday.intoday.in). The ASIAD games in 1982 will be remembered for the fabulous Jawaharlal Nehru stadium in Delhi.

In this section, the author would like to justify as to what motivates and qualifies him to write an article on the current subject. As mentioned earlier, the author was involved in sports in his young age as any young boy in India. But he got lucky companies and though faced many adverse situations, as any Indian boy of poor background. In his high school badminton practices, there was Satish Bhatia during 1957 in the nearby school. When the author tried to buy a Dunlop racket, the price was 75 rupees which was way more than his father's salary at that time. Satish Bhatia will end up as the national badminton champion in 1969. Back in grade six, the author had a class mate Saxena whose father was a jailor in Dehradun. The author would go with him and play table-tennis. Coincidentally, that table tennis table was placed in their recreation room, which was the room in which Pt. Jawaharlal Nehru spent his jail time in 1932. As the author hails from a village in Pauri-Garhwal, he was married while studying in B.Sc. at the age of 17, mainly to add extra hands for village farming. As the fate would have it, the author ended up at the IIT Kanpur in the Ph.D. program in Management Science in 1967. The author was invited to join the IIT Kanpur football team in preparation for the upcoming National inter-IIT Games of 1969. With a lot of hesitation, as it would hinder in studies, the author relented. Meanwhile, the coach, Mr. Awadh Naresh, the

Olympic gold medalist from Rome Olympics, was gracious enough to allow me to skip practices if needed. Incidentally, the author had to play a table-tennis match, that too on a borrowed racquet, for the post graduate team in the inter year tournament at the IIT, Kanpur. After the tournament, the captain Rakesh Bhargava, who was UP no. 1, invited the author to play for the IIT Kanpur team for the upcoming inter university tournament. Rakesh had just beaten Deepak Vadhera, India junior #1, in a tournament. With the rigorous practice schedule, it was easy to say no to the offer.

The 1969 inter IIT national games were held in Kanpur. The Kanpur IIT teams of all sports including the author's football team were camped in the campus for a month and a half. Mingling with athletes and players in various sports and games was quite an experience and education. One learns in these camps of team spirit, giving your best and leadership.

In 1972, the author got appointed as a lecturer at the Indian Statistical Institute, Calcutta. There the author was invited to play in the table tennis tournament of the Institute. The author had to play on borrowed racquets, still beat the current champion in the semi-finals but lost in the final. Still, the author was invited to play for the institute team in the Calcutta inter-office league tournament at the YMCA club at Chawrangi, which the team won and the big trophy is gracing the entrance cabinet of ISI. The author then moved to the Asper School of Business on an invitation in 1972. Here, the author has studied business organizations and has conducted more than 150 projects on various companies. The author was awarded the Best Professor of Supply Chain Management in the world on June 29, 2012 by World Education Congress. (Bhatt, 2016).

INCENTIVES AND MOTIVATIONS TO ATTRACT MEN AND WOMEN TO SPORTS

A decade before China hosted the Olympics in 2008, in their preparations; they started with "catch them young" programs. They attached the significance of the Olympic medals with national pride to bring about the required cultural change. The medals became indicators for the country's pride and status symbol that the successful countries will be identified with their medal haul in Olympics. India always had talent and sports people like Prakash Padukone, Vishwanath Anand, Mihir Sen, Pankaj Adwani, Dara Singh were world champions mostly on their own efforts. Talents such as Usain Bolt, Michael Phelps, Dhyan Chand and Sachin Tendulkar are a force of nature which a country gets by luck. However, champions are created by the right amounts of search process, incentives including financial support, motivation, competitions, facilities and coaching or leadership. Following are the ideas and spheres where the right strategy is suggested. Then finding the human

resource, training programs, facilities etc. are listed below. By the way, the author had the opportunity to attend the seminar and participate in discussion with the world authority on policy and strategy, Prof Mintzberg and feel very blessed. (Minzberg et al.).

Minzberg et al, (1997), in his book on strategy, begins with narrating an Indian story of six blind men and an elephant in a room. Every one of them describes by touching the elephant in different way. The purpose of the story is to recognize and define the problem at hand properly. Otherwise one may be using the best solution method but solving the wrong problem. The problem here is how to convince and transform the value system of the society in which sports are looked upon giving good returns in education and employment.

Attitude of the Indian society must change towards sports. The government must make sports along with the academic qualification as criteria for job offers. The government of India employs more than a million each, in Railways, Army, and Banks each. They and the government recruitment in general should have a 10% reservation for sportsmen and women having at least one medal in a district championship or having played in a school, college or university team. In order to enforce this argument further, it may not be out of place to introduce incentives in schools and colleges to sportsmen and women. When it comes to facilities, granted, it will be hard to produce world class divers in a pool as China has shown. The problem of providing swimming pools in the country sounds beyond pale, due to the availability of water. Mr. Dhoni, the Indian cricket captain was not allowed to build a swimming pool in his home due to the protest by people.

INDIA'S CULTURE AND SPORTS

Culture of any country represents the collective thinking of a populace. Culture indicates how the society makes decisions. In the past in India, sport has not been looked upon a great career to pursue as there are no certain and identifiable rewards. Parents push their children to study. That is the reason; children and youth are attracted to cricket as they see the cricket heroes making good money. Luckily, now in India, there is a change in attitude, options and facilities. Fortunately, there is a significant improvement in India's HDI (Human Development Index). Refer to sources: (hdi.undp.org) and TOI, (Dec.15, 2015). The Gross National Income (GNI) per capita rose from \$1,255 in 1980 to \$5,497 in 2014. At the same time life expectancy at birth increased from 53.9 years in 1980 to 69 years in 2014. Incidentally, during 1972, the author at ISI, was giving special seminars to the department of Economics. After the lecture, the whole group would go to the canteen for tea. They invariably were joined by a professor from Jadavpur University, by the name of Amartya Sen. The index HDI was developed

by him for the United Nations. Dr. Sen received the Nobel Prize in Economics in the year 1998 and Bharat Ratna in 1999.

CORRUPTION

The 2010 Commonwealth games have left a stigma on the preparation for sports. These days every political party's election plank would have corruption removal at the top of their agenda. Stealing, bribing, embezzlement are identified with corruption, but dereliction of duty does not commonly fall in this category. The recent case of Kulbhushan Jadhav, who was captured from Iran, and to whom Pakistan military court has ordered to hang in spite of him having legitimate Indian Passport. Amazingly, there are 36 thousand Pak nationals living in India illegally (TOI, April 9, 2017). Recently, the problems in admission in Guru Govind Singh College of Sport were reported in TOI in the first week of April 2017.

MERITOCRACY

Unlike many situations in the society where some segment needs special help in scholarships, loans and other monetary support in admissions and jobs, sports is the area where no compromise can be envisaged. The countries such as United States, Canada, and England etc. have made strides in quality of life, living standards, advances in other spheres like education, innovation etc. due to their strict adherence of meritocracy. In sports, it cannot be ignored. Why India is no.1 in Test cricket is strictly due to honest selection process. There are nine government of India owned SAI (sport authority of India) that admit thousands of young men and women in various sport programmes. I am sure meritocracy is well followed. Here the author would like to mention his personal face to face experience with the theme of meritocracy in Canada. In the year 1999, the author was the chairman of the Ph.D. programme in the Asper School of Business in Canada. The school was interviewing a woman applicant in United States via teleconferencing. Just before the chairman (the author) of the committee was to phone her, the author as a chairman asked the committee of six other professors, what might be the marital status of the candidate? The whole board protested to the chairman that we are not concerned with the personal details of the candidate. We are only concerned with the merit of the candidate.

Given below are two key facilities that need to be strengthened and developed.

1. **SAI.** There are already nine such sports facilities in all regions of India. It will be a matter of strengthening the resolve, focusing to the new setout goals and attaining excellence. Author's relative Rani Sharma is a hockey coach in Gandhinagar SAI and has played hockey for India.

2. Competitions Create Champions. For a long term planning, hold the sports competitions at the primary school levels, school levels, city levels and provincial levels. It may be a good idea to hold a meeting of all provincial sports ministers to conduct such competitions. In the annual school sport meet in Dehradun in 1955, our school- A.P. Mission School, received the first prize in P.T. competition and I was a member of the team while in grade 9. Here in Canada, I remember taking my son, when he was in grade 5, to the primary school competition in this full-fledged athletic stadium with tracks and jumping pits. He won the long jump. The schools in India in the nooks and corners of dense mohallas have no space to play. It may be made a part of certification for schools to show the access to a playground facility. Similarly, the national sport meet, every sport or game has a national body, be held every year.

In every society, competition does have a say in quality of any activity. For example, in 2011, 485, 000 students wrote the IIT (the author's alma mater) entrance examinations and only 9,618 qualified for entrance. (Wikipedia). In a recent report in April, 2017 in TOI, of the top ten colleges in India, six are in New Delhi. The reason as the author sees it, is that most of these colleges are close to each other. This bruises competition. The author spent six weeks in Hindu College of Delhi, across the St. Stephen's college, for a national work shop on Management Science supported by PL 480 funding. Comparing that to the Ice Hockey Rink in Dehradun that is built with the support of Canadian Hockey Federation's help, one would be forced to argue where would they get the competition? The author's grandson is a junior ice-hockey player in Ottawa, Canada. His ice hockey kit that has the skates, helmet, pads, hockey-stick and the dress has cost him around 750 Canadian dollars which comes out to be Rs. 37,500. It would be hard to imagine a fierce competition in the hockey rink.

Now we discuss the strategy how to improve India's performance at different international sports events like Olympics and figure out as to where to find these athletes and bring them to facilities.

1. Indian Defense Services. The Indian army, navy and air force carry high quality assets and recruits through tough selection every year. Rifle shooting and pistol firing consists of 15 events or 45 medals. Allowing various regiments to compete on these categories will considerably enhance the chances. The author lives in Dehradun and often passes by IMA. Then on my way to my village, in Lansdown, there is Garhwal regiment. In Dehradun, there is Gorkha regiment and in Almora, there is Kumaon regiment. In Jalandhar, there is Sikh Regiment. The author's father-in-law served there as a part of British force and fought with Japanese in Burmese front.

He was declared MIA, but came back safe in 1942. The reason to mention these army regiments in the hilly areas is that the hill people are natural long distance runners. They can produce success in 1500, 10,000 meter running and marathon. Kipchoge Keino of Kenya, and Abebe Bikila of Ethiopia, the gold medal winners in 1968 Mexico Olympics and Rome Olympics come in to mind. They used to run multiple miles to go to school or work.

Similarly, the navy can be made a center of canoeing and kayaking. There are 16 events or 48 medals in canoeing alone, in both sprint and slalom. Just hire Hungarian or Check Republic coaches.

2. Regional Emphasis. A big country such as India has many regional particularities. For example, someone from the author's village in Garhwal cannot be a better swimmer than a Bengali, because one cannot find a still water pond in Garhwal. Similarly, if one has to locate archers, Santhal region of Chattisgarh would be a right place as the adivasies are natural shooters of arrow, both men and women. A school of archery will give them relief from the naxal pressure. Similarly, the north eastern young men and women from Nagaland, Tripura etc. (e.g. Marikom) would be more naturally inclined to boxing, gymnastics etc. Keralites are more into sprint and Punjab, Haryana more into wrestling and so on.

Talking about natural instinct, my wife Radha was married when she was 14 and I was 17, studying in B.Sc. The purpose of the marriage was to add extra hands for the farming and tending to cattle. Her parents never put her in a school considering that she has to do the work at the village home, fields and tending cattle. At the Indian Statistical Institute (ISI), in 1974, the two great professors, C.R. Rao and Pitamber Pant, both distinguished members of planning commission, were visiting ISI, so many of us faculty planned to see them. It was told that they were having dinner with the ladies' club. When some of us went there, we saw them playing badminton in the court of the ladies club. Someone pointed to me to look at who they were playing against. I was shocked to see my wife on the court opposite to them. The ladies club had found in her a natural player of badminton and encouraged her. Of course, all the hard work in the village had made her arms and shoulders strong to play badminton and hit those hard shots.

On a differing note, while in Canada, when she heard Prime Minister Modiji's call for Beti Bachao and Beti Parhao, she did question me with tears in her eyes, as to why this idea never occurred to Nehru ji?

3. Private Sponsorships. Forbes' magazine published the list of Indian billionaires. I was proud to see Narayan Murthy, a fellow IITian from Kanpur during 1968-69, in there. Ambanis, Adani, Prem Ji and many can be asked to sponsor one of the Olympic sports. Mrs. Nita

Ambani is an IOC member. If Mr. Badruddin Ajmal, the Scent (itra) king of Assam is asked to take charge of gymnastics and boxing, he wouldn't say no. Those are the sports, the eastern Indian are natural at. Right now, the sponsors are pouring money on the medalists. The image, the sense of social service, and the national pride that these sponsorships will earn would have immense advertisement value and more so if someone from one's sponsored set up wins a medal. Mr. Murthy can set up a table tennis, weight lifting center at the Infosys. Many can be asked to sponsor specific sport at any of the SAI centers. The author remembers watching the world table tennis championship of 1972 at the Netaji Subhash Chandra Bose stadium in Kolkata that had fantastic facilities. Each of these rich businesses may be asked to produce a gold medal in the sport of their choice. It would be good for their advertisement.

4. Centers of Excellence. In United States, there is a strong university athletic program and NCAA

championships are held every year. For basketball there is North Carolina University, for athletic, the Alabama university. For swimming, university of Stanford is the place to go. Multiple medalist Michael Phelps practices there. A person is ready for competitive sport at the age of ten when he or she is in grade 6 and entering a high school. Through the school sport competition, a child chooses the sport of one's choice and joins the university that excels in his/her field. All universities cannot be excellent in all sports; therefore, the universities in different regions may specialize in some specific sports.

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From Digital Divide to Facebook Divide, Reconstruct our Target Market Segments with Facebook Native and Facebook Immigrant

Keywords: Social Media, Digital Divide, Segmentation, Marketing,

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ABSTRACT

Digital divide emerge since early nineties when popular internet come to age. People forty-five or older than forty-five years-old are less likely to have internet access during their time as university students, and they are most likely to obtain web-based Internet related knowledge thereafter formally. The age of forty-five can be regard as the turning point age to distinguish people who may or may not have lesser knowledge on using the web-based Internet. The availability of Smartphone for the last 10 years help to increase the internet penetration rate and it also contribute to a wider digital divide. Digital immigrants and digital native are two connotations of these two groups of people. Digital native is the generation of people born into the digital age and learn through digital means, while digital immigrant is the group of people who learnt to use computers and other digital related knowledge at some stage during their adult life. With the same logical thought, 2004 was a turning point of people who acquire Facebook knowledge in school or outside school. Facebook is the number one online social network in terms of usage in most of the top

fifties countries. From 2004 and onwards students who joined Facebook are Facebook natives, while people who join and acquire Facebook skills outside collage and thereafter are Facebook immigrants. The two groups of people plus those who did not have access to Facebook constitute the situation of Facebook divide society. Facebook native and Facebook immigrant are the two major market segments, which marketers are dealing with in current years. Facebook is the largest online social network and similar online social networks may dominant in different societies where society is divided as well. Secondary data on internet usage, Facebook usage, Facebook ranking, and participate observation on Facebook group & pages are applied for analysis. Reconstruct our target market segments shall be in place.

INTRODUCTION

Digital divide become prevalent in the nineties when popular Internet emerge. Various researches in different discipline on digital divide help to proliferatethe importance of digital divide and related issues arise in different academic disciplines (Blank, 2016; Büchi, Just, & Latzer, 2015a; Kania-Lundholm & Torres, 2015;

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Micheli et al., 2015; Ragnedda & Muschert, 2015). Digital divide has helped us to classify the society into two groups of people who are in digital world and who are not. Within the group of 'in digital', there are digital native and digital immigrant (Akçayır, Dündar, & Akçayır, 2016; Brewer, 2015; Correa, 2016; Metallo & Agrifoglio, 2015; Vodanovich, Shen, & Sundaram, 2015). Digital natives are born with access to the internet in early ages even before formal education, while digital immigrants are people who acquire internet skills in later age during their life. For instance, nowadays toddler may access the internet on a tablet or Smartphone. Toddler may be able to manage a few function through touch screen control when they are not yet able to speak a full sentence, while the retired generation may have problem to use the ever changing interface of applications on Smartphone or tablet. These two groups of people's digital literacy means they process different degrees of skills and knowledge to make use of digital means to acquire information (Deursen & Dijk, 2014; Hargittai, 2007; Ukwoma, Iwundu, Iwundu, Baker, & Baker, 2016; van Deursen & van Dijk, 2015). The emergence of Facebook in 2004 marked a turning point and milestone of the internet where major shift of internet usage happened from Web 1.0 towards Web 2.0. The two groups of people who are in-Facebook and who are out-Facebook help to construct the situation of Facebook Divide. The group of people who are in-Facebook can be divided into Facebook native and Facebook immigrant. These groups of Facebook users have different degree and level of knowledge and skills to access and manipulate Facebook usage (Correa, 2016). The Facebook divide has happened where countries and areas with a significant number of the population is on Facebook. The marketing segmentation shall be rewritten upon the divide society where previous market segmentation may not able to cover the ever-evolving market population. With Facebook Divide, different dimension of Facebook usage and Facebook advertising system shall provide new ground to reconstruct the market segmentation for different purpose in policy and management.

DIGITAL DIVIDE

Digital Divide refers to the gap between people who has access to computer and internet and those without this access. Wider definition of the digital divide will fall within any gap between two groups of people of access to information and communication technologies (ICT) services, devices, and information (Büchi, Just, & Latzer, 2015b; Hill, Betts, & Gardner, 2015; Kwong, 2015; Lee, Park, & Hwang, 2015). Researchers presumed that the availability of internet access of different means and act as a mass medium in the early 1990s helps to reduce the information cost and benefit to the society as a whole. However the situation was not as expected and it was

observed that inequality started to become apparent with some people had more access than others (DiMaggio, Hargittai, & others, 2001; Hoffman & Novak, 1998). Demographic attributes such as education level, illiteracy, dependency ratio, urbanization, income level, telecommunication penetration, electricity consumption, have shown significant differences on the computer usage and internet with different degree (Chinn & Fairlie, 2006).

Digital Divide as a concept help to identify the digital inequality between the group of people who have access and those without access to the internet since 1990s. In fact the Digital Divide concept may extend to earlier ages when technology evolved through out last century. For instance, Reginald Aubrey Fessenden's successful transmission of the first audio radio signal in 1900 (Belrose, 2002) marked our modern society of who have access to radio and who have not. Those have access to commercial radio in later days shall have the first hand information on weather, market information, entertainment, etc. through broadcast compared to those may only read the next morning newspaper headline. This gap may allow those who have access with advantage to make decision on daily life and economic activities in advance over those who did not have such access. Later years, access to television had similar effect. Both radio and television are one-to-many form of information flow. This gap was mere a matter to afford a device or not, and there was not much skills needed to operate those old devices.

Nowadays, digital divide is not only a matter of affordability but know-how is essential. Internet penetration and mobile penetration in developed countries allow most of their people to have affordable internet access. Geographically digital divide can be a global divide, regional & continental divide, country divide, and local divide. At the time being. Global divide may attribute to countries & areas where simply access of internet is still lacking or certain countries did not have access to certain major internet services. Regional and continental divide may attribute to certain countries & areas have faster access while other did not. Education and income level of a country may divide the country with access and type of usage. With similar income or education level of people living in local area, skills and motivation may contribute to the local divide (Grant, Chen, Bidkar, Singh, & Taschdjian, 2015; Mardikyan, Yildiz, Ordu, & Simsek, 2015; Philip, Cottrill, & Farrington, 2015; Pick & Nishida, 2015; Rice & Pearce, 2015; Rideout, 2016).

Digital divide may apply on the marketing management where digital marketing activities subdue the well-being and the right to timely information of the people who did not have proper access. As Dijk (2006) deliberated that

digital divide can be classified into four different types of access namely motivational, physical, skills, and usage. People may be afraid to use the technology gadget or they love it as a pioneer. People may want faster access but the provider may not be able to provide access with fiber optics constitute a physical challenge. Acquire information through a browser can be easy for most people but interaction through social media platform or transaction throw challenge to some users with lesser skills. Demographic attributes affect the frequency and time of usage. These four access classifications allow us to understand different dimensions and degrees of digital divide happening to individual. Internet has widened the inequality instead of reducing the gap. With increasing penetration and lower cost of mobile communication and mobile internet access, the gap on the access has a trend of decrease, while the gap on usage and skills widens with more sophisticated application on access. Elaborate further with Goldfarb & Prince's suggestion (2008) people's access to internet can be conditional and affected by demographic attributes. There are four suggested potential causes on conditional access namely: the opportunity cost of leisure time, differences in the usefulness of online activities, differences in the amount of leisure time, and selection. The opportunity cost of leisure time contributes most to the conditional access.

Furthermore, digital divide from the production angle provides insight not just on the end user or general public divided, but a digital production gap will divide the content supplier or service provider who may control the access of end user or the general public. Different types of private and public entities may provide information through digital channels, but there are levels of difference on the provision. Some entities may provide comparative richer information for reference and transaction while others may not. The provision may contribute to the digital divide (Schrader, 2011). For instance, a user may access a travel ticket comparison website which may suggest the best deal, while another user may access a website which provides limited ticket options. The resource, tools and the knowhow of the provider underline the inequality of the users.

As shown in Table 1, the internet penetration in developed countries with over twenty million people in the Western societies as well as countries like Japan, South Korea, and Taiwan are mostly over 70%. In fact, other developed countries not on the list with smaller population like Singapore, Hong Kong do have higher penetration. Anyhow, the internet access continues to expand in both developed and emerging countries similar to its expansion in the U.S., (Bazar and Boalch, 1997). Google and Facebook have announced and pledged to provide internet access to countries and regions where lesser government or other commercial internet connection services provider will do (Daily Mail,

2016; WIRED, 2016). Global divide gap can be narrower in terms of access.

Younger generation who are regarded as digital natives shall have no problem to utilize and adapt to ever-changing required skills to access internet or ICT services for various purposes. Through the mentioned countries above which have a high internet penetration rate, digital divide is still applicable to older generation in particular or those unfortunate people who cannot afford to have access. Research showed that the older generation or the grey divide prevailed with no access or limited access (Friemel, 2016). The older generation and the unfortunate group of people are placed at an unfavorable and disadvantaged situation for services, products, and information. In contrast, research findings suggested that younger generation with comparatively more access and greater freedom to use ICT services may have higher chance and opportunities in life events including education, careers, health, political and public affairs than those who have limited and less access (DiMaggio et al., 2001; Mascheroni & Ólafsson, 2015). Different input devices such as keyboard, key pad, touch screen, writing pen, joy stick, track ball, optical mouse allow different digital generations to access whatever information wanted. At the same time, these input devices do pose a challenge for digital immigrants who need to learn and get familiar with different input devices on computer and various gadgets. Children born after 2010 are regarded as touch screen generation who know how to access smartphone, tablet and any touch screen devices even not yet know how to read and write (Ahearne, Dilworth, Rollings, Livingstone, & Murray, 2016; Demeulemeester et al., 2015; Neumann, 2016; Sheehan & Uttal, 2016), while other older generation born before 70s may have different level of trouble to learn and adapt to the technology in full. Their mentality on using these gadgets shall be different (Chan, Haber, Drew, & Park, 2016; Chiu et al., 2016; Gao & Sun, 2015; Zhao & Men, 2016). As Loges & Jung (2001) suggested the current state of digital divide was a generational phenomenon which would fade out sooner or later. The digital immigrant will join the digital society eventually through different learning and adaptation processes. For instance, people who may not be able to access online banking a decade ago, may now access banking through smartphone mobile application. Older folks who may never play a PC game are now addicted to mobile games. Old people who did not read desktop online newspaper may now read it on a tablet. Augmented reality and virtual reality are heating up and it will be dominated in the coming decade or just in a few years when it will require the next older generation and new digital immigrant to go through the learning cycle and adapt to the latest technology, or otherwise they will be excluded. The digital divide may not be eliminated but an ongoing cycle of new technology and new divide for the new older generation who was a native to the previous technology.

Table 1

Pop. Rank ¹	Country	Population ²	FB user age 13+ ³	FB Penetration% ⁴	Internet penetration% ⁵	FB % of internet user. ⁶	Facebook Ranking by country ⁷
1	China	1,373,541,278	1,800,000	0.13	50.30%	0.25	52
2	India	1,266,883,598	158,000,000	12.47	26%	47.96	4
3	EU 28 countries ⁸	513,949,445	245,000,000	47.67	77.50%	61.51	na
4	United States	323,995,528	198,000,000	61.11	74.60%	81.91	3
5	Indonesia	258,316,051	90,000,000	34.84	22%	158.36	4
6	Brazil	205,823,665	114,000,000	55.39	59.10%	93.72	4
7	Pakistan	201,995,540	28,000,000	13.86	18%	77.00	4
8	Nigeria	186,053,386	16,000,000	8.60	47.40%	18.14	3
9	Bangladesh	156,186,882	23,000,000	14.73	14.40%	102.29	4
10	Russia	142,355,415	11,000,000	7.73	73.40%	10.53	36
11	Japan	126,702,133	26,000,000	20.52	93.30%	21.99	7
12	Mexico	123,166,749	69,000,000	56.02	57.40%	97.59	3
13	Philippines	102,624,209	56,000,000	54.57	40.70%	134.07	4
14	Ethiopia	102,374,044	4,900,000	4.79	11.60%	41.29	na
15	Vietnam	95,261,021	42,000,000	44.09	52.70%	83.66	4
16	Egypt	94,666,993	33,000,000	34.86	35.90%	97.10	2
17	Iran	82,801,633	na	na	44.10%	Na	na
18	Congo ⁹	81,331,050	2,400,000	2.95	3.80%	77.63	na
19	Germany	80,722,792	30,000,000	37.16	87.60%	42.42	5
20	Turkey	80,274,604	44,000,000	54.81	53.70%	102.06	4
21	Thailand	68,200,824	42,000,000	61.58	39.30%	156.59	4
22	France	66,836,154	32,000,000	47.88	84.70%	56.52	4
23	United Kingdom	64,430,428	39,000,000	60.53	92.00%	65.79	3
24	Italy	62,007,540	29,000,000	46.77	65.60%	71.29	4
25	Burma ¹⁰	56,890,418	12,000,000	21.09	21.80%	96.74	3
26	South Africa	54,300,704	14,000,000	25.78	51.90%	49.67	4
27	Tanzania	52,482,726	3,900,000	7.43	5.40%	137.59	4
28	Korea, South	50,924,172	17,000,000	33.38	89.90%	37.13	10
29	Spain	48,563,476	22,000,000	45.30	78.70%	57.56	4
30	Colombia	47,220,856	26,000,000	55.06	55.90%	98.49	3
31	Kenya	46,790,758	5,900,000	12.61	45.60%	27.65	7
32	Ukraine	44,209,733	5,700,000	12.89	49.30%	26.14	27
33	Argentina	43,886,748	29,000,000	66.08	69.40%	95.21	3
34	Algeria	40,263,711	16,000,000	39.74	38.20%	104.03	3
35	Poland	38,523,261	15,000,000	38.94	68%	57.26	4
36	Uganda	38,319,241	2,300,000	6.00	19.20%	31.25	3

37	Iraq	38,146,025	14,000,000	36.70	17.20%	213.37	4
38	Sudan	36,729,501	na	na	26.60%	Na	3
39	Canada	35,362,905	21,000,000	59.38	88.50%	67.09	4
40	Morocco	33,655,786	12,000,000	35.66	57.10%	62.45	3
41	Afghanistan	33,332,025	2,700,000	8.10	8.30%	97.59	4
42	Malaysia	30,949,962	19,000,000	61.39	71.10%	86.34	3
43	Venezuela	30,912,302	13,000,000	42.05	61.90%	67.93	4
44	Peru	30,741,062	19,000,000	61.81	40.90%	151.12	4
45	Uzbekistan	29,473,614	550,000	1.87	42.80%	4.36	21
46	Nepal	29,033,914	6,700,000	23.08	17.60%	131.13	3
47	Saudi Arabia	28,160,273	14,000,000	49.72	69.60%	71.43	4
48	Yemen	27,392,779	1,900,000	6.94	25.10%	27.64	3
49	Ghana	26,908,262	3,900,000	14.49	23.50%	61.65	4
50	Mozambique	25,930,150	1,500,000	5.78	9%	64.22	7
51	Korea, North	25,115,311	14,000	0.06	na	na	na
52	Madagascar	24,430,325	1,500,000	6.14	4.20%	146.19	4
53	Cameroon	24,360,803	2,300,000	9.44	20.70%	45.60	5
54	Cote d'Ivoire	23,740,424	2,900,000	12.22	21%	58.19	2
55	Taiwan	23,464,787	18,000,000	76.71	88%	87.17	4
56	Australia	22,992,654	15,000,000	65.24	84.60%	77.11	4
57	Sri Lanka	22,235,000	4,300,000	19.34	30%	64.46	4
58	Romania	21,599,736	8,700,000	40.28	55.80%	72.18	4
59	Angola	20,172,332	3,800,000	18.84	12.40%	151.93	8

Note.

1. The population ranking is based on the population estimation by CIA in 2016
2. The population figure is July 2016 estimated by CIA
3. The number of Facebook user age 13 and above was recorded on 22 October 2016 from Facebook advertising system.
4. The Facebook penetration rate is calculated by the Facebook user age 13 and above to the total population
5. The internet penetration rate is quoted from CIA World Fact book
6. Facebook percentage of user as of the internet users
7. The ranking of an internet website is based on ranking by Alexa.com
8. Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.
9. Congo, Democratic republic of The
10. Burma is Myanmar

FB = Facebook • NA = data not available

FACEBOOK NATIVE, FACEBOOK IMMIGRANT AND FACEBOOK DIVIDE

Facebook was initially setup by a Harvard student for Harvard students only in 2004. It extend to other universities later, and open to all general public in 2006 (Facebook, 2016). As Digital Divide prevails, Facebook with the largest group of daily active user on social network is the largest subset of digital divide. The web 2.0 which allows many-to-many interactions happening around with the 1.6 billion (Facebook, 2016) Facebook active users matter to different academic discipline. Interaction on social media including Facebook, and other major social media such as twitter, LinkedIn, Snapchat, Whatsapp, Instagram, etc. provide a platform to encourage more humanistic approach on the internet through one-to-one, one-to-many, many-to-many interaction, conversations, interpersonal networking, personalization and individualism, cultivate stronger community, (Kamel Boulos & Wheeler, 2007) of interactivities compared to the previous generation of web which provide one way flow of information and mostly one-to-one interaction.

Facebook native are user who join Facebook as student, and Facebook immigrant who join Facebook in later days after school. With the same logical thought of digital divide, the two groups of people who are opt-in plus people who are opt-out Facebook construct the situation of Facebook divide. Own personal discretion, privacy, financial matter, technical skills, literacy, are reasons for people to opt-out. The Facebook divide thrive the situation of inequality in different aspects. As a feature, the Facebook live will allow user on the move to have the latest situation of an event, while who opt-out may need other means to access the latest situation or blind out from the situation. Marketing activities of different public or private entities on Facebook may allow user to get incentive through actions such as click the like button, upload a photo, share a post, comment a post, tag a friend and etc. Facebook group with a subject or issue allow different people from anywhere around the world to join with a specific interest may unintentionally put people who enthuse over the subject or issue left behind without being notice. These are matter of facts to put people who opt-out Facebook in disadvantage.

From Table 1, it is observed that in most of the countries over 20 million people are Facebook divide with a few exception. For instance China, North Korea, Iran (Kirkland, 2014) have blocked access and did not allow people to access Facebook for political reasons. 48 out of 59 counties listed above have over 30% of their internet users are Facebook users. 40 out of the 59 counties have

over 50% as Facebook users. A number of countries have over 100%. A few factors which are not intended to discuss in detail in this paper may underline this over 100% penetration phenomena. Under estimate the internet penetration rate where mobile access may not have 100% counted into penetration, people access Facebook in a residing country other than their home country, a user may have multiple accounts which over estimate the number of Facebook users, multiple may use the same terminal or device to access different Facebook accounts, are among factors contribute to over 100% penetration rate. The Facebook divide situation shall push us to contemplate on possible reaching two groups of people in Facebook and out-Facebook.

TARGET MARKET SEGMENTS

Both public and private entities program need segmentation for policy and sales activity. Marketsegment can be defined through four main approaches, namely geographic, demographic, psychographic, and behavioral which are applicable in different markets and products (Brito, Soares, Almeida, Monte, & Byvoet, 2015; Cross, Belich, & Rudelius, 2015; Rundle-Thiele, Dietrich, & Kubacki, 2017; Schlegelmilch, 2016; Schuster, Kubacki, & Rundle-Thiele, 2015). However, the emergence of social media created a new challenge to segmentation. We may still apply the four main approaches, however the social media may make some traditional approaches lesser effective. Social media dissolve the country border, anywhere is the world can become a single region - "online". Demographic attribution, such as age, gender, ethnicity, income, social class, religion are still in place, but marketer may not really need it on social media where any people with any demographic attribution when sharing post in social media make no difference to demographic attribution. Psychographic approach prevailed when people concentrate on certain issues and things happening on social media. Behavioral approaches shall applicable to most situations where online activities may replicate from offline activities with much faster paces. As a result, social media segmentation can be a mix and match of the four approaches.

RECONSIDER AND CONSTRUCT THE MARKET SEGMENTS WHEN FACEBOOK DIVIDE

With over 1.6 billion (Facebook, 2015) heterogeneous active user across different region, countries, languages, behavior, interest, using the same platforms, there are not many suggestion on social media strategies other than using tradition approaches of geographic, demographic, psychographic, and behavioral. There was research

*According to Foreign Policy there were over 300,000 Chinese students studying in USA.
<http://foreignpolicy.com/2015/11/16/china-us-colleges-education-chinese-students-university/>*

resulted with 4 profile types segmentation namely seekers, devotees, connection seekers and entertainment chasers as a framework for engaging and interact with consumers on Facebook (Hodis, Sriramachandra Murthy, & Sashittal, 2015). Another research of cluster analysis based on these variables suggests four potential clusters of sharing consumers segment namely as sharing idealists, sharing opponents, sharing pragmatists, and sharing normative (Hellwig, Morhart, Girardin, & Hauser, 2015). Other recommend to use the profile image for segmentation (Vilnai-Yavetz & Tifferet, 2015). This paper suggested to have three different approaches on segmentation upon Facebook divide.

With digital divide, market segmentation can simply put into a dichotomy of online and offline segments. However online does not mean at all for one single online segment where many targets are one or multiple platforms or people are not active daily. Platform with a steady number of active users matter the most for marketers. Considering Facebook divide, market

segment shall start with a two segments of Facebook and non-Facebook user. The Facebook segments will give a marketer of 1.6 billion targets worldwide without border. From the Table 1, there are 14 countries or areas with over twenty million population have over 50% of the population active on Facebook, and there are 42 countries or areas have over 50% of online population active on Facebook. When the threshold of 30% of Facebook penetration taken into consideration, 48 countries over 20 million people can be selected as target segment.

Participants observation on Facebook user activities on pages, groups, created resulted with different categories of functional usage. In additional a hidden group of users who are likely to act as bystander with nearly no activities at all but reading and monitoring what is going on the timeline feeds. A specific group named "A tale of two cities" is setup for user behavior observation. Different Facebook functional usage by usage shown on Figure 1, allow us to considered segmentation with these eight functional usage.

Figure 1 - User's Eight Different Functional Usage on Facebook

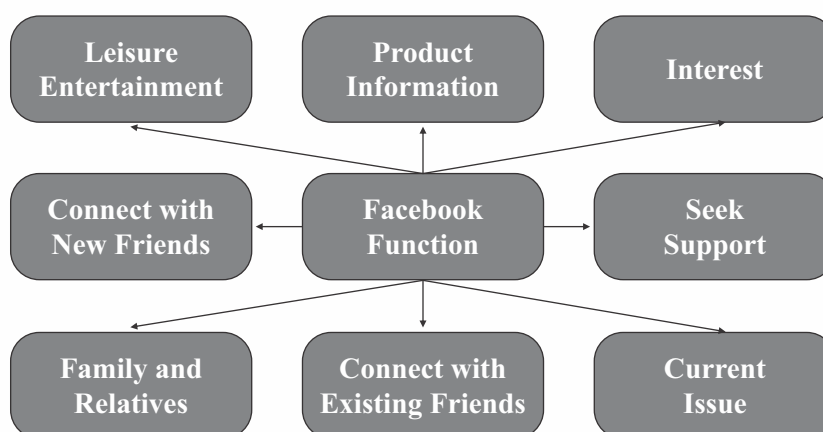
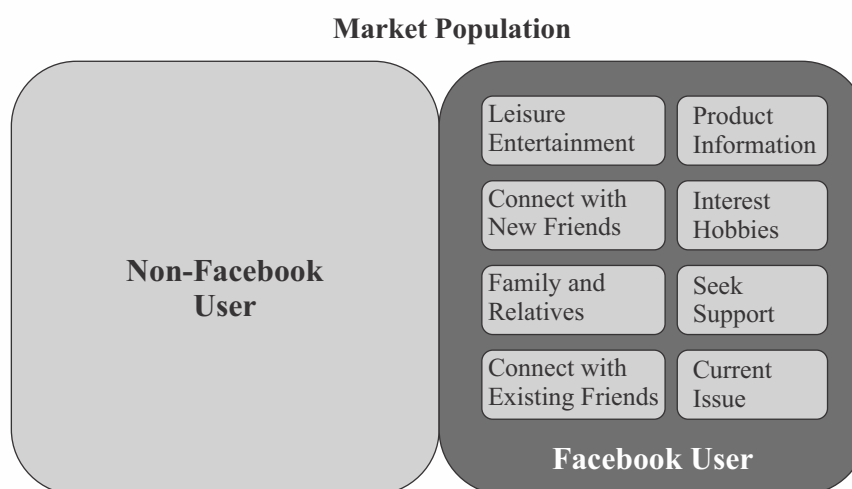


Figure 2 - Facebook with Dichotomy Segmentation and Eight Segments + Bystander Segmentation



Various groups and pages have been set up for monitoring the activities of users' usages. "A Tale of Two Cities" is one of the up and running group to provide data for usage analysis. <https://www.facebook.com/groups/hkgmfim/>. The group administrator "Alan Yung" name is open to public. Other pages are setup with anonymity.

Facebook advertising system provided the following options on Table 2 as of 1st November 2016 on selecting targets. Marketer can segment the market with the options provided by Facebook. Regardless of the budget, this provides marketer an opportunity to create a very simply target segment as simply as 30 million people on Facebook living in Germany. At the same time,

the marketer may need to reach non-Facebook user through other means. We may create a segment of 1.3 million people living within 40km of Noida UP in India, Female age 20-30 with college degree who like Bollywood films. The flexibility of it allows both private and public entities to reach a sizeable audience or a niche segment.

Table 2

Main Option Category	Sub Option Category
Custom Audiences	Customer file, Website traffic, App Activity, Engagement on Facebook
Locations	Include or exclude
Age	-
Gender	-
Languages	-
Demographics	Education, Ethnic Affinity, Generation, Home, Life events, Parents, Politics, Relationship, Work, (Subcategories are available on each option above)
Interests	Business and industry, Entertainment, Family and relationships, Fitness and wellness, food and drink, hobbies and activities, shopping and fashion, sports and outdoors, technology (Subcategories are available on each option above)
Behaviors	Anniversary, consumer classification, digital activities, expats, mobile device user, seasonal and events, travel, (Subcategories are available on each option above)
More Categories	Fast Food, Nail Care
Connections	Facebook Pages, Apps, Events,

CONCLUSION

Facebook may prevail for coming years, and it is necessary to take it into consideration for both public and private entities in reaching out audience and customers. In the era of Facebook divide, dual marketing strategies shall be in place to cover non-user and users. The dichotomy segmentation, the functional usage segmentation, and multiple options segmentation through Facebook advertising system shall set the basic for marketers along with traditional approaches for non

Facebook users. Further researches shall focus on ever changing Facebook and social media environment with update segmentation. Facebook is a single social media platform, and it may be replaced with something new in technology or something we do not know in years. Something new will divide the society inevitably and segmentation shall change accordingly. The society shall invest public money to lessen the gap on the divide for the good seek of the society as a whole.

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Analyzing the Factors Affecting Supply Chain Performance of Organized Retail Industry: A Study on Indian Metro Cities

Keywords: *Supply Chain Performance, Environmental Uncertainties, IT Adoption, Supply Chain Relationships, Business Management, Customer Satisfaction*

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ABSTRACT

The present study was done to identify and analyze key factors affecting supply chain performance of organized retail industry in India. A convenient sample of 120 retail outlets was taken from Indian Metro cities with an objective to find the relationship between factors identified through literature and supply chain performance. The respondents were the front line managers at different retail outlets. The instrument used for data collection was structured questionnaire. Data analysis was done using statistical tools like descriptive statistics, chi-square, factor analysis, correlation and regression. The results of this study indicates that supply chain relationships, involvement of top management and customer satisfaction plays significant role in the performance of supply chain. Whereas, the role of environmental uncertainties and IT adoption in supply chain performance was found to be insignificant.

INTRODUCTION

Nowadays organizations are putting efforts to modify some or all of their core business practices. Customer

requirements and expectations are becoming more uneven and difficult to identify. Also at the same time, consumers have plenty of options available which are same price wise and quality wise. For having a competitive advantage, the organizations have to carefully plan their strategies which may result in cost reduction and differentiate their product from their competitors. Present scenario indicates that organizations have not only to reconsider their way they are operating with the present business model but also to reinvent in such a way that can permit them to continuously be able to meet the customer requirement and magnificently compete with their competitors in the market. For any organization supply chain process is a core business process which is to be considered of foremost importance while designing business strategy. Considering supply chain while making business strategies, controls several crucial performance pointers of an organization and impacts the productivity and competitiveness considerably. Consequently, for a transformation process of any organization, supply chain should be considered as the most appropriate operational framework to be based on.

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Largely organizational performance is not only about meeting the goals of an organization but also intended to reflect the contentment rate of their stakeholders be it employees, customers, social partners or suppliers. Organizational performance also accounts for the consistency of its operations and to reflect qualities like its flexibility, adaptability and quick market response. To analyze the transformation process, the focus should be on the processes of supply chain which includes several interrelated activities like procurement, managing inventory, distribution, transportation, warehousing, after sales service and reverse logistics.

While going through this transformation process of supply chain each company goes through different set of challenges. The one common challenge for every organization is to integrate supply chains activities with the business strategy as a whole, and to use supply chains as a catalytic agent for the transformation of business. All these challenges are being faced by one of the most flourishing industry in India - The Indian Retail Industry. Supply Chain and Logistics is the unglamorous spine of all retail business operations.

The following are identified as challenges in managing supply chain activities:

- Associating supply chain strategy to overall business strategy.
- Identify supply chain goals and to develop plans to reassure that every process is individually helping in meeting these goals.
- Develop systems to recognize market demand and plan accordingly.
- To develop relations with suppliers so that the material could be received at the best cost and appropriate time.
- To develop the tailored logistics networks for each customer segment.
- Develop a supply chain information systems strategy that can support decision making at all levels of the supply chain and offers a clear view of the flow of products.

The companies those are able to manage all the partners of supply chain from their supplier's supplier to their customer's customer are the most successful ones. A good understanding of supply chain and a readiness to willingly share the information between supply chain partners is the most essential and foremost step in making the integrated supply chain a competitive strength for an organization.

The objective of this research work would be to understand the current status of organized retail supply chains. This research work aims to determine and identify

the factors affecting the business performance of supply chain in organized retail industry.

Present era is an era of information. Organizations are striving to achieve the excellence. As the competition is increasing globally, the organizations have become apprehensive and innovative. Hence, for the better management of such organizations it requires a resourceful management. Successful implementation of supply chains help organization to achieve its goal. Supply chain is basically defined as a network of suppliers, manufacturers and customers who attempts to add value to the product. The core objective of supply chain is to optimize the total value of the product produced (Chopra & Meindl, 2001). For the success of any organization, performance of supply chain plays a pivotal role.

Slowly and gradually organization realized that each and every thing cannot be managed using their own resources. One of the common issue which has changed many things globally in the manufacturing sector is supply chain management (Daneshyan et al., 2014). Earlier, may be 10 years back, customer was not that demanding and compromises with what is available in the market. But now the customer demands for extraordinary products with quick services. This builds a pressure on the organizations, which was not there earlier. Organizations felt the need of management and administration of their resources and activities even outside the premises of their organizations. So the activities like placing and receiving orders, managing inventory, distribution, delivery, customer service attached with the planning and manufacturing were shifted to the neck of supply chain (Shahbandarzadeh & Peykam, 2012). Supply chain management varies from business to business.

INTEGRATED SUPPLY CHAIN MANAGEMENT

As suggested by Porter (2002), the two vital forces which determinerivalry among existing competitors were buyers and suppliers. According to his model,the negotiating power of the buyer is high if there are many buyers in the market as they can shift to other supplier with no trouble. But, the negotiating power of the buyer goes down when there are less number of buyers in the market. Consequently, suppliers may need to improve the quality and reduce the cost. On the other hand, when there are less number of suppliers in market, their negotiating power is very high and they can define the quality and price of product (Akdogan & Dwmirtas, 2014).So, in this regard every single organization in the market competing with buyers or suppliers for earning maximum possible profits.

Bowersox et al. (2002) define an integrated supply chain is a string of collaborating players, who work together to

satisfy the demand of the customer for the specific product. It offers a variety of supply chain activities throughout the product life cycle such as determination of the customer need, production, distribution, marketing of product and it's after sales service.

One effective structure used by many organizations is Porter's integrated supply chain framework. This is also known as value chain framework. The activities involved in value chain are broadly classified as primary and secondary activities. The primary activities involve three main groups i.e. buy (sourcing, procurement and inbound logistics), add value (operations like assembly, component fabrication) and sell (outbound logistics, sales and customer services). On top of primary activities there are secondary activities which supports primary activities. The secondary activities include financial management, human resource management, marketing and advertising, research and development, facilities management (Porter, 1985). Many organizations have adopted integrated supply chain to group with the market trends which are newer, better and cheaper. The approach followed in value chain is holistic and process oriented. In supply chain world the relationships are push which are fundamentally adversarial and hence the information

flow is very weak and transactional. Whereas in value chain the relationships are of pull type where everyone is happy and willingly work together so that the customer gets the desired product. Also, in value chain system, the trust is there among all the stakeholders and hence the information sharing is very rich (Lazzarini et. al. 2001). Organizations basically try to achieve three things out of the value chain and they are cost by removing uncertainty, work at faster pace and willingness to add more value at lower cost (Rahman & Afsar, 2008). Integrated supply chain has the responsibility of raising awareness, increasing knowledge and changing attitude of the customer. Above all integrated supply chain is responsible for creating enabling environment (Javadian et al., 2012). The primary advantages of integrated supply chain are congenial environment, information flow, managed inventory, known costs and guaranteed customer.

RETAIL INDUSTRY IN INDIA

Retailers have a pressing need to differentiate themselves in a climate of global competition and consumer apathy. Keeping the following retail trends and market impacts in mind can help.

RETAIL TREND	MARKET IMPACT
The buyer experience is varying	• Clienteles are demanding more for their loyalty
	• Offered commodities and pleasant staff members are mere the coupon to entry and will not provide any competitive benefits
Rough demand trends mean local market execution	• Factors prompting consumer purchase behavior at retail chain stores have widened significantly
	• Finding the optimum blend of products needs specific understanding of demand pattern at the local level
Retailer acquisitions and associations needs elasticity and scalability	• The ability for a retailer to capture a new market opportunity through acquisition is restricted by limitations with present technology
Global trade will govern the retail supply chain	• The expansion of global sourcing covers all retail segment led by hard lines and apparel retailers leveraging Far East sourcing
	• Given transparency between suppliers and retailer, shelves need more unified workflows along with improved shipping board, event visibility and logistics & distribution systems
	• Enhanced demand metrics supports reduced lead times and confirms that the required products are available to the customers when they are eager to pay full price and help retailers lessen needless discounts

Source: AMR Research, November 2005 Retail Industry Market Analysis

Indian Retail Industry is listed in the top five biggest retail markets in the world. The transformation of Indian consumer is very assertive in terms of their preferences and value added to the product. The development of organized retail store in the country have renovated the

appearance of retail industry in India. According to the ASSOCHAM study conducted by YES Bank, retail market in India is doing well and expected to reach Rs. 47 lakh crore in the financial year 2016, as it is growing at 15% CAGR. By 2020, Indian retail industry is estimated

to raise to US\$ 1.3 trillion, registering a CAGR of 9.7% in the period from 2000-2020. Approximately 40 million Indians, which is approximately 3.3% of Indian population is employed with retail and logistics industry.

Looking at the rate at which Indian retail industry is raising, many foreign retailers like Wal-Mart, Tesco, Carrefour entered Indian market, regardless of the fact that Indian retail sector being closed to foreign direct investment (FDI). In February 2006, the Government of India has allowed FDI of up to 51% in single brand retailing. Companies like Wal-Mart was already keen to enter Indian market and was watchfully observing the Government's policy on Foreign Direct Investment in the Indian retail sector. After this declaration by government of India, Indians have gone through a histrionic revolution in lifestyle by shifting from traditional expenses on food, groceries clothing and accessories to lifestyle classes which provide improved quality and taste. Contemporary retailing fulfills the increased demand for these products with many companies entering the lobby in an attempt to knock countless prospects.

As far as India is concerned retail industry is getting better day-by-day as the number of nuclear families are increasing, two income household, increase in disposable income, increased preference for branded products, urbanization, etc. whereas the major bottlenecks are consumption pattern is not stable, problems in meeting global standards, shortage of infrastructure and distribution channel, untrained manpower and above all absence of capable supply-chain management.

Classification of Retail

Retail industry can roughly be categorized into two groups - organized and unorganized retail.

Organized Retail - Organized retail are stores, either owned or franchised by a one individual or one group of individuals. Uniformity and standardization are the key attributes of organized retail.

Unorganized Retail – It includes small shops present in each locality which includes conventional Kirana stores, general stores, small food stalls. Unorganized retail are more popular and approachable stores as compared to organized ones. These stores are the torch bearers of Indian retail industry.

The present study was conducted in the following phases.

Phase I: Identifying the variables which affect the performance of supply chain from the literature review and developing the hypothesis. The aim is to develop the framework, which would be used as the base for designing the questionnaire and meeting the research objectives.

Phase II: This phase would focus on data collection for validating the questionnaire and designing the framework for the case study.

Phase III: This would be the final phase of the research work, data analysis, synthesis of finding and development of framework would be done.

Recommendation and conclusion would lastly be derived to meet the objectives of the study.

THEORETICAL BACKGROUND AND RESEARCH HYPOTHESES

Supply Chain Performance

For any organization the performance of supply chain can be defined as the performance of the distinct processes included in the supply chain function of that organization Srinivasan et al. (2011). Angerhofer & Angelides (2006) examined the effect of alterations made in the constituents of supply chain on its performance. (Azevedo & Carvalho, 2012) defines the two dimensions of the performance of supply chain as economic and operational. Raja Gopal, 2009 has identified the major factors as supply, operations, distribution and service as major elements contributing towards the performance of supply chain. Measurement of performance is the reflection of organization. Performance cannot be judged in isolation. For judging the business performance, it has to be compared with the performance of its competitors. For truly assessing the performance of the organization we to base it on certain aspects. Levi et.al. (2003) define the performance of supply chain as the operational superiority to primarily deliver client experience. For satisfying the consumers, the systems for performance measurement should be linked with all the partners involved in value chain (Leong, Tan & Wisner 2005). Integrated supply chain needs the effective flow of material from three perspectives: strategic, tactical, and operational. From these perspectives, the use of facilities like manpower, machinery and money must be seen as a whole and should work in synchronization (Stevens, 1990). Environmental uncertainties, use of Information technology, supply chain relationships, manufacturing processes, business management and customer satisfaction in an organization are the key drivers of supply chain performance and in turn effects the business performance (Quesada et. al., 2012; Ibrahim et. al., 2015).

Environmental Uncertainties

Environmental Uncertainty is defined by many researchers' based on various parameters. Most of the research work done in the area of environmental uncertainty is based on the work of Aldrich (1979). Aldrich has given the 5 dimensions as capacity, uniformity, stability, turbulence and variation for

measuring environmental uncertainties. There are many other dimensions and sub-dimensions discussed by several researchers like dynamism, capability, predictability, threats, certainty, liveliness and volatility (Miller and Droge, 1986; Oswald et.al, 1997; Achrol and Stern, 1988). A study done by Paulraj and Chen, 2007 states that environmental uncertainty effect the organizational performance. It also helps the organization to understand the main components to be focused upon for achieving the goal of the organization (Fisher, 1997). Hence it is essential for every organization to cope up with environmental uncertainties to have an edge over their competitors. For improving the business performance, supply chain management should attempt to reduce or if possible eliminate such uncertainties (Van Der Vorst et. al, 1998). Environmental uncertainties along with supply chain integration positively impacts the performance of supply chain (Huang et. al, 2011). There are numerous sources to the uncertainties of the business environment which may include the huge variety of customer desires. As per the study conducted by Sun and Hsu (2009), the performance of supply chain is enormously affected by environmental uncertainties. This leads to the hypothesis:

H1: Environmental uncertainties negatively impacts the performance level of supply chain.

Information Technology

Several firms have invested heavily in the development and employment of IT systems with the varied level of improvement in their supply chain (Ye & Wang, 2013). Some studies have found that IT has indirect and significant effect on the performance of supply chain (Samadi & Kassou, 2016; Dong et. al, 2009). Now it is the high time that the organizations must appreciate the influence of information technology to collaborate with their business partners and other stakeholders (Nair et. al., 2009). The world wide development of information technology and its adoption allow organizations to share the real time data and to coordinate several other activities (Patterson et. al., 2003). One practice for improving the performance of supply chain could be adoption of information technology. Some organizations in United States are investing approx. 40% of the total equipment investment to technology (Hitt & Brynjolfsson, 1996). Investing in IT will certainly improve the supply chain performance and in turn the business performance would automatically be enhanced (Daugherty et.al., 1995). This leads to the hypothesis:

H2: IT adoption in supply chain positively impacts the performance level of supply chain.

Supply Chain Relationships

Managing the close associations with suppliers and customers helps the organization to distinguish the image

of its product from its competitors (Magretta, 1998). Cox (2001) has found that maintaining supply chain relationships is the most workable advantage as it has intrinsic barriers to competition. Noble supply chain relationships are also desirable for the successful implementation of SCM programmes (Moberg et. al., 2002). Ibrahim & Hamid (2014) studied that the practices of managing good relations with suppliers have a positive and significant effect on the performance of supply chain. Organizations where SCM practices were followed at high altitudes will also have high levels of organizational performance (Li et al. 2006; Cook & Heiser, 2011). In the study conducted by Wilding and Humphries (2006) it is suggested that the maximum benefits of SCM will only be attained if there exists a close upstream and downstream supply chain relationships. Supplier-buyer relationship plays an important role in the performance of supply performance (Wisner, 2003). A successful integrated relationship between suppliers and buyers is very important. The buyer-supplier relationship involves faith among them and a win-win situation for both of them (Chandra and Kumar, 2000). Success of the organization in monetary terms is dependent on the strength of its association with its supply chain partners (Spekman, Kamauff and Myhr, 1998). Marwah et. al. (2014) long term supplier buyer relationships results in the better performance of the organization. This leads to the hypothesis:

H3: Supply chain relationships positively impacts the performance level of the business.

Business Management

The role of management includes planning, organizing, staffing, leading and controlling of all the activities which help the organization to achieve its goals (Krause, 1999). Ford and Mouzas (2010) has described business management as the procedure for establishing a link with other companies. The tasks ahead of business management is to identify the objective, formulating strategies, designing policies and finally rightly assigning the tasks for the right execution. Frequent changes in the demand of customer, and shift in technology requires the efforts of the companies to improve upon their effectiveness and try to maximize customer's satisfaction by adding value to their products (Hung et al, 2011). Business management includes, process strategy and its performance which in return improves the business performance (Thomas et al., 2008). To improve upon the financial performance of the organization is important to work and rework on its marketing strategy (Peterson, 1989). Also, for meeting the increasing demand of the customers, modernization of the product is seen as a part of business management, which further permits the allowing the implementation of fresh products, processes and services (Leavy, 2010). This leads to the hypothesis:

H4: Business management positively impacts the performance level of the business.

Customer Satisfaction

Today the most difficult thing for any organization is to satisfy its customer as the requirements of the customers are vigorous in nature (Shepetuk, 1991). For every organization it is important to examine the need of customer and align their processes accordingly (Takeuchi and Quelch, 1983). More the organization is responsive to the customer needs, more the results would be satisfactory (Carson et al., 1998). As understood that customer is at the center of every operation, the construct used is borrowed from Tan et al., 1999, which puts customer in focus while implementing strategic planning, customization, communication and documentation.

The perception of the customer is always different from the perception of the manufacturer. For different customers different characteristic of a product is important. For some customers' quality is important but for other the cost means a lot. Similarly, a customer may look for delivery period or customized product (Simchi-Levi et al., 2003). For a customer with the improved satisfaction, after sales services plays an important role (Kurata and Nam, 2010). This leads to the hypothesis:

H5: Customer satisfaction in value chain impacts the performance level of the business.

Based on the literature and hypothesis defined, Fig. 1 presents the theoretical framework for the present research.

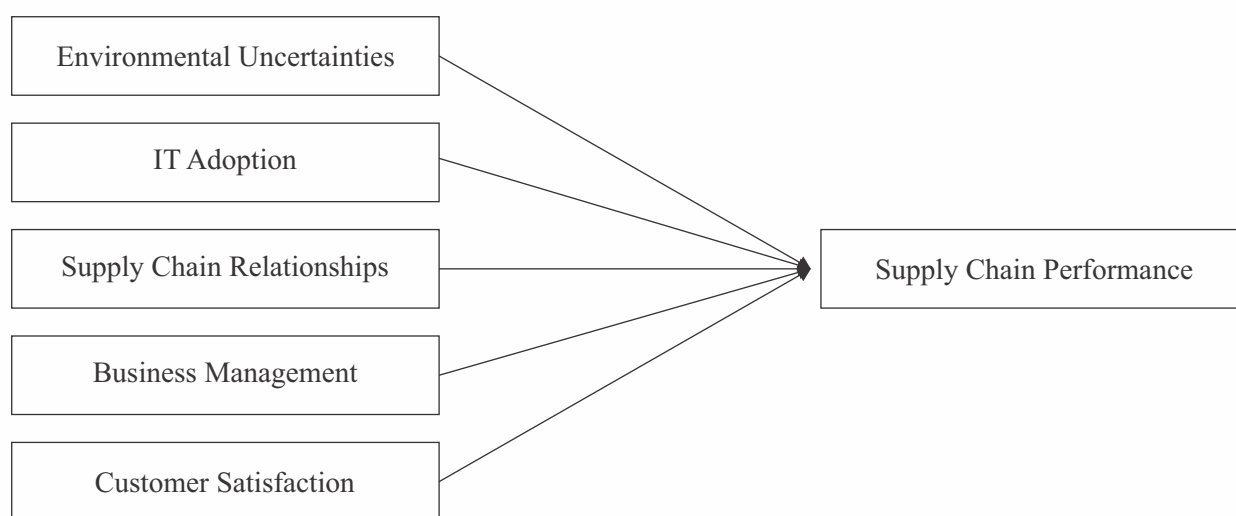


Fig.1 Theoretical Framework

STUDY DESIGN

For obtaining the responses from the respondents, a cross-sectional study design was used. The research methods used in this study was both descriptive and empirical. The population for the study was front line managers working in the retail division. The study would specifically focus on the supermarket format of retailing.

Context

The primary objective of this research is to identify the factors affecting supply chain performance in context of Indian organized retail. The study has supposed that the extracted variables during literature has relationship with the performance of supply chain. Although many goods and services are offered at the retail stores, the analysis would be conducted across five general retail segments namely:

- Fashion: which includes apparel, fashion jewelry and other related accessories

- Food and grocery items
- Consumer durables and electronic items
- Cosmetics and personal care
- Stationery, gift items and others like crockery etc.

The study is adopted in the context of organized retail in India as they are growing and giving a tough competition to the unorganized retail which was quite established in India from decades. Since for the growth of any organization, its supply chain plays a very important role so for organized retail also it becomes very important to clearly identify the parameters which affects the performance of supply chain.

Sample

Standardized questionnaire was designed to collect the data. A total of 200 questionnaires were distributed, out of which 120 completed questionnaires were returned. Although the sample size is small but as per the study by

Green (1991), it was suggested that the minimum sample size required to run multiple regression is $50 + 8m$ and for simple regression it is $104 + m$, where m denotes the number of independent variables used in the study. The data was collected from some of the metro cities of India with a special focus on Delhi and NCR region, where the mall culture is very popular. The duration of data collection was three months from January to March, 2017. Researcher has chosen convenient sampling as a

method of data collection. SPSS 20 was used to analyze the data.

Questionnaire Design

The questionnaire includes the scales developed by other researchers and the statements were somewhat altered according to the context of Indian scenario of organized retail. The scales used for the present study was indicated in Table 1.

Table 1- Scales Adoption

Constructs	Adopted from
Supply Chain Performance	Raja Gopal, 2009
Environmental Uncertainty	Vivek and Ravindran (2009)
IT Adoption	Patterson (2003)
Supply Chain Relationships	Li et. al. (2006)
Business Management	Krause (1999)
Customer Satisfaction	Tan et al., 1999

While making the alteration in the existing statements from literature, the opinion was taken from three academic experts. Further, before using the questionnaire for data collection, the pilot study was conducted on the data obtained from first 25 respondents. During the pilot study, the appropriateness of the statements included in the questionnaire and its acceptability among the respondents were tested.

The first part of the questionnaire contains the questions to understand that at what scale a retail store is operating in terms of number of employees, annual turnover and years of operating experience. The second part of the questionnaire contains the statement for measuring the variables identified during literature. All the variables in this part of questionnaire were measured on 5 point Likert scale, where 1 denotes strongly disagree and 5 denotes

strongly agree.

For the validation of the questionnaire content and construct validity were used. For ensuring the content validity the published work of other researchers was used. Moreover, for further validation the opinion of two experts managing supply chain in the retail industry was incorporated in terms of reframing the statements used in questionnaire. For ensuring the construct validity, factor analysis was employed. Cronbach Alpha was found to be 0.898.

DATA ANALYSIS AND RESULTS

Results obtained in Table 2 speaks about the number of employees, annual sales and the years of operating experience at different retail stores considered in sample.

Table 2 - Number of Employees, Annual Sales, Operating Experience

Variable		Frequency	Percentage
Number of Employees	0-25	38	31.7
	26-50	48	40.0
	More than 50	34	28.3
Annual Sales	Less than 5 crores	7	5.8
	Between 5 to 10 crores	69	57.5
	More than 10 crores	44	36.7
Number of Operating Years	Less than 5 years	21	17.5
	5-10 years	61	50.8
	More than 10 years	38	31.7

Source: Authors' survey

On applying chi-square tests, it was found that number of employees ($\chi^2 = 13.869$, p-value = 0.008) and years of operating experience ($\chi^2 = 16.321$, p-value = 0.003) has a significant impact on the annual sales of the store. The results for the same are shown in Table 3. The reason for the same would be that more number of employees may

help in the better coordination with the customers and helps them to find the things as per their exact requirements. Also, the period of operating experience will lead to more visibility of the store among the customers.

Table 3 - Chi-Square Test

Annual Sales					Chi-Square	Sig.
		Less than 5cr.	5-10 cr.	More than 10cr.		
Number of Employees	0-25	0	18	20	13.869***	0.008
	26-50	6	32	10		
	More than 50	1	19	14		
Number of Operating Years	Less than 5 yrs.	5	10	6	16.321***	0.003
	5-10 yrs.	0	38	23		
	More than 10 yrs.	2	21	15		
Note: ***p < 0.01 (1% level of significance)						

Source: Authors' survey

EXPLORATORY FACTOR ANALYSIS

Initially 41 items were included in the questionnaire. After applying exploratory factor analysis using principal component matrix and with varimax rotation, the items were reduced to 36. All the items with factor loading less than 0.45 were deleted. The factors with Eigen value

greater than 1 was considered. KMO value was found to be 0.838 and also the Bartlett's test was found to be significant. These test indicates the relevance of extracted factors out of factor analysis. Exploratory factor analysis resulted in six factors. Total variance explained by the extracted factor is 55.78 percent.

Table 4 - Exploratory Factor Analysis

Factors	Variables	Factor loading	Eigen Value	Cronbach Alpha (α)
Supply Chain Performance	Ability to respond to and accommodate demand variations, such as seasonality	0.734		
	Ability to respond to and accommodate the periods of poor manufacturing performance such as machine breakdown.	0.789		
	Ability to respond to and accommodate the periods of poor supplier performance	0.872	9.296	0.789
	Ability to respond to and accommodate the periods of poor delivery performance	0.651		
	Ability to respond to and accommodate new products, new markets or new competitors	0.584		
Environmental Uncertainties	Customers' requirements regarding product features are difficult to forecast	0.521		
	The properties of materials from suppliers can vary greatly within the same batch	0.711		
	Suppliers' delivery time can easily go wrong	0.765	5.005	0.879
	Suppliers' delivery quantity can easily go wrong	0.899		

Factors	Variables	Factor Loading	Eigen Value	Cronbach Alpha (α)
	Competitors' actions are unpredictable	0.739		
	Competition is intensified in our industry	0.518		
	Competitors often introduce new product unexpectedly	0.662		
IT Adoption	Reduced the cost of placing orders with suppliers	0.734		
	Reduced inventory levels	0.476		
	Improved product to market speed	0.832		
	Improve on-time delivery from suppliers	0.621		
	Provides better distinction of types of inventory (raw materials, work-in process, finished goods, in transit inventory)	0.589	2.005	0.889
	Improved information sharing with suppliers and customers	0.623		
	Improved coordination of logistics activities with suppliers and customers	0.482		
Supply Chain Relationships	We consider quality as our number one criterion in selecting suppliers	0.832		
	We have helped our suppliers to improve their product quality	0.649		
	We include our key suppliers in our planning and goal-setting activities	0.573	1.578	0.768
	We frequently determine future customer expectations.	0.840		
	We facilitate customers' ability to seek assistance from us.	0.592		
	We periodically evaluate the importance of our relationship with our customers.	0.621		
Business Management	Delivery planning begins at the end of the cycle.	0.629		
	Globalization is an important aspect in business management .	0.567		
	Increased competition & Price pressures affect business management.	0.324	1.327	0.846
	Outsourcing Is very crucial .	0.491		
	Shortened & more complex PLC has a great emphasis.	0.589		
	Collaboration between stakeholders in extended	0.861		
Customer Satisfaction	Communication increases customer satisfaction	0.652		
	Cooperation among employees also result in increased customer satisfaction	0.789		
	Trust is an important factor in customer satisfaction	0.593	1.124	0.729
	Conformity	0.478		
	Dependence is very important in customer satisfaction	0.698		

Source: Authors' survey

RELIABILITY ANALYSIS

Reliability analysis was carried to establish the internal consistency among the items included in each of the derived factors. For each derived factor, Cronbach Alpha was found to be greater than 0.70 which is considered to be reasonably good (Nunnally, 1978). The factors were

named as Supply Chain Performance (SCP), Environmental Uncertainties (EU), IT Adoption (ITA), Supply Chain Relationships (SCR), Business Management (BM) and Customer Satisfaction (CS). Mean, standard deviation, correlation among factors extracted are mentioned in Table 5.

Table 5 - Mean, Standard Deviation and Correlation among Factors Extracted

S.No.	Variables	Mean	SD	SCP	EU	ITA	SCR	BM	CS
1	SCP	3.60	.63	1	-	-	-	-	-
2	EU	3.62	.63	0.46**	1	-	-	-	-
3	ITA	3.60	.61	0.47**	0.56**	1	-	-	-
4	SCR	3.62	.61	0.35**	0.57**	0.65**	1	-	-
5	BM	3.57	.57	0.35**	0.56**	0.61**	0.65**	1	-
6	CS	3.60	.56	0.29**	0.40**	0.423**	0.39**	0.41**	1

Note: **p < 0.01 (1% level of significance)

Source: Authors' survey

From Table 5, it has been observed that all the factors extracted has a significant relationship among themselves. Although the relationship is quite significant but not that high so that the problem of multi-collinearity

arises. But to keep a check on same, VIF has been calculated for each independent variable and found to be in a range from 1.302 to 2.289 which is less than 10 for all variables.

Table 6 - Regression Analysis

Hypothesis	Independent Variable	Dependent Variable	Beta	R ² (Adjusted R ²)	F-Value
H1	EU	SCP	-0.054	0.382 (0.376)	14.163
H2	ITA		0.032		
H3	SCR		0.543**		
H4	BM		0.166**		
H5	CS		0.042**		

Note: **p < 0.05 (5% level of significance)

Source: Authors' survey

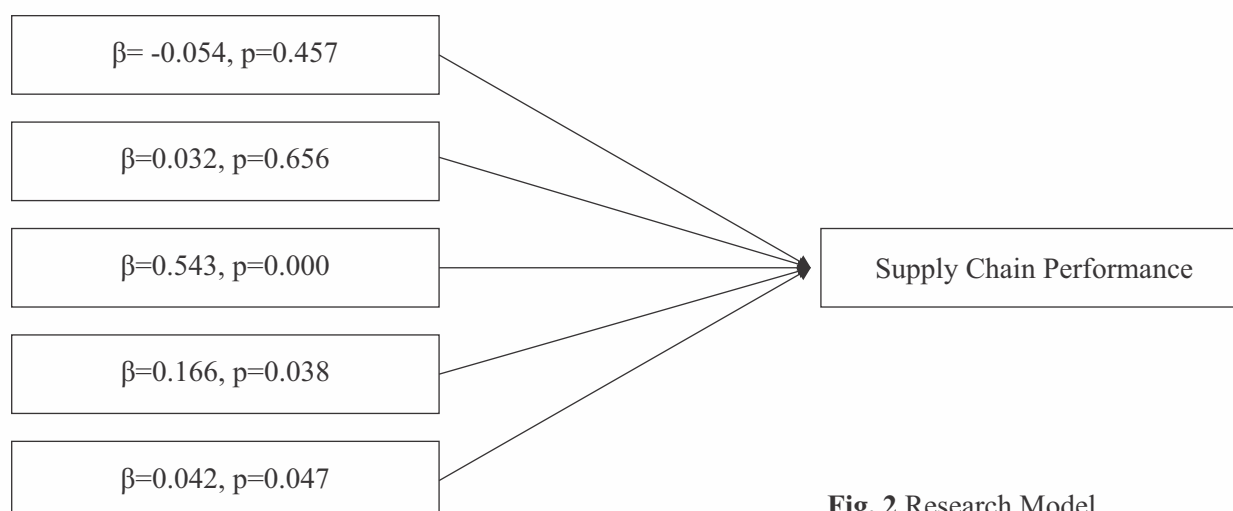


Fig. 2 Research Model

In the present study, the proposed model was tested using multiple linear regression. It helped in identifying the factor(s) which best describes the performance of supply chain in organized retail industry. The results of multiple regression obtained with five factors vis-a-vis environmental uncertainty, IT adoption, supply chain relationships, business management and customer satisfaction have helped well in demonstrating the performance of supply chain ($F=14.153$; $p=.000$). Results mentioned in Table 6, clearly states that, as far as environmental uncertainties are concerned it has been found that although this factor has negatively impacted supply chain performance but its effect is not significant. Also, IT adoption has positive impact on supply chain performance but it does not hold significant relationship. So H1 and H2 are not accepted. Results in Table 6 also clearly shows that supply chain relationships, business management and customer satisfaction positive and significant impact on the performance of supply chain in organized retail. Hence H3, H4 and H5 are accepted.

CONCLUSION AND DISCUSSION

The paper discussed the role of effective supply chain management as a basic to building sustainable competitive advantage. As per literature environmental uncertainties, IT adoption, supply chain relationships, business management and customer satisfaction were found critical in measuring supply chain performance. This study shows that the identified factors supply chain relationships, business management and customer satisfaction has a significant impact on supply chain performance of Indian organized retail in metro cities. The results if this study will help the organizations to understand the supply chain management practices of organized retail in a better way. The companies in organized retail segment could achieve improvement in their supply chain performance using the critical factors identified in the present study. Companies may use the results of the study for future planning about the technical support and training needs of their employees. This study also underlined quite a few propositions useful for theoretical and management practice. Theoretically, IT adoption, supply chain relationships, business management and customer satisfaction has a positive impact on supply chain performance of organized retail whereas as environmental uncertainties have a negative impact on supply chain performance of organized retail. Further the contribution of the study for management practice in organized retail is firstly, organize retail should focus on improving their supply chain relationships with their supplier and buyers. Secondly,

the high involvement of top level management may help in designing better strategies which in turn will improve supply chain performance. Thirdly, all businesses in organized retail sectors should treat customer on their top priority and try to understand their minutest requirements and design their supply chain accordingly. Extraordinary customer experience is very important to an organization's long-term success. For companies whose aim is to become market leader, their supply chain management practices need to be vigorous, apparent and receptive.

Although, environmental uncertainties and level of IT adoption are not making significant impact on the performance in the present study, but may be critical contributors to the supply chain performance when other formats of retail would be considered. Environmental uncertainty is a negative indicator of supply chain performance. Environmental uncertainty results from overseas, suppliers and competitors and other political uncertainties in other countries that may lead to enlarged risk for suppliers, decisions of no investment. Similarly, telecommunications, IT and computer enabled technology allow the components of the supply chain to interconnect with each other. The use of information technology facilitates suppliers, manufacturers, distributors, and customers to reduce lead time and paperwork.

LIMITATIONS AND DIRECTION FOR FUTURE RESEARCH

This study has certain limitations. First limitation of the study is the sample size. The results of the study would be more effective and could be generalized with larger sample. Second, the emphasis of this study is restricted to the organized retail industry and that too to the supermarket format of retailing. Involvement of other formats of organized retailing like hypermarkets, retail chains, privately owned large retail businesses etc. may have some impacts on the results. The other limitation of the study lies in that there are several other variables like flexibility, quality, innovation etc. which may affect the performance of supply chain and are not the part of this study. Future research can be done by considering other formats of organized retailing and may also include other variables which plays significant role in the performance of supply chain. Though the researcher has put in the best effort to offer reasonable explanation, some of the results obtained may be considered for further meritorious investigation.

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Financial Inclusion - Initiatives, Schemes and Programmes

Keywords: *Financial Inclusion, Banks, Jan Dhan Yojana, Aadhaar, Mobile, Direct Benefit Transfer, No Frills Account and Jan Suraksha*

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ABSTRACT

Financial inclusion is, literally, at the top of the global agenda. Billions of people remain excluded from formal financial systems worldwide. Financial inclusion is a critical driver of social and economic growth, giving the world's poor access to quality financial services to help them better their own lives. There is a long history of financial inclusion in India. It has traditionally been understood to mean opening of new bank branches in rural and unbanked areas. Nowadays, however, financial inclusion is seen to be something more than opening bank branches in unbanked areas to take formal financial services across the length and breadth of the country. In the recent years the government and Reserve Bank of India has been pushing the concept and idea of financial inclusion. In November 2005, RBI had advised banks to make available a basic banking “no-frills” account with “NIL” or very low minimum balance. The government of India initiated The Pradhan Mantri Jan Dhan Yojana an ambitious programme for financial inclusion which has

been rolled out across the country on a massive scale, targeting comprehensive coverage of over 20 crore households by March 2017. The GOI also initiated JAM or Jan-Dhan, Aadhaar and Mobile for transferring the government benefits to the beneficiaries directly to overcome the leakages in the system. Over 20 per cent of India's population received a cash transfer from the government in FY14-15. JAM was involved in distributing benefits across a range of government programs—from education and labour schemes (scholarships and MGNREGS) to subsidies and pensions (NSAP). Almost 1.2 billion bank accounts, when linked with 900 million mobile phones and about 1 billion Aadhaar numbers, would effectively ensure the subsidies reach only those who actually need them. So far, about Rs.170 billion (Rs.17000 crore) of subsidy has been saved on cooking gas alone through JAM initiative. The Union Government is now making efforts to link JAM to the supply of fertilizers to farmers & many other schemes to follow.

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INTRODUCTION

Financial inclusion is, literally, at the top of the global agenda. The problem is as simple as it is massive: Billions of people remain excluded from formal financial systems worldwide. Financial inclusion is a critical driver of social and economic growth, giving the world's poor access to quality financial services to help them better their own lives.

The World Bank, meanwhile, has committed to achieving universal financial access by 2020, and the G20 has pursued its own action plan through the Global Partnership for Financial Inclusion. The International Financial Corporation and World Economic Forum have also made improved access to banking services in emerging markets a top priority. The World Bank, which is targeting 25 priority countries, including India, Indonesia and Mozambique, is also working with partners such as the Alliance for Financial Inclusion, the Bill and Melinda Gates Foundation and the U.N. Capital Development Fund (UNCDF) to stimulate private-sector investment and innovation.

Banks and microfinance institutions, meanwhile, have learned hard lessons from their first, somewhat awkward, attempts to take advantage of new financial inclusion technologies. They are now much more adept at utilizing mobile and other technologies – and are using them in more creative ways. They have also learned from operating in countries with different systems and regulations, and are figuring out what works across the board.

This year we are celebrating 70th Independence Day but still a large section of population remain unbanked. This condition has resulted in financial instability and pauperism among the lower income group who do not have access to financial products and services. However, in the recent years the government and Reserve Bank of India has been pushing the concept and idea of financial inclusion.

RELEVANCE OF FINANCIAL INCLUSION

The following are the main motives for Financial Inclusion

- Imbibing saving habits.
- Providing formal credit avenues by Banks to develop the entrepreneurial spirit of the masses in the rural India through micro finance
- Direct cash transfers to beneficiaries through their bank accounts rather than subsidizing products and making cash payments.
- All these can be achieved through an efficient and affordable banking system and necessary technical infrastructure that can reach out to all.

RBI'S INITIATIVES TOWARDS FINANCIAL INCLUSION

In November 2005, RBI had advised banks to make available a basic banking “no-frills” account with “nil” or very low minimum balance as well as charges that would make such accounts accessible to vast sections of population.

RBI in 2012 came out with fresh guidelines and asked banks to offer a ‘Basic Savings Bank Deposit Account’ which will offer following minimum common facilities to all their customers.

- No minimum balance requirement.
- The services available in the account are: Deposit and withdrawal of cash at bank branch as well as ATMs; Receipt/credit of money through electronic payment channels or by means of deposit/collection of cheques drawn by Central/State Government agencies and departments;
- While there will be no limit on the number of deposits that can be made in a month.
- Account holders will be allowed a maximum of four withdrawals in a month, including ATM withdrawals.

RBI'S SCHEMES & PROGRAMS BASED ON KHAN COMMISSION RECOMMENDATIONS ON FINANCIAL INCLUSION

- No-frills account
- Banking service through business correspondents – To facilitate banking services in those areas where banks are unable to open branches, a mechanism of Business Correspondents (BCs) is initiated to provide affordability and easy accessibility to this unbanked population. Equipped with suitable technology, the BCs help in taking the banks to the doorsteps of rural households.
- Electronic Benefits Transfer (EBT) – To overcome the leakages that are present in transfer of payments, government has begun the procedure of transferring payment directly to accounts of the beneficiaries through EBT. Once the benefits start to accrue to the masses, those who remain unbanked shall start looking to enter the formal financial sector.

LITERATURE REVIEW

Speaking at the Financial Times-YES Bank banking summit, RBI Deputy Governor, Chakrabarty said "Public sector banks will not bring financial inclusion in this country (alone), it will be brought by private sector banks," He also appealed the bankers to view financial inclusion as a profitable proposition than merely looking at it from the compliance point of view. As per the financial inclusion agenda of the government, the banks

will have opportunity to open branches in 72,000 villages with a population of 2,000 by March, 2012. This will take banking to over 90 million customers. On the role played by MFIs (Micro-Finance Institutions), He expressed that they would never be able to promote financial inclusion, as they only disburse credit and do not help generate savings. He further added that the technology would be the biggest enabler in achieving the financial inclusion by drastically bringing down costs (RBI Deputy Governor, K C Chakrabarty 2011).

Mr. Thamotharan. A and Dr. G. Prabakaran 2013 explores the geographical distribution of private sector banks in India and its impact on financial inclusion and Challenges. The article points out that by the end of March 2012, 50.8 million no frills account were opened by the banking system. The study also highlights a very crucial point that the banks will have a challenge to keep these accounts operational. No frills account provides the opportunity for a common man to open bank account. These accounts have no pre-condition and low minimum balance maintenance. RBI initiated scheme of no frills account in 2005 to improve financial inclusion and necessary steps are taken by RBI to develop the new bank branches in rural area.

Arvind Subramanian, May 2016, Chief Economic Adviser to the Government of India, during his interview in Economic Times said that provision of Government services to the common man through Jandhan-Aadhar

Mobile (JAM) model will "generate faith in the Government."

OBJECTIVE OF THE STUDY

To ascertain the recent initiatives of Government of India, Reserve Bank of India and the schemes and programs undertaken by prominent commercial banks in improving financial inclusion.

RESEARCH METHODOLOGY

The study undertaken is descriptive and exploratory in nature. The secondary data is collected through manuals, annual reports, periodicals, government documents, articles, research papers and websites of RBI and commercial banks.

Initiatives of Government of India (GOI) and Reserve Bank of India (RBI) towards Financial Inclusion-

Following are some of the major initiatives undertaken by GOI and RBI.

The Pradhan Mantri Jan Dhan Yojana, the Government's ambitious programme for financial inclusion, has been rolled out across the country on a massive scale, targeting comprehensive coverage of over 20 crore households by March 2017. The programme poses several operational challenges to the implementing banks and service providers that could adversely impact its implementation.

Table 1 - Financial Inclusion Plan-Summary Progress of All Banks Including RRBs

Particulars	Year ended March 2010	Year ended March 2014	Year ended Mar 2015	Progress April 2014 - Mar 2015
1	2	3	4	5
Banking Outlets in Villages - Branches	33,378	46,126	49,571	3,445
Banking Outlets in Villages – Branchless mode	34,316	337,678	504,142	166,464
Banking Outlets in Villages -Total	67,694	383,804	553,713	169,909
Urban Locations covered through BCs	447	60,730	96,847	36,117
Basic Savings Bank Deposit A/c through Branches (No. in million)	60.2	126.0	210.3	84.3
Basic Savings Bank Deposit A/c through branches (Amt. in ₹billion)	44.3	273.3	365.0	91.7
Basic Savings Bank Deposit A/c through BCs (No. in million)	13.3	116.9	187.8	70.9
Basic Savings Bank Deposit A/c through BCs (Amt. in ₹billion)	10.7	39.0	74.6	35.6
BSBDAs Total (No. in million)	73.5	243.0	398.1	155.1
BSBDAs Total (Amt. in ₹billion)	55	312.3	439.5	127.3
OD facility availed in BSBDAs (No. in million)	0.2	5.9	7.6	1.7
OD facility availed in BSBDAs (Amt. in ₹billion)	0.1	16.0	19.9	3.9

Particulars	Year ended March 2010	Year ended March 2014	Year ended Mar 2015	Progress April 2014 - Mar 2015
KCCs (Kisan Credit Cards) (No. in million)	24.3	39.9	42.5	2.6
KCCs (Amt. in ₹billion)	1,240.1	3,684.5	4,382.3	697.8
GCC (General Credit Cards) (No. in million)	1.4	7.4	9.2	1.8
GCC (Amt. in ₹billion)	35.1	1,096.9	1,301.6	204.7
ICT A/Cs BC Transaction (No. in million)*	26.5	328.6	477.0	477.0
ICT A/Cs BC Transactions (Amt. in ₹billion)*	6.9	524.4	859.8	859.8
*: During the financial year.				

Source: RBI Annual Report 2014-15

Table 2 - Financial Inclusion Plan-Achievement by State Bank of India

FINANCIAL INCLUSION	As on 31.03.2015	As on 30.09.2015
Number of BC outlets	57,575	58,571
PMJDY Accounts:		
Number (in crore)	3.33	4.45
Deposits (Rs. in crore)	1,296.57	2,932
Total F.I. Accounts:		
Number (in crore)	7.29	8.50
Deposits (Rs. in crore)	4,415	5,931
Transactions (BC channel):		
Number (in crore)	14.17	12.09
Amount (Rs. in crore)	38,973	29,414
Financial Literacy Centres (FLCs):		
No. of FLCs	212	219
No. of outdoor activities conducted	28,879	32,697
No. of persons participated in outdoor activities	17,39,313	21,62,818
No. of persons converted to customers	2,62,271	3,54,049
Rural Self-Employment Training Institutes (RSETIs):		
No. of RSETIs	117	116
No. of training programmes conducted	10,013	11,160
No. of youth trained	2,65,688	2,95,830
No. of candidates settled	1,34,317	139,805
% of settlement	50.55%	47%

Source: RBI Annual Report

Jan-Dhan, Aadhaar and Mobile (JAM) for Direct Benefit Transfer (DBT)

Finance Minister Mr. Arun Jaitley introduced the concept of JAM during his budget speech in the year 2015. The idea was that the transfer of government benefits will

involve all three - a bank account under Jan-Dhan, Aadhaar number or biometric ID and a mobile number. JAM Trinity has been initiated to implement direct transfer of benefits, which will help to transfer benefits in a leakage-proof, well-targeted and cashless manner.

Table 3 - Pradhan Mantri Jan - Dhan Yojana (Accounts Opened as on 10.08.2016)

(All Figures in Crores)

Bank Name	Rural	Urban	Total	No. of Rupay cards	Aadhaar seeded	Balance in A/Cs	% of Zero - balance-A/Cs
Public Sector Bank	10.45	8.22	18.68	15.18	9.79	33060.53	24.47
Regional Rural Bank	3.52	0.58	4.09	2.85	1.61	7139.17	21.05
Private Banks	0.52	0.33	0.84	0.78	0.35	1523.60	36.47
Total	14.49	9.13	23.62	18.81	11.75	41723.30	24.31

Source: <http://pmjdy.gov.in>

JAM Trinity

Until now, the government has operated a multitude of subsidy schemes to ensure a minimum standard of living for the poor. These take complicated routes to deliver affordable products or services to them. So, the MGNREGA, operated through the panchayats, which pays minimum wages to rural workers. The Centre and States supply rice, wheat, pulses, cooking oil, sugar and kerosene at heavily subsidised prices through the Public Distribution System (PDS). Then, sectors such as power, fertilisers and oil sell their products to people below market prices. Such subsidies cost the exchequer quite a bit. Yet, as they make their winding way through the hands of intermediaries, leakages, corruption and inefficiencies eat away large parts. This is where the government hopes that the JAM trinity can help. With Aadhaar helping in direct biometric identification of disadvantaged citizens and Jan Dhan bank accounts and mobile phones allowing direct transfers of funds into their accounts, it may be possible to cut out all the intermediaries.

According to the Economic Survey 2015-16, about ₹3.78 lakh crore or 4.2 per cent of GDP, is currently spent on key subsidies. The Survey has some compelling numbers on why the current system of price subsidies is a leaky bucket. In some cases, by simply selling goods below cost, the government ends up delivering unintended benefits to the rich. Three-fourths of the subsidised LPG cylinders, for instance, are used by the richer half of the population. Corporation water is subsidised, but 60 per cent of the poor get their water from public taps. Over 15 per cent of PDS rice, 54 per cent of wheat and 48 per cent of the sugar is lost in leakages.

During the financial year 2014 -15 over 20 per cent of population received a cash transfer from the government. JAM was involved in distributing benefits across a range of government programs—from education and labour schemes (scholarships and MGNREGS) to subsidies and pensions (NSAP). Efforts are made by the Union Government to link JAM to the supply of fertilizers to farmers.

Table 4 - The Varieties of JAM in FY 2014-2015

Scheme	No. of Schemes	% Share of Total Disbursement
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	1	41
PAHAL (LPG subsidy Scheme)	1	37
National Social Assistance Program (NSAP)	1	14
Scholarship Schemes	29	7
Other Schemes (Labour, Women & Banking)	10	1

Source: Economic Survey 2015-16

From Jan-Dhan to Jan-Suraksha

Encouraged by the success of the Pradhan Mantri Jan Dhan Yojana (PMJDY), the Union Government started working towards creating a universal social security system for all Indians, especially the poor and the under-privileged. In this context Jan-Suraksha, the social security program was launched by the Prime Minister Shri Narendra Modi in May 2015. Which has three important parts:

- **The Pradhan Mantri Suraksha Bima Yojana** to offer accident insurance of INR 200,000 (\$3,165) for a premium of just INR 12 (\$0.19) per year, or INR 1 per month.
- **The Pradhan Mantri Jeevan Jyoti Bima Yojana** to offer life insurance coverage of INR 200,000. The premium will be INR 330 per year, or less than INR 1 per day, for people between 18 and 50 years of age.
- **The Atal Pension Yojana** to provide a defined pension, dependent on the contribution amount and duration of contributions. To encourage people to join this scheme, the government will contribute 50% of the beneficiaries' premium limited to INR 1,000 each year, for five years, in the new accounts opened before December 31, 2015.

These programs provide coverage in the event of death or disability due to an accident, and the pension programme addresses the income and security needs of the elderly. The ease with which individuals can enroll in the programme - the premium can be deducted automatically from a subscriber's bank account-- has been recognized as a convenient delivery mechanism which could address the problem of a very low penetration of life or accident insurance and old age income security products in the country. As of May 2016, banks had enrolled 63.3 million people under the three programs. The privileged ones who can afford a good standard of living without government aid, the advent of the JAM Trinity will mean that they will have to pay full price for goods and services that were hitherto subsidized. If the JAM Trinity works as it should, subsidies will no longer mean money for jam. Either for the corrupt or for the wealthy.

Almost 1.2 billion bank accounts, when linked with 900 million mobile phones and about 1 billion Aadhaar numbers, would effectively ensure the subsidies reach only those who actually need them. So far, about Rs.170 billion (Rs.17000 crore) of subsidy has been saved on cooking gas alone through JAM initiative.

SCHEMES AND PROGRAMS UNDERTAKEN BY PROMINENT COMMERCIALS BANKS IN IMPROVING FINANCIAL INCLUSION

State Bank of India-

- **Kiosk Banking:** An internet based technology works on PC /Laptop, web camera, Finger print scanner and printer. This technology supports biometric authentication and real time online with Bank's Core Banking Solutions (CBS).
- **Mobile Rural Banking Solution:** This works on simple low cost phone of customers and Customer Service Point with PIN and One Time Password. Transactions are secured and online real time with Bank's CBS. This is useful in the areas with higher mobile penetration and non-availability of other mode of connectivity.
- **Card Based Technology:** This works on POS (Point of Sale) devices with biometric authentication, using mobile connectivity. Chip / Chip-less cards are issued to customers.
- **SBI is one of the Registrars of UIDAI.** After State Governments, SBI is the top enroller with more than 250 lac enrollments. The enrolment data will be used for opening 'UID enabled' accounts.
- **Bank on Wheels:** It is a unique delivery model launched and helpful in providing good quality services to the rural customer at door steps. The BCs travel between the villages on Vans and visit the villages at pre-fixed days & times to cater to the needs of financially excluded population. State Bank has covered about 850 villages and opened more than 65000 accounts through 114 Bank on Wheels across the country.
- **Rural Self-Employment Training Institutes (RSETIs):** RSETIs offer free, unique and intensive short-term residential self-employment training programmes with free food and accommodation, designed specifically for rural youth. SBI has set up 104 RSETIs in its lead districts across the length and breadth of the country.

ICICI Bank-

- **Direct Lending to the Bottom of the Pyramid (BOP) through ICICI Bank's Microfinance Programme:** With a portfolio of Rs.9.6 billion and a client base of 3.5 million, ICICI Bank's micro finance programme is one of the largest among private sector banks in India..
- **Capacity Building for MFIs:** Microfinance Practice at Social Initiatives Group (MFSIG), MFI Strategy Unit (MSU) and the Emerging MFI Team: ICICI Group adopted a strategy to seek the development of MFIs. ICICI Prudential Asset Management Company launched India's first Micro Systematic Investment Plan.

- **Beyond Microcredit:** ICICI Bank has launched a micro-savings facility under its "business correspondent" model. Today, ICICI Bank works with 41 business correspondent partners operating out of 127 branches across the country, serving over 77,000 customers.
- **Micro Insurance:** ICICI Prudential Life Insurance's provision of micro-insurance services has promoted financial security among the rural poor and increased their comfort to avail credit facilities (micro-credit) for undertaking income-generating activities.
- **Government Welfare Schemes:** The Government's National Health Insurance Scheme (Rashtriya Swasthya Bima Yojana) was designed with key inputs from ICICI Lombard. ICICI Lombard has also insured over 6.5 billion rail passengers who use the Indian Railways train services, for Personal Accident insurance.
- **Financial Literacy Programme:** The training focuses on building awareness and cultivating healthy financial habits such as maintaining financial records, regular savings and investments.

HDFC Bank-

The Bank has taken several initiatives which include:

- **Financing Self-Help Groups (SHGs)** to provide financial and banking services reaching out to the weaker and underprivileged sections of the population.
- **Reaching out to the rural areas** and distribution of retail asset products through co-operative banks and societies.
- **Tied up with post offices** in Punjab, Karnataka, and Andhra Pradesh using the "Business Facilitator" (BF) model with a view to increasing the distribution outreach to the rural and semi-urban customers mainly for retail loan products.
- **Providing small ticket warehouse receipt** based finance against warehouse receipts issued by the Central Warehousing Corporations and the State Warehousing Corporation which has helped farmers to achieve better prices for their produce, reduce wastages and avoid distress sale.

Punjab National Bank-

- Ministry of Finance, Government of India, has declared PNB as first among all banks in deposit mobilized through Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts. PNB has opened 135 lakh accounts and mobilized Rs 1814 crore as on 30th June'16.
- The Bank has also issued around 99 lakh RuPay debit

cards and for providing card based transactions services to such customers, Micro ATMs have been introduced at Business Correspondent locations.

- **Vitiya Jan Chetna Abhiyan-** This program emphasizes on creating awareness about the Pradhan Mantri Jan Dhan Yojana, Atal Pension Yojana, Mudra Loans, Pradhan Mantri Jeewan Jyoti Yojana and Pradhan Mantri Jan Suraksha Yojana across the country.

Bank of Baroda-

- Bank has exceeded all targets of Disaggregated FIP 2016 in December 2014 itself. Bank has surpassed annual Basic Saving Bank Deposit Account opening and Amount target for financial year 2015-16, achievement 220.18% & 196.23% respectively.
- The balance outstanding in the "Basic Savings Bank Deposit Account" of the bank is around Rs 4925 Cr. as against a target of Rs. 2510 Cr. for FY 2015-16.
- Outshined annual target for BC appointment for FY 2015-16 by appointing 11,131 BCs against target of 5503 (achievement 202.27%).
- Surpassed annual target for no. of transactions and amount of transactions in FI accounts opened through BC for FY 2015-16 (achievement 403.02% & 1145.41% respectively)
- Exceeded target for opening of branches in unbanked villages by opening 551 branches and achieved 105.55% of the target during FY 2015-16.
- Also surpassed annual target for OD amount disbursed in BSBDA account for financial year 2015-16 by 848.83%.

Union Bank of India-

- Bank has opened 75 Branches in un-Banked rural centres (in Tier 5 & Tier 6) as at 31st December'13.
- Bank has opened 1758 Ultra Small Branches in BCA locations where the Bank officials are visiting on regular basis with Laptop having VPN connectivity to the CBS.
- 4.98 lakh accounts were opened during the quarter ended December'13 thereby increasing the total Basic Savings Bank accounts from 28.30 lakh to 33.28 lakh with Rs.28.81 crore balance as at December'13.
- 5.20 lakh new Smart Cards were delivered during the current quarter with a cumulative Smart Card delivery of 17.30 lakh as at December'13.
- For facilitating movement of the BCAs in the FI villages, a special Two wheeler vehicle loan has been launched for the BC Agents.
- Credit linkage has been made to 6.68 lakh customers

with an outstanding amount of Rs. 174.23 crore.

- For extending DBT for LPG customers in 289 DBTL Districts, Bank has its presence in 148 Districts with 666 Branches.
- Bank has opened Financial Literacy Centres in all its 34 LDM Offices. Besides, 4 more FLCCs have also been opened. These FLC/FLCCs have organized 212 Workshops wherein 7771 persons attended and 4441 persons were converted as Banks' customers during the reporting quarter.

Bank of India-

- Entrepreneurship credit to 67 lac households through credit products like Kisan Credit Card (KCC/GCC) /General Credit Card etc.
- 40,000 villages to be covered out of which 7400 villages to be covered by March 2016
- Appointment of additional Agricultural Officers devoted specially to the implementation of Financial Inclusion Plan
- Adequate no of Business Correspondents engaged (7569 Nos. of Business Correspondents engaged up to 31.03.2015)
- 182.18 lac No-frill accounts opened up to Mar 2015
- GCC/KCC issued in 23.44 Lac accounts up to 31.03.2015
- Villages covered by Bank through BCs : 2,620 and Villages covered by branches : 1,784
- Total Villages covered by BCs/Branches : 22,824
- Total Nos. of RSETIs: 43No.of programmes conducted: 2,959, No. of people trained: 82,916 and No. of person's credit linked: 38,185
- **Financial Literacy and Credit Counselling Centres (FLCCs)**, No. of Centres: 55, No. of camps organized : 536, No. of people educated: 105,599 and 10,036 converted into customers
- Total Aadhaar enrollment done for residents: 403 Lakhs and No. of Aadhaar seeded bank accounts: 131 Lakhs

YES Bank-

- **YES Livelihood Enhancement Action Programme (YES LEAP)** Launched in September 2011, has reached over 1.3 million women customers across 5,000 villages and disbursed a total of US\$ 500 million in loans. The loan repayment rate is close to 100%.
- Bank has 42 partner BCs, with over 700 branches across 19 states in the country.

- It has developed YES Kisan Dairy Plus, which provides an instant, secure and traceable payment solution specifically for farmers in rural areas.
- Bank has successfully raised a loan of \$200 million from the Asian Development Bank (ADB) to take forward its objective of financial inclusion in India.
- The equivalent amount of \$200 million would be used to finance working capital and investment loans to small households, rural entrepreneurial women and self-help groups in India.
- YES BANK is the first Indian bank to be a signatory to the United Nations Environment Programme – Finance Initiative (UNEP-FI).

IDBI Bank-

- During the year 2013-14, the IDBI Bank covered 785 villages through a network of 183 BCs, 164 Common Service Centres (CSCs) and 62 brick & mortar branches. 103 branches were opened in unbanked rural centres, which included 47 such branches in villages allotted by SLBCs for Financial Inclusion (FI).
- As on March 31, 2014, the Bank opened 8.79 lakh Basic Savings Bank Deposit Accounts (BSBDAs) under financial inclusion, which include 1.78 lakh accounts serviced through the BC model. Total outstanding deposit in BSBDAs stood at Rs.336.02 crore including Rs.3.76 crore under BC model.
- The Bank has also continued with the project of distribution of MNREGA wages in three districts in Chhattisgarh, covering about 1 lakh beneficiaries in about 192 Gram Panchayats. As on March 31, 2014, 60,796 accounts of beneficiaries have been opened by the Bank.
- As a part of Financial Literacy program the Bank has set up desks known as "Vittiya Sakhsharta Jankari Kendras" in the rural branches of the Bank.
- During the year, the Bank's rural branches conducted more than 500 such outdoor literacy camps, educating more than 11,000 villagers in the process.
- Further, with an aim to impart job-oriented fields training to rural youth, the Bank has set up Rural Self-Employment Training Institute (RSETI) at Satara in Maharashtra. During the year, 23 programmes were conducted and 507 entrepreneurs were trained.
- The Bank has so far enrolled around 32 lakh residents across 10 States, including 16.83 enrolments in DBT districts.
- The Bank won the Award under Financial Inclusion category for undertaking Aadhaar Project as Financial Inclusion initiative in Direct Benefit Transfer (DBT) districts in the Global Conference on FIPS 2013 held at New Delhi in October 2013.

THE CHALLENGES OF FINANCIAL INCLUSION

There is a long history of financial inclusion in India. It has traditionally been understood to mean opening new bank branches in rural and unbanked areas. Nowadays, however, financial inclusion is seen to be something more than opening bank branches in unbanked areas to take formal financial services across the length and breadth of the country. In the context of the various shortcomings in delivering subsidies, direct transfers using technology have been thought of. The beneficiary needs to have at least one bank account. Since in a logistics point of view it is impossible to open that many physical branches, the accent will be on opening electronic accounts.

If amount of the leakages in a given scheme/area is huge then it can be next target for introduction of JAM as subsidies with higher leakages will have larger returns from introducing JAM. Similarly control of central government will reduce administrative challenges of co-ordination and political challenges of opposition by

interest groups. The RBI has, in the recent past, taken several steps to further inclusion through issuing licenses to payment banks and small banks. These niche banks with lower entry-level norms than for normal commercial banks are meant for further inclusion. While it will take a while for these banks to come up, it is obvious that the RBI is betting on them to provide banking services to those who remain outside the purview of formal banking.

While over the years the government has taken several steps to spread the banking habit. Of the 24.67 crore households in the country, 10.19 crore do not have access to banking services. In rural areas, 44 per cent households and in urban areas 33 per cent still do not have a bank account. The latest inclusion plan will have its focus households rather than geographical areas. Technology adaptation would be a key feature for financial inclusion whereas developing necessary infrastructure remains a big challenge.

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E-Procurement Adoption Determined by Various Factors - Conceptual Model Based on Literature Review

Keywords: *E-procurement, Important Factors for Adoption of E-procurement, Models in E-Procurement Adoption*

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ABSTRACT

In today's competitive world growth and survival of organizations depend on adoption of new information technology (IT). Perhaps IT provides more efficient and effective way of doing business. IT helps to better or improve bottom line of business. Generally bottom line can be increase in two ways- i) increase the sales and with better pricing ii) improve the business process and optimize the cost and time. First point depends on many market forces like competition, addressable market, buying behavior etc. on which organization does not have control. Second point is in the purview of organization. The adoption of e-procurement improves the procurement process of organization. Organization can reduce the average price by 5-12 percent on average and reduction in administrative cost up to 25 percent for buying organization using e-procurement methods. So it is imperative to adopt the e-procurement. This paper has explained various factors which are responsible for

e-procurement adoption. Based on literature review conceptual model of e-procurement adoption has also been depicted.

E-PROCUREMENT – PARADIGM SHIFT

Invention and adaption of new technologies and ideas increase the productivity of the business organization, which will intent translate to high economic growth. Recent technology advancements in information and communication technologies (ICT) have made a paradigm shift in the way business processes are conducted.

Electronic procurement (E-procurement) is one of the technological solutions to facilitate corporate buying. E-procurement is the electronic (B2B or B2C or B2G) sale and purchase of goods and services. Procurement supports a delivery relationship between buyers and sellers (Subramaniam & Shaw 2004, Saeed et al. 2005). Raghavan and Prabhu (2004)

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E-PROCUREMENT –DEFINITIONS

E-procurement is defined as - "the electronic acquisition of goods and services including all processes from the identification of a need to purchase of products, to the payment for these purchases, including post-contract/ payment activities such as contract management, supplier management, and development".

E-procurement can be defined as the use of ITs to facilitate B2B activities of purchase and payment of goods and services (Panayiotou et al., 2004).

Using e-procurement application creates efficiencies as well as cost effective in traditional purchasing procedure (Wu, 2007; Turban et al., 2006).

Van Weele (2010) have given the definition - E-procurement includes web technology-based purchasing solutions aimed at simplifying commercial transactions within and between organizations and information technology solutions for ordering, logistics and handling systems as well as for payment systems.

The main objective of E-procurement strategy is to provide purchasing managers with better control over their companies purchasing habits and relationships with suppliers (Croom et al., 2003).

Peleg et al (2002) write that e-procurement also helps manufacturers to speed up new product introduction to enhance the customer satisfaction intent boost the product revenue. Also, reduction of the direct material cost will improve the profit.

Reddick (2004) defined e-procurement as "the acquisition of goods and services by commercial or government organization over the internet."

Antonio Davila et al (2003) explained e-procurement technology as the acquisition of good by commercial and government organizations over the internet. Many other elements comprise E-procurement like e procurement software, B2B auction, B2B market, and purchasing consortia.

Croom & Bradon-Jones (2007) E- procurement refers to use information and communication technologies based on internet to execute the individual or all stages of the procurement process like search, sourcing, negotiation, ordering, receipt and post purchase review.

Traditionally, procurement processes between various parties were organized through mail, phone, fax and electronic data interchange (EDI) and more recently internet. E-procurement has evolved into the use of electronic technologies to streamline and enable the procurement activities of an organization (Hawking et al., 2004).

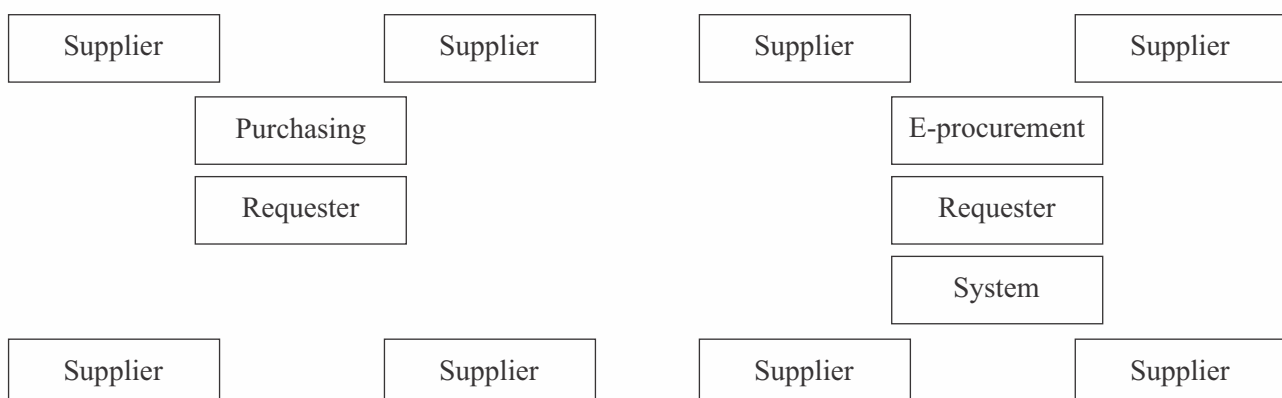
The benefit of procurement has contributed great saving in bottom line costs of many companies worldwide and hence procurement is a significant tactic in most companies' E- business strategies. It is claimed that a company engaging in E- procurement can cut cost by 8 to 15% (Ghazaly, 2005).

E- Procurement is driven by automated procurement process, integrating the functional processes and purchase management. The emergence of Web-based E-procurement is expected to reduce the order fulfilment cycle time, lower the inventory levels, reduce the administrative cost of procurement, cost of procurement, and enhance the order fulfilment and performance of suppliers (Subramaniam and Shaw 2002, Son and Benbasat 2007).

Most of the times, terms 'procurement' and 'purchasing' are used interchangeably. However, both differ significantly in their scope.

Procurement is broadly defined to include a company's requisitioning, purchasing, transportation, warehousing, and in-bound receiving processes, also linking suppliers and buyers into the purchasing network and rethinking of inter-organizational processes driven by transaction. Various countries have adopted E- Procurement due to inherent advantages.

Exhibit1- Successful Use of E-Procurement in Supply Chain by Thomas Puschmann (2005)



E- PROCUREMENT – DIFFERENT FORM AND VALUE

E procurement can include activities as mention below:

- i. Tender notification
- ii. E ordering
- iii. More data about supplier market(more research)
- iv. Sourcing via third party through internet
- v. E submission of tenders
- vi. E mail between buyers and suppliers
- vii. Electronic contract management
- viii. Integration of inventory and financial management

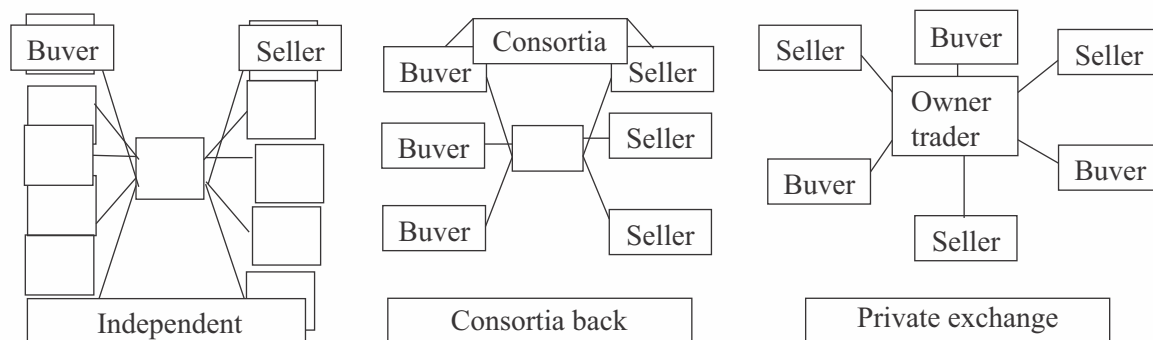
Boer et al (2002) distinguish the different form of e-procurement.

- i. E-ordering: Focus mainly process of creating and approving purchase request, receiving goods using software system based on the internet. An E-catalog is the consolidation information of all the items.

- ii. Web-based ERP: Order of goods which is product related (direct goods) E-ordering using order the indirect goods.
- iii. E-sourcing: Identification of suppliers for a specific category of purchasing requirement.
- iv. E-tendering: RFI (request for information) and RFP (request for proposal) to suppliers. Suppliers submit the response using internet technologies.
- v. E-reverse auction: Organization can purchase the goods and services from the suppliers who are providing lowest price.
- vi. E-informing: Disseminate purchasing information to both the parties- internal, external. E information also gathers the information along with transaction.

In E-procurement platform buyer and sellers can meet on the electronic market or B2B hubs for exchanging the information as well as buy and sell the products.

Exhibit 2 - Different Type of Electronic Market



Independent exchange buyers and sellers do their transactions. Many tradition firms within in an industry create a common forum for B2B transaction. In private exchange only invite participants can participate.

Shaw and Subramaniam (2002) defined the formula of e-procurement value to an organization. They proposed a formula to measure the value of e-procurement:

Value of E-procurement = Price Benefits + Transaction Costs Benefits – Technology Costs

Chandrasekar Subramaniam et al (2004) have explained the e-procurement value component and factors affect the value.

Table 1 - Value Components and Factors Affecting Value

Value Component	Source of Value/Cost	Factors that Affect Value
Price benefits	Difference between average market price of product and lowest negotiated contract price	Substitute of product Complexity of process Change in centralization
Transaction cost benefits	Saving in various process like search, processing, negotiation and contracting, and coordinating	Substitute of product Complexity of process Change in centralization Number of business units Fragmentation of product supply chain

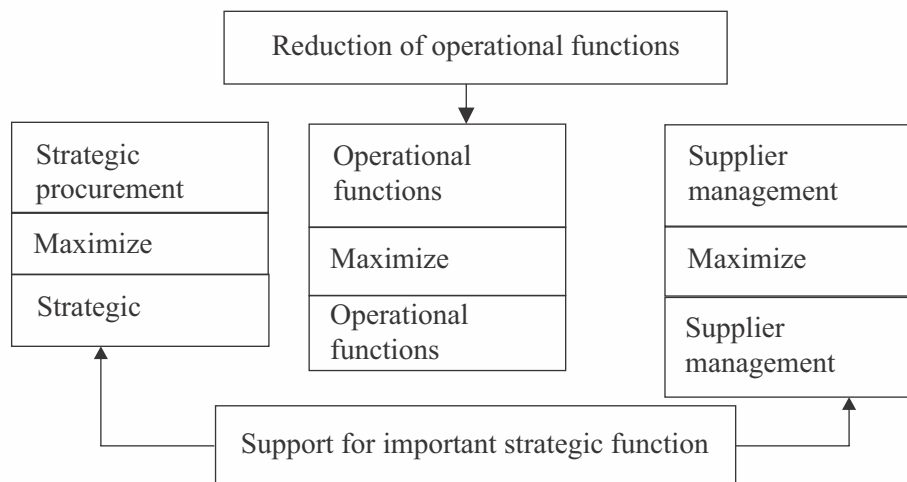
Value Component	Source of Value/Cost	Factors that Affect Value
Technology lock-in cost	Opportunity cost of choosing e-procurement	Substitute of product Complexity of process Fragmentation of product supply chain

E-PROCUREMENT – DRIVERS AND BARRIERS

Below exhibit explained that operation function can be minimized by using e procurement. Better supplier's management and strategic procurement will provide competitive advantage to organization. Since the e

procurement has aimed to achieve faster and more efficient operational process of procurement which bypass the purchase department and enable people to focus more strategic task.

Exhibit 3 - E-Procurement, the Golden Key to Optimizing the Supply Chains System by Somayeh Farzin, Hossein Teimoori Nezhad (2010)



E procurement provides the opportunity to decentralize operational procurement processes and centralize strategic procurement processes. This is feasible due to higher supply chain transparency achieved by e procurement system.

E procurement can be used in conjunction with various platforms (technologies) such as workflow management, bulletin boards and e mail, document imaging and business process reengineering. Integration of e procurement with other technologies will reap better benefits.

Table 2 - Significant Benefits of E-Procurement

Type	Benefits
Strategic	<ul style="list-style-type: none"> • Aggregation of purchase of organization that will lead to better discounts and services • Information flows in upstream and downstream of supply chain • Minimized the operation time, enable people to do other jobs- better productivity • Highly competitive and respond quickly to encounter the new entrants • High probability to win new business
Opportunity	<ul style="list-style-type: none"> • Better trading relation intent enhance image of organization • Mutual cooperation is required between buyers/suppliers • Due to electron processing of order translate in better accuracy- no wrong goods shipment , no transaction errors
Operational	<ul style="list-style-type: none"> • Monitoring of order movement will lead to improve auditing and better security • Reduced inventory level, hence inventory cost will down • Empowering the employee

(Source: Literature Review and Somayeh Farzin, Hossein Teimoori Nezhad 2010)

Table 3

Main Factors in context to Adoption of E-Procurement	Researcher	Drivers	Head
Reduce in transaction costs, Shorter purchasing cycle times, Increasing competitive pricing	Hartley et al (2004). Kumar and Maher, (2008)	Drivers	Cost/Better customer service & competitiveness
Faster purchasing cycle times, Increased flexibility and more accurate information for order placement	Davila et al (2003), Min and Galle (2003)	Drivers	Better customer service
Time Saving, Increase transparency	Tatsis et al(2006), Ahmed et al(2006)	Drivers	Time/ Better customer service
Cost improvements through opportunities for lower prices from vendors	Emiliani (2000), Min and Galle (1999) Zsdisin and Ellram (2001)	Drivers	Cost
Operational improvement, impact on internal employee satisfaction	(room and Johnston (2003), Mukhopadhyay and Kekre(2002)	Drivers	Employee
Efficient, effective and economical process	Knudsen and Sweden, (2003)	Drivers	Better profitability
Enhance buyer-seller relationship	Amit and Zott(2001), Gadde and Snehota, (2000)	Drivers	Improved relationship
Strategic benefits from suppliers	Mukhopadhyay and Kekre (2002)	Drivers	Improved relationship
IT infrastructure, Management support, Employee skill	Beatrice Kananu Kahiu (2015)	Drivers	Technology/ Employee/ Management support
Organization culture, Management support, IT support, E procurement policies	MWATELA Carol Munyazi, OMAR Nagib(2016)	Drivers	Organization culture/ Management support/ Technology/ Government support
Reduce administrative cost, Reduce order fulfillment time, Lower inventory level, Better price, Better coloration with business partner	Croom (2000), Roche, (2001)	Drivers	Cost/Better customer service/Better profitability
Improve cash flow, Reduced inventory, Reduce none value added activity, Process improvement- greater speed accuracy, Reduce cost, Empowered employee, Strong alliance and share service	Ash et at (2006)	Drivers	Better profitability/Cost/ Employee/Better customer service
Cost savings , Time savings, Improved efficiency of the purchasing process, Reduced operating and inventory costs	Subramanian & Shaw (2002), Knudsen (2003), Weele (2010), Egber & Tookey (2004)	Drivers	Cost/Time/Better customer service/ Improved quality

Main Factors in context to Adoption of E-Procurement	Researcher	Drivers	Head
Management control over purchasing, Increase purchasing power, Improved commercial relationship, Increase profit margin, Better customer service, Increase quality, Gaining competitive advantage	Knudsen (2003) Kalakota et al(2004), McIntosh & Sloan (2001), Hawking et al (2004), McIntosh & Sloan (2001), Lederer et al (2001) Hawking et al (2004) Wong & Sloan (2003)	Drivers	Cost/Better profitability/Better profitability/Better customer service/ Competitiveness
Better effectiveness and efficiency	Kalakota and Robinson (2001)	Drivers	Cost/Time
Competitive advantage	Farn and Fu (2004)	Drivers	Competitiveness
Economic benefit, Organization benefit	Garrido et al (2008) Dai and Kauffman(2006)	Drivers	Better profitability
Fast and flexible process, Cost saving, Better customer service	Garrido et al (2008) customer service	Drivers	Cost/Better
Cost saving administrative & transaction	Eadie (2007)	Drivers	Cost
Improve quality, Accuracy in productivity, Fast purchasing process	Harrigan et al (2008), Garrido et al (2008)	Drivers	Improved quality/ Better customer service

Various researcher papers have pointed Technology, Organization Willingness, financial, change management and employees challenges.

Table 4 - Various Barriers

Main Factors in context to Adoption of E-Procurement	Researcher	Barriers	Head
Lack of infrastructure and employee skill	Tatsis et al (2006), Ahmed et al (2006)	Barriers	Lack of infrastructure/ Employees challenges
Cultural change, Fast process	Tatsis et al (2006), Power and Shoal (2002)	Barriers	Change management
Attitudes, Skills, knowledge and technology	Hafeez (2006)	Barrier	Organization willing ness/ Employees challenges
External environment (market immaturity), Resistance from end user, Maverick buying persistence, Problem in integration	Arbin (2008), Yen and Ng (2002)	Barriers	External challenges/ Organization willingness
System integration, No standardization and immaturity market services	Angeles and Nath (2007)	Barriers	Technology
System specification, Challenges in implementation, Legal and IT infrastructure	Aman and Kasimin (2011)	Barriers	Technology/ Security & legal issue
Employee- competence, Technology- infrastructure, Legal framework, Data security	Lilian Weyala Waniani et al (2016)	Barriers	Employees challenges/ Security & legal issue/Technology
Resistance to change, lack of enthusiasm, Staff skills, Technology, Organization's Finance, Leadership and integrity	Orina (2013)	Barriers	Change management/ Employees challenges/ Technology/Financial /Leadership

Main Factors in context to Adoption of E-Procurement	Researcher	Barriers	Head
Legal technological and governance challenges	Meso (2010)	Barriers	Government policy/Legal issue
Financial, Technical, Culturally, Legal infra and organization	Mohammed Suleiman (2015)	Barriers	Organization willingness/ Financial/ Technology/Culture
Wait and see approach for e-procurement, Attitude toward e-procurement, Security concern- confidentiality of the data, Reluctant to share data with trading partner, lack of standardization, Uncertainty over trust and Commitment	Huber et al. (2004)	Barriers	Organization willingness/ Security & legal issue/ Employees challenges
Transaction, Security and Privacy risk	Leith (2003)	Barriers	Security & legal issue
Security issue, Law governing B2B, Investment in software and hardware, Technical difficulty	Kheng and Al-Hawandeh (2002)	Barriers	Security legal issue/Financial/ Technology

E-PROCUREMENT ADOPTION– DETERMINED FACTORS

Fang Wu, George A. Zsidisin, and Anthony D. Ross (2007) viewed e-procurement as inter organization system in which many stakeholders- customers, suppliers and other member sharing the information for economic benefits. In this study researcher has explained the intensity of e–procurement adoption many on two bases:

- Coordination application use
- Transactional application use

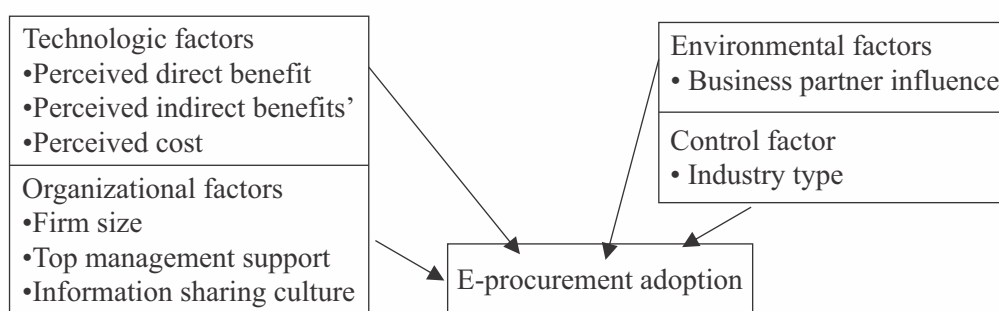
Coordinated form build the relationship as well perceived efficiency gain whereas transaction application only gains in efficiency level. Three factor for antecedent to adoption of e- procurement

- Top management emphasis
- Organization learning ability
- Normative pressure

As per empirical study executed in 17 SBU in various industries like telecommunication, computer hardware, semiconductor and manufacturing industry, top management support does not support significant antecedent in adoption of e–procurement application. SBU size also not effects the adoption of coordinated and transactional e–procurement application

Thompson, et al (2009) studies the adopter and non-adopter of e-procurement in various industries (architecture/ engineering/ construction, Banking/ finance/ insurance property, business service, computer/ IT, Logistics/ Transportation/ communications, Manufacturing, Retail/ trading/ wholesale, Travel/ tourism/hotels). Researcher has used the TOE framework to understand the perceived direct and indirect benefits. Based on analysis the key factors affecting the adoption of e-procurement in of importance are firm size, business partner influence, perceived direct benefits and top management support.

Exhibit 4 - Framework which has Summarized TOE (Technology, Organization, and Environment) Model for E-Procurement Adoption in Singapore by Thompson, etal. (2009)

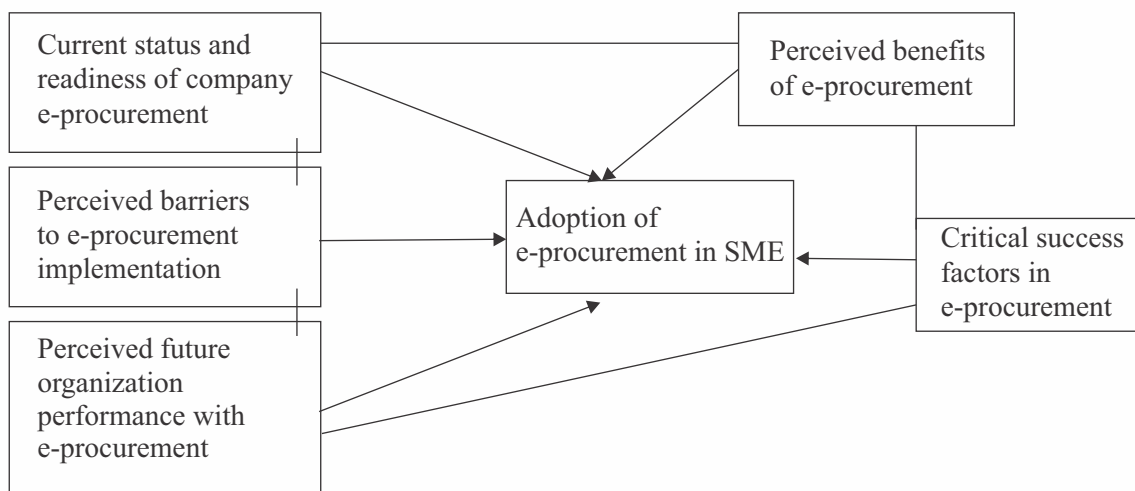


Gunasekaran, et al (2009) have studied the current state of e-procurement through survey among the small and medium size enterprises located in south coast of Massachusetts. In this study, the author found that SME of south coast of Massachusetts not were not embracing e-procurement even substantial number of them considering its strategic value and appreciate the

potential impact of organization performance. Most important barrier was top management support and initiatives.

Other barriers like current status and readiness of company for e-procurement, perceived benefits did not consider for primary thwarting adoption.

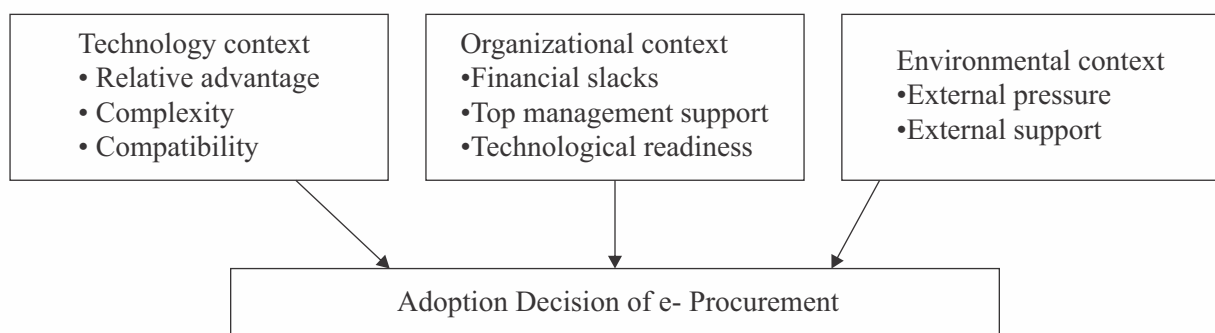
Exhibit 5 - Framework for Adoption of E-Procurement by SME in South Coast Massachusetts by Gunasekaran, et al. (2009)



Li.yu-hui (2008) has conducted empirical study identify the factor that impact the e-procurement adoption in Chinese manufacturing enterprise. Though, research used TOE model but does not capture the inter-organization factor like trust and trading partner readiness, which may be important driver in adoption of

e-procurement. Researcher concluded that top management support, relative advantage, and external pressure and support are major determinants factors for successful adoption of e-procurement in Chinese manufacturing enterprises.

Exhibit 6 - TOE Framework for Adoption of E-Procurement by Chinese Manufacturing Enterprises by Li.Yu-Hui (2008)

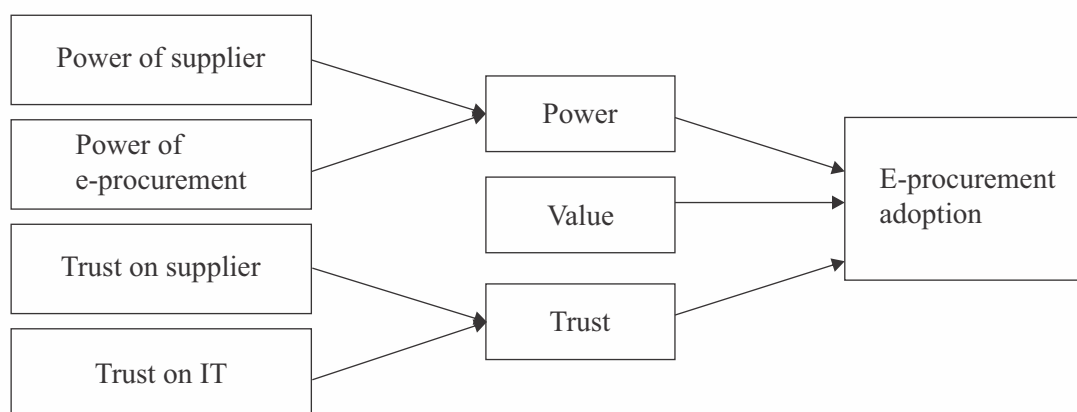


Chan, et al (2002) have proposed a model of e-procurement adoption behaviour by small medium enterprises in Hong Kong.

Researchers examined the model from the perspective of buyer-seller relationship and concluded that trust on

suppliers, trust on information technology power of suppliers are the critical factors in adoption of e-procurement. Researchers also suggested that intermediary organization like e-market also play vital role by demonstrating the benefits of e-procurement to small medium enterprises.

Exhibit 7 - Determinant Factors of E-Procurement Adoption in Small Medium Enterprise in Hong Kong by Chan, et al. (2002)



Corina pop sitar (2011) has explained three factors which are very important in the adoption of e-procurement in the organization in general.

- i. Environmental factors
- ii. Organizational factors
- iii. Technological factors

Arash Azadegan and Jeffrey Teich (2010) discussed two companies case study one Dow Chemical other one being

Equipment Exchange Company of America (EECA). Dow touts it as a success and EECA brushed it aside as failure. Same e-procurement technology adoption has delivered the different results.

Theories explained the factors that play major role in technology adoption but silent on factors affect the adoption of e-procurement. Researchers used the proposed framework for explaining the adoption of e-procurement.

Table 5 - Factors that Determines the E-Procurement Adoption

Technology factors	Organization factors	Trade partner factors	Network factors
Perceived benefit	Organization readiness	Partner factor	Network factor
Relative advantage	Technology capability	Partner readiness (technological, financial and organizational capabilities)	Network size
Compatibility	Financial capability		Network inter-connectedness
Complexity	Culture and organization capability	Partner power	Technology infrastructure

Achmad Nurmandi & Sunhyuk Kim(2013) have mentioned that human resources are the critical factor in the performance of e-procurement. The researchers have focused three local governments in Indonesia – Yogyakarta City, Tangerang City, and Kutaikartanegara Regency. Authors have explained the other important factors with respect to public procurement.

- i. Leadership
- ii. Human resources
- iii. Planning and management
- iv. Policies and regulations

v. System integrations

vi. Infrastructure and standardization

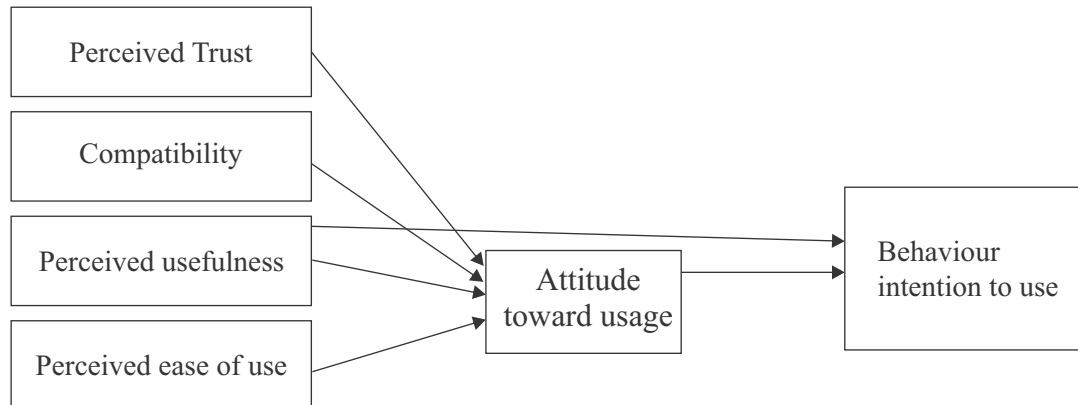
Thompson S.H. Teo et al. (2009) have studied the challenges in adoptions:

- I. Technology factor- perceived cost, perceived direct & indirect benefits
- ii. Organization factor- firm size, top management support, information sharing culture
- iii. Environment factor- Business partner influence
- iv. Control factor- Industry type

Key factors in importance order are perceived indirect/direct benefits, firm size, business partner influence and top management support. Generally, adopter firms tend to more align with indirect long term benefits rather than short term gains.

N. H. Kamarulzaman et al (2013) studied the adoption of e procurement in Malaysian Agro base sector. Researchers have taken TAM model to develop the conceptual model to map the adoption of e procurement in Malaysian Agro sector.

Exhibit 8 - E-procurement in Malaysian Agro Sector by N. H. Kamarulzaman et al (2013)



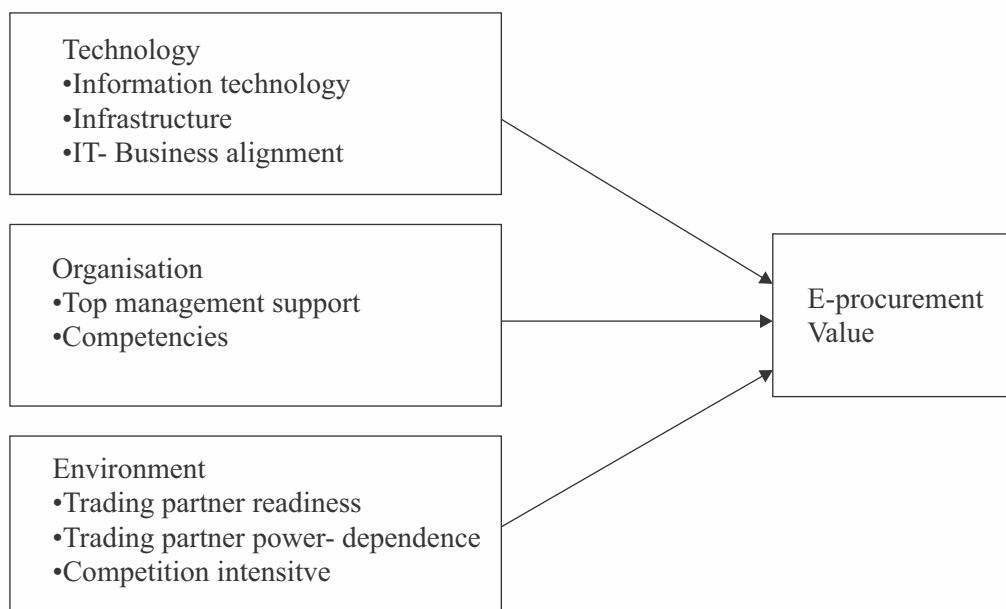
Empirical data from Malaysian External Trade Development Cooperation indicates that perceived usefulness and attitude strongly influence the behavior intention to use e-procurement in Malaysian agro sector.

Hashim et al. (2014) have investigated resource and capabilities affecting e-procurement value in Malaysian construction firms. Research has taken resource base view (RBV) as well as capabilities based on the

framework of technology- organization- environment (TOE).

RBV theory explained technological, organization resource and capabilities with competitive advantages. Two factors very important in e-procurement value in construction firms in Malaysia- IT competencies, trading partner relationship. Below is the conceptual model of e-procurement value in construction firms.

Exhibit 9 - E-Procurement Implementation in Malaysian Construction Industry by Hashim et al. (2014)

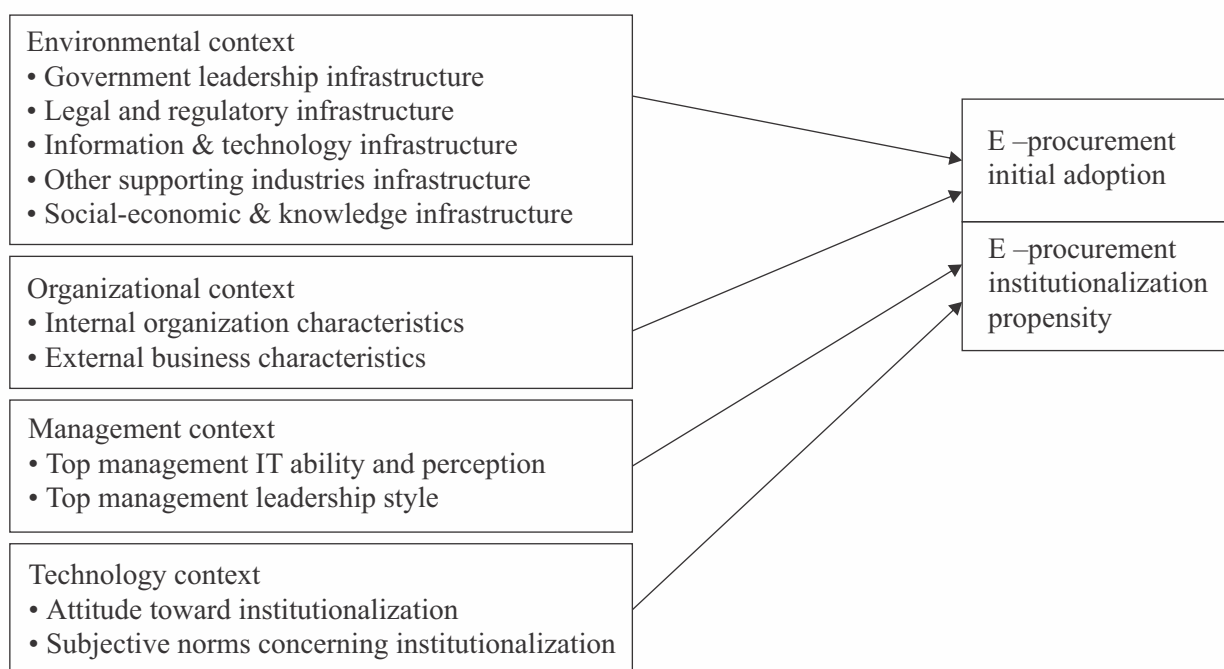


Quangdung Tran et al. (2014) have done an empirical study in Vietnam which finds out the important factors in initial adopters of construction firms and construction firms institutionalized the e-procurement in developing

countries. The researchers have framed the conceptual model based on technology-organization-environment (TOE) framework and theory of reasoned action (TRA).

Conceptual Model

Exhibit 10 - Initial Adoption versus Institutionalization of E-Procurement in Construction Firms



VARIOUS THEORIES USED FOR E- PROCUREMENT ADOPTION

Table 6 - Relevance of Various Theories in Aadoption of E-Procurement

Various theories	Relevance to e-procurement adoption
Diffusion of Innovation theory	Adoption of e-procurement comprises many individuals. They can accept or reject the innovation.
Institutional theory	Adoption of e-procurement by the institutions or organizations which exert the regulation and influence over the society. Organization or institution can influence the other stakeholder like suppliers, employees in adoption of e-procurement
Transaction cost theory	Analysis the unit cost when goods and service transferred through technology separate interface
Theory of reasoned action	Attitude, intention, and behaviour toward e-procurement adoption.
Resource base theory	Adoption of e-procurement provide competitive advantage
Technology adoption model	Adoption of e-procurement also considered as technology which can be measured on perceived benefits and ease of use
Information system success model	Benefit perceived by all users like suppliers, customers, and employees
Motivation, opportunity and ability theory	Through opportunity, ability and motivation factors, implementation of e-procurement can be predictable
Actor network theory	Successful implementation of e-procurement depend on human and non-human factors like technology

1.6 Analytical Model

Analytical model is based on the literature available and different models used in different countries as well as researcher's own understanding of the factors affecting

E-procurement adoption. Proposed analytical model will define the factors relative relevance in E-procurement adoption.

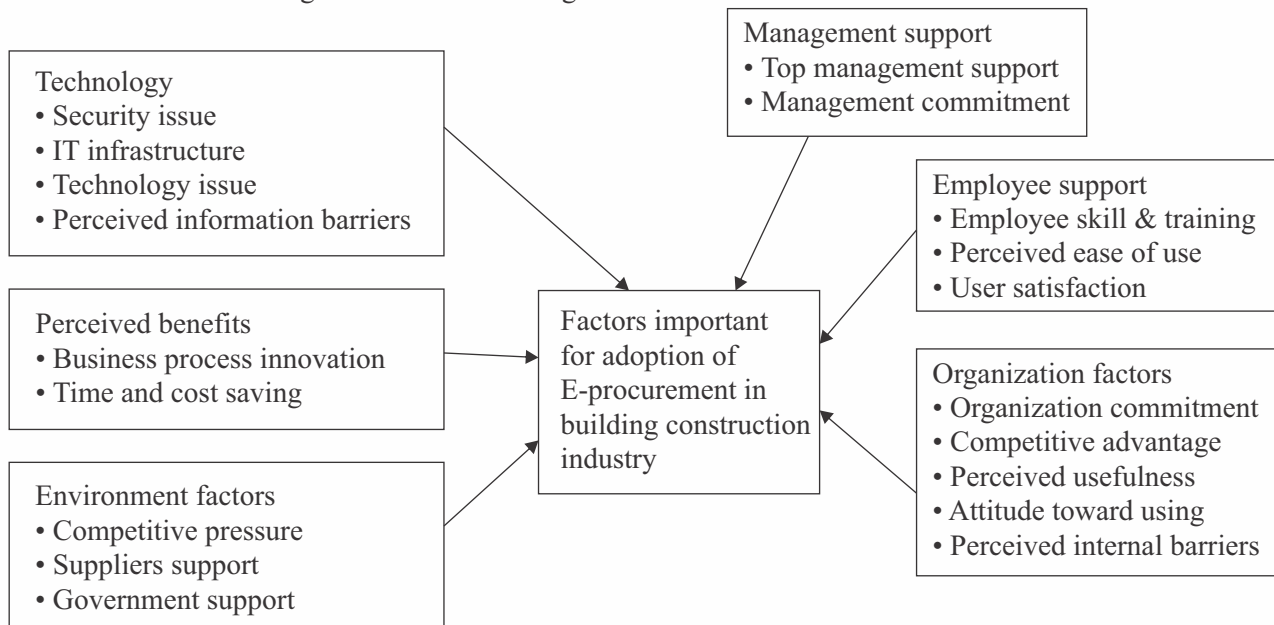


Table 7 - Description of Determining Factors for E-Procurement Adoption

Groups	Variables	Description
Technology	<ul style="list-style-type: none"> • Security issue • IT infrastructure • Technology issue • Perceived information barriers 	Technology, in general, adds value in existing process.
Perceived benefits	<ul style="list-style-type: none"> • Business process innovation • Time and cost saving 	Anticipation of benefit that organization is going to reap out after implementation of e –procurement.
Environment factors	<ul style="list-style-type: none"> • Competitive pressure • Suppliers support • Government support 	External stakeholders like suppliers, customers, government creates the environment for business.
Management support	<ul style="list-style-type: none"> • Top management support • Management commitment 	Management defines the direction of business without their support difficult to implement any new initiative.
Employee support	<ul style="list-style-type: none"> • Employee skill & training • Perceived ease of use • User satisfaction 	Execution is the key for any project and employee commitment and attitude toward adoption ensure the success in implementation.
Organization factors	<ul style="list-style-type: none"> • Organization commitment • Competitive advantage • Perceived usefulness • Attitude toward using perceived internal barriers 	Organization attitude and willingness towards implementation is important factor.

Conclusion

Adoption of e-procurement will reap many benefits to organizations. However, some challenges are critical to implement the e-procurement successfully. Most of the researchers used TOE (technology, organization and environment) model to study the determine factor of

e-procurement adoption. Based on literature review our conceptual model also added perceived benefits, employee, and management factors in the model. This model will give ready reckon for management before implementing the e-procurement.

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Cost Estimation in Strategic Procurement Practices: Methodology and Applications in Indian Defense Sector

Keywords: *Life Cycle Management, Cost Estimation, Defense Projects, Cost Estimation Techniques*

Mukesh Kumar Gupta* & Gyanesh Kumar Sinha**

ABSTRACT

Estimation of cost plays very important and significant role in strategic procurement decisions. Cost is defined as an amount be paid or given up to get something in business, whereas estimate is described as to form an approximate judgement or opinion regarding the worth, amount, size, weight etc. The ability to generate reliable cost estimates of a project, product or service is very critical for a company to meet and execute its business requirements. Without this ability, company is at risk of experiencing missed deadlines and performance shortfalls. In case of overestimate scenarios, companies could lead to loss of future orders against competition.

This paper provides comprehensive review of various costing methods and its underlined assumptions specifically for defense industry. The unique fundamental characteristic of this sector is that sales are always restricted to Governments and their armed forces. The selection criteria by government remain to be through competitive tender bidding and based on L1 (Lowest bidder) selection. It is important to choose a right and appropriate cost model based on its size, complexity, timeline & development stage both during

participating and life cycle management to meet business objectives.

During this descriptive research, various interviews and interactions were done with key decision makers of International Defense Industry. It is observed that, standard regular products follow costing methods like expert judgment, price to win, Top-Down and Bottom-up approach, whereas complex & large ones are estimated using statistical based Parametric, COSYMO (constructive System Engineering Cost Model), Analogy, Engineering and actual costing techniques. In new era of highly sophisticated weapon systems and radars technology developments, softwares are another big-ticket item in defense industry, while doing life cycle cost estimation. An attempt has also been made to highlight challenges that are faced by organizations specially those entering to the defense sector for the first time in India. Non-availability of existing structure, local industrial base, product lines, engineering capabilities & technology makes cost estimation more challenging. This paper also come up with suggestions that can be used as high level reference guide while calibrating international cost data points for using in India.

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INTRODUCTION

The overall process of developing a cost and life cycle estimation model of a Defense Project is not different from estimating in other non-defense organizations. There are, however aspects which are very peculiar to the defense industry and its unique environment.

Preamble of cost estimation used by Global Defense company is

"Each Business Unit should establish repeatable estimating processes and publish the processes in appropriate process and guideline documents, including a definition of roles and responsibilities. The estimating processes should include a coherent risk and opportunity assessment on cost and schedule". (The Handbook to Cost Estimation, 2010).

Numbers of text books and researchers work are found on the same subject. Various studies done in the past suggest that, out of executed project across the globe, almost one-third projects overrun their budgets and delivered with delayed. Further, two -third population of projects exceed their initial cost guesses. (Liming Wu, 1997)

Historically in India, Defense sector was having inherent characteristics of unique and specialized international vendor's base. More than 70% of requirement is imported from overseas Defense markets. These are governed by complex customizations, Government procedures, stringent trade licensing policies and persuasive political environment.

The unique distinguishing fact of this sector is that sales are always restricted to Governments and their armed forces. Each Customer has a preferred process for requesting proposals from suppliers via either a competitive or noncompetitive route (in case of very specialized technical product). The cost break-down (CBS) and product break-down structures (PBS) are generally part of the submissions in every RFP (Request for Proposals). Estimating and documented precisely these structure remains a big challenge for the Indian industry for the reasons explained in the below paras.

An elaborative construction of study is done tabulating various cost elements, techniques in use and key features of End to End estimation. No method or technique is better than the other. One must use calculated assessment using one or group of methods by judiciously calibrating data points to mitigate risk of cost and time overrun.

OBJECTIVE OF THE STUDY

The main objectives of the current research work are

- I. To study various costing estimation techniques and methods used in strategic procurement decision making process.

- II. To study practices and methods being adopted by large size international industries operating in defense sector for getting most reliable cost estimates.

- III. To explore various limitation and challenges for Indian Defense Industry in cost estimation process.

RESEARCH METHODOLOGY

The study is descriptive in nature. The present study has used mainly secondary data which have been collected from the various sources like text books, articles in newspapers and magazines, books review, scholarly journals, interview with industry specialist, commentary and encyclopedia. Many Researchers work studied those classify these techniques into qualitative and quantitative models. (Adnan Niazi, 2015). Further sector specific defense industry Standard Operating Procedures (SOP's) are referred in detail to understand most effective way of using these techniques in Defense sector. The study also does a comparative assessment of various cost estimation techniques in practice.

ANALYSIS OF COST ESTIMATION METHODS AND TECHNIQUES

Researchers classify techniques into Qualitative and Quantitative groups. Qualitative are primarily based on comparisons analysis of new product with that product that have been already manufactured in the past. On the other hand, quantitative is based on detail analysis of product design, its components, features, specifications rather than relying on past knowledge and data. These groups can further sub-classify into Point estimation, Top Down and Bottom up methods.

Point Estimation is closely linked to Expert Judgement (also known as Engineering Judgement or Expert Opinion). It is usually associated with discussion / debate on the scope and range of the entity in question by a subject matter expert or a group of experts. From this discussion / debate a value is chosen that best represents the scope envisaged. The Cost model is a single point estimate with level of visibility purely based on discussions held. This is effectively the approach accepted when limited data is available and/or the scope is not well defined.

In Top-down approach an overview of the entire cost estimate is formulated. Based on Product breakdown structure (PBS), first level sub-systems are defined which capture significant Product/service groups. Sub-systems are defined in further detail to a point where, an appropriate costing methodology can be applied. The Cost model increases in detail and clarity through life cycle. The Top-down approach is generally associated with Parametric or Analogy techniques. In Bottom-up approach the individual base elements of the system are

first specified in as much detail as it is practical. These elements are then linked together to form larger sub-systems. Sub-systems in turn are linked until a complete top-level system is formed. The Cost model grows in complexity and completeness through time. Bottom-up frequently uses more than one method at the lowest level but is generally associated with detailed estimate quantitative technique.

CHALLENGES FOR INDIAN INDUSTRY WHILE SELECTING A COST TECHNIQUE

As explained in above para, point estimation is a qualitative or intuitive technique and primarily relying on comparison of product that have been manufactured previously to match and use the experience of similarities. A domain expert knowledge is scientifically used to generate cost estimate of parts, assemblies and engineering integration services. This heavily depend on experience of estimator to provide a dependable cost of a new system by customizing past design and manufacturing data. In Indian Defense Industry, those who are entering first time in this core sector, are struggling to get experienced technical resources or estimators to do a good job. The current reliance is majorly on overseas TOT (Transfer of Technology) arrangements and their technical competencies. One side, these are too expensive, come with lot of limitations & also restriction on using their Intellectual Proprietor (IP) right. Further development on these TOT are also governed by Stringent agreement clauses and most of times denied. This limit the scope of learning and developing skills locally. Complex arrangement and limiting marketing of product in difference world zones due to background and foreground IP rights arrangements bring further complications in the whole costing process. It has been seen that royalty account is one of the second

top list of cost components in these Defense products and TOT arrangements.

It is important to understand these international bench marks and optimize with a judicial mix of cost and productivity to reach to a workable solution for Indian environment. Transfer of technical knowledge and creating learning curve for in-house resources must be captured at appropriate place in the agreements.

Both Top down and bottom up approach are relying on how successfully product breakdown (PBS) structures are built of a large military grade product or service till its last possible sub-system and component level. Since most of Defense projects in India are at very initial stage of development, forecasting PBS with accuracy is a challenge. Additional availability of cost of these rigid and military grade components are not available in the local open Market. This make the whole process more difficult from cost estimation prospective.

During interview with industry specialists, it has been explained that, many of the Private Sector Defense industry in the initial phase of few years of development is relying heavily on buying ready to use product. These are procured from Defense developed international market (primarily those are having already tested and workable solutions in other part of the world). Although this is not a cost-effective option but ensure quality and rigidity of these specialized military grade products. Initial phase of Indian Industry is primarily to focus more on developing technical skill on Engineering Integration of these component and sub-systems rather than manufacture in-house.

Below table showing the Estimation techniques and its categorization based on availability and analysis of data.

Table 1 - End to End Cost Estimation Techniques

End to End Cost Estimation Techniques				
Costing Method	Top-Down	Bottom-Up	Point Estimation	Description
Analogy	√	√		Make a comparison with something else
Parametric	√	√		Identify a scientific pattern
Detailed Build up		√	√	Sum of all ingredients
Extrapolation from Actuals	√	√		Observe and Project the current trend
Expert Judgement	√	√	√	Unverified Opinion
Pre-Defined Values	√	√	√	Unverified Market Values.

Source: Defense Industry standard operating procedures (SOPs)

The below tabular data represent how each Cost Element process and what all been faced by Indian Defense Industry to validate the result.

Table 2 – Cost Elements and Indian Defense Sector Current State

Cost Element	Requirement	Key Focus Area	Current State of Indian Defense Sector	Risk & Opportunities
Skilled manpower resources required for defense Industry & development of accurate work breakdown structures (WBS)	Skill Type	The right people to do the job	Required technical capabilities were never been developed in India due to government secretive & restrictive Defense policies. Since independence more than 70% of requirement was procured from overseas market and balance manufactured by government in-house undertakings. India private sector has never given chance to experience these military products. There are no institutionalized training centers available, where these armed forces practical competences of manpower can be developed and allowed to use by private sector.	<p>Risk:</p> <p>Overseas resources are very expensive and intentions to part away technical knowledge remain to be in question. This slow down the learning curve.</p> <p>Opportunity:</p> <p>Mitigation of technical risks is very vital during initial growth phase of project. These imported resources come with their hand full of experience and aptitudes. A well-structured and documented training programs help to ensure resources get trainings as desired for the project. Industry also using digital tools (e.g. video recorders) to ensure domestic teams can support the product during lifecycle management. Objective is to have clear road of reducing dependencies on these imported capabilities.</p>
	Labor Cost	Rates & Allowances, Recruitment and Training		
	Travel and Subsistence	Flight, Car hire, Hotel and Expenses		
Military grade raw materials, components, sub-systems and equipment's. Development of precise product Break-down structure (PBS)	Equipment and Material Costs	Including sub-vendor Costs	Indian Manufacturer are depending on Transfer of Technology (TOT) arrangements with overseas companies. Initial phase is largely being focusing on building engineering integration capabilities by importing semi knockdown kits (SKD) and sub-systems to assemble in India. Restricted use of intellectual property right creates more complicated environment at large to do research work on the same.	<p>Risk:</p> <p>Procuring critical input materials and capital machinery from overseas market increase the cost of investments and cost of final finished products due to logistics and Import duties. Meeting delivery time lines again a big issue and to follow rigorously with overseas suppliers to set priority listing.</p>
	Capital Equipment's	Project specific and non-project specific investment		

Cost Element	Requirement	Key Focus Area	Current State of Indian Defense Sector	Risk & Opportunities
			Industry is struggling to find sub-vendors network those can provide required raw materials and technically approved components. Many of the key components i.e. very small ammunitions etc. are under direct control of Government and not available even to run user trials.	<p>Opportunity:</p> <p>Use of imported and tested input materials, sub-assemblies and components gave more confidence to government and armed forces about its reliability and technical capabilities.</p> <p>Industry currently can focus on successful Engineering integration and delivery of product rather getting into manufacturing of these critical element in the Initial phase of development.</p>
Risk Management	Contingencies Mitigation Contingencies	To be appropriately modeled should be realistic and Achievable	The parameter is still not defined and tested in Indian Environment. More comprehensive data yet to be established. Currently overseas tested risk assumed rates with additional contingency is been counted by the industry.	<p>Risk:</p> <p>The risk of getting cost and time overrun is huge since completely depend on overseas technology partners and their strengths. Any adverse development overseas or may be political changes lead to put Indian projects into risk. Estimating those percentages to factor in cost estimation is very difficult and challenging.</p> <p>Opportunity:</p> <p>These overseas risk assumptions are well tested by experienced partners in the past. Except any unforeseen circumstances arise due to development of highly customized product as per specific request of customer, using overseas standards will help in mitigating the technical risk and guide suitably its mitigation plan.</p>

Cost Element	Requirement	Key Focus Area	Current state of Indian Defense Sector	Risk & Opportunities
Overheads	Infrastructure, allocations and administrative costs.	To ensure correct rate used and applied	These are comparatively more economical in Indian Environment.	<p>Opportunity:</p> <p>This is an important factor giving competitive edge to Indian manufacturer. It provides opportunity to develop products locally in a low cost-effective geography and build export market prospects.</p> <p>Many of International Defense suppliers setting up their shops & manufacturing facilities to take benefit of low overhead costs and modernized infrastructure of India.</p>
Financing	Interest rate and Discounting (e.g. Net Present Value methods)	To ensure correct rate used and applied	<p>The expected rate of return on investment (ROI) is comparatively very high. India Prime Lending Rate (PLR) is almost four times compare to international financial market. High discounting rates make projects less lucrative during Net Present Value (NPV) calculations.</p> <p>Most Defense Joint Ventures are still under negotiation to agree upon appropriate rate of return to be used while evaluating return on project investments.</p>	<p>Opportunities:</p> <p>Overseas partners not only getting into technology transfer agreement but also partnering in ownership of the joint venture entities.</p> <p>The fund borrowed from overseas are much economical and cost effective. This also give opportunities to drive high profits through Lifecycle cost management, spare-parts, upgrades and maintenance contracts.</p>

Another Cost Element	Requirement	Key Focus Area	Risk and Opportunities
Allowances and Insurances	Warranties & Liquidation Damages	Reflecting the liabilities and exposure	Any new technology development is most prone to this cost element. Without an adequate experience and tested solution, estimation of allowances is more complicated. The mitigation is planned as far as possible through risk management but same time cost is incurred to take adequate insurance coverages specially for performance liabilities.

Another Cost Element	Requirement	Key Focus Area	Risk and Opportunities
Licenses	Software and lifecycle development	Software and hardware (including Intellectual Preoperatory (IP) & Marketing Rights)	<p>These are based on Intellectual arrangement and commercial understandings. This is the second important cost component on which any international business planning spend time to work out acceptable arrangements between two organizations.</p> <p>Due to very high initial payout of License fee, an appropriate allocation key is used to spread its charge over complete life cycle of the products.</p>
Other Arrangements	OFFSET	Assessing affordability where necessary	<p>Offset is an obligatory arrangement whereby overseas supplier agree to manufacture a given percent of his exported product (in terms of value) in the buying country. Sometimes this may take place with technology transfer arrangement and investment within buying country. (Tojo Jose, 2015).</p> <p>There are huge opportunities for Indian organization to setup joint ventures with these foreign suppliers, those are looking to meet their offset obligations.</p>
Monetary and inflationary impacts	Escalations/ variation of Prices / Foreign Currency rates	<p>Existing trend review of local and international market.</p> <p>Current and Forward Rate contracts arrangement with Banks in foreign currency.</p>	<p>In initial phase of development, import of service and products hold vary large portion of final product. This increase the exposure of Foreign currency rates fluctuations.</p> <p>Industry either trying to set off exposure by getting into export out of India arrangements (also support offset obligations) or taking currency forward cover with banks to mitigate future exposures.</p>

Source: (The guide to managing cost estimates, 2012) and interviews with industry specialists

CONCLUSION

The accurate prediction of costs is a critical issue to make the good management decision and precisely determining how much effort and time a project required. For a specific project to be estimated, which method should be used depends on the environment of the project. One can use strength of the various methods to work out most appropriate comparative results to the given situation.

In context to Indian Defense environment, a large reliance is still on international manufacturers and their technical capabilities. The transfer of technology (TOT) agreement plays very crucial role in terms of how much local manufacturing will be focused upon to build capabilities and resource strength. The data points can be effectively used while doing cost estimation either using analogy or parametric. Indian references are not available and bench marks yet to be established for going forward.

SUGGESTIONS AND RECOMMENDATION

A detail study and mapping is required for all cost elements in detail whereby Indian manufacturer can use as indexation point to the international parameters while estimating cost of production in newly setup industry in India.

It is recommended that, not to depend on a single cost or scheduled estimate. Better to use multiple techniques and analysis the reason of variances if any. All the assumptions to the estimates must be validated and documented. These estimates need to be revised as quickly as possible whenever it shows large variations during life cycle of the project. Maintain historical data base, is most important for future reference points for Indian Industry development and future growth.

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Financial Literacy - A Present Day Need in India

Keywords: *Financial Literacy, Financial Literacy Initiatives, Financial Markets, Financial Products, Financial System.*

Anshika*

ABSTRACT

Financial literacy has secured a vital role in the recent scenario due to many reasons viz. development of the new financial products, complexity of the financial markets, information asymmetry and the changes in the other economic factors in the economy. To understand, explore and to make use of the sophisticated financial products in the emerging financial markets, there is a need for every individual to have an adequate level of financial literacy in India. The level of financial literacy in India is very low (24 percent) as compared to BRICS Nations (28 percent) and European Nations (52 percent) in the year 2015. Lack of financial literacy leads to the ill-informed financial decisions and these decisions in turn, have tremendous negative impact on the financial system as a whole. The present study aims to analyse the various initiatives taken by Government (Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority) to improve the

level of financial literacy in India. Further, the present status of financial literacy in India has also been studied. Some suggestions have been made to strengthen up the financial literacy which will lead to the overall growth of the economy.

INTRODUCTION

An economy to reach its heights, needs to strengthen its financial system which comprises of the inter-related financial services so as to bridge the gap between the lenders and the borrowers. This gap can be bridged only when both lenders and borrowers have adequate knowledge of the financial products and services available. Financial inclusion and financial literacy are two important aspects of financial system. Financial literacy has secured a vital role in the recent scenario due to factors including the development of the new financial products, complexity of the financial markets, information asymmetry and the changes in the other

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economic factors (Hussein and Al-Tamimi, 2009). Financial literacy is a way by which individuals can enhance their understanding about the financial concepts, markets, and products to take effective action to improve overall well-being and avoid distress in financial matters thus improve their financial status. (Bahl, 2012).

Organisation for Economic Co-operation and Development (OECD) defined financial literacy as “the process by which financial consumers/investors improve their understanding about the financial products, concepts, risk and through information, instructions and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for the help, and to take other effective actions to improve their financial well-being”. Thus Financial Literacy is pertinent to differentiate among the various products and services available in the financial system and beating the inflation and thereby earning the positive returns. It is not only concerned with making investments in stock markets and financial markets but also about saving, budgeting, financial planning, basics of banking and most importantly about being “Financially Smart” (Chakrabarty, 2013).

Over the years, the participation in the financial markets have grown by the households. But in case of median households, they fail to cope with the increasingly complex financial decisions. The benefits of financial literacy has been analysed with the help of 3 parameters-market timing, portfolio re-balancing and avoiding biased advice. The financially literate investors perform better than those who are less financially literate. (Guisa and Viviano, 2013).

This paper is organised as follows. Section 1 covers introduction of financial literacy. Section 2 reviews the previous literature on the present topic. Need and objectives of the study have been developed in the section 3. Section 4 outlines the usage of financial literacy. Whereas Section 5 discusses the present status of financial literacy in India and globe. Section 6 analyze the various initiatives taken by Government (Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority) to improve the level of financial literacy in India. Section 7 concludes the study and suggest the recommendations based on the study.

REVIEW OF LITERATURE

Over the years, participation in the financial markets have grown by the households. But in case of median households, they fail to cope with the increasingly complex financial decisions. The results show that the financially literate investors perform better than those who are less financially literate e.g. selling the shares

when market is high than when the market is low, balancing the portfolio and avoiding the distorted advice. The level of financial literacy among the working young in urban India is similar to the levels that prevail among comparable groups across globe. The study also explored the relationships between the three dimensions of financial literacy- financial attitude (5 points), financial behaviour (8 points) and financial knowledge (8 points) (Guisa and Viviano 2013). Whereas, Mihalčová et al., (2014) identified the indicators of the financial literacy that are used as a benchmark to know the level of financial literacy : a) Management of finances – to be able to manage the income, expenses and develop a family budget; b) Planning of financial income and expenses – to incorporate future needs, both expected and unexpected, into the budget; c) Choice of suitable banking products – choose the most optimal product to suit the particular needs and circumstances. The results of surveys reveal that the level of financial knowledge and expertise in this area is still about average. Lack of financial literacy is one of the potential factors for the lack of portfolio diversification. Also they proved that the risk averse investors, older households, low income and low-education people tend to be less financially sophisticated (Guisa and Jappeli 2008). (Jariwala, 2013) revealed in his study that majority of the investors are less financially literate on some subjects of the basic financial literacy, that deals with financial competence and advanced financial literacy, that deals with the product literacy and even some of them do not understand the important concepts at all. Most of the investors do not understand the basics of investment and its calculations. The average score for the 754 sample respondents at 13.8, was within the range of average scores of 12.4 to 15.1 reported by the OECD study for the 13 countries covered in its survey. India is well ahead of several countries that include South Africa, Armenia, Poland, Estonia, and Albania (Agarwalla et. al., 2013). Lusardi and Mitchell (2011) concluded that financial literacy is very low around the world (Germany, Netherland, Sweden, Japan, Italy New Zealand and United States), irrespective of the level of financial market development and the type of pension provided. Accordingly, changes in markets have apparently not wrought enhancements in financial knowledge, suggesting that there may be a limit on what people can learn by themselves from their financial experience.

NEED AND OBJECTIVES OF THE STUDY

A well-developed financial system is pertinent for the economic growth of every nation. Financial system comprises of inter-related financial services so as to bridge the gap between the lenders and the borrowers. This gap can be bridged only when both lenders and borrowers have adequate knowledge of the financial products and services available. Not only the financial

knowledge is enough but the application of the financial knowledge plays a vital role to boost up the activities in the financial system. Therefore, an effort is made to study the present level and initiatives to augment the financial literacy in India. The specific objectives of the study are as under:

1. To study the usage of financial literacy.
2. To study the present level of financial literacy in India.
3. To analyse the role of various organisations and agencies towards financial literacy augment in India.
4. To suggest measures for improving the level of financial literacy in India.

USAGE OF FINANCIAL LITERACY

Empirical evidence suggests there is a positive relation between financial knowledge and personal finance behaviour (Martin, 2007). Financially-literate individuals do better at budgeting, saving money, and controlling spending planning for retirement and ultimately, successfully accumulating wealth. High level of financial literacy makes a large contribution to the financial well-being of individuals, because financially literate individuals are more likely to plan for retirement, participate in financial markets and perform better on their portfolio choice and accumulate higher amounts of wealth. In turn, lack of financial literacy was one of the factors contributing to ill-informed financial decisions and that these decisions could, in turn, have tremendous negative spill-over (cited in Ciemleja et al., 2014).

The financial system of a country plays an important role in the growth and the development of the nation. India suffers from the low retail participation, primarily due to lack of financial literacy. The consumer needs to be financially literate to understand the financial concept to make the profitable decisions (Rekha, 2015). Moreover the development and marketing of the financial products and services has grown rapidly that needs equivalent growth in the financial education too (Marcolin and Abraham, 2006). Not only the supply of the sophisticated financial products is important for the financial development, but the demand of the financial products also plays the crucial role. Financial Illiteracy may act as an obstacle to the demand for the more sophisticated products and thus the channels through which the financial development leads to growth. Thus, financial literacy is useful to contribute to the financial development and thus the economic growth (Grohmann et al., 2014).

The importance of financial literacy can be summed up as follows:-

(a) Making optimum investments- Financial literacy is one of the important concepts of investment decisions, it is the ability to understand how money works in the world, how someone manages to earn to make it (Amudha and Vignesh, 2015). Individuals with the higher financial literacy have higher awareness level for all financial products viz. bank fixed deposits, savings account, public provident fund, mutual funds, stock market investments and bonds. Thus, financial literacy affects awareness regarding financial products as well as investment preferences towards financial products (Bhushan, 2014).

(b) Helping in fund management- Lusardi and Mitchell revealed that there is a significant relationship among financial education and monetary accumulations because individuals having knowledge about how to take benefit of the stock premium on equity investment. Financial literacy is positively related with planning of retired income behaviour (Lusardi and Mitchell, 2011). Empirical results suggest that respondents with more confidence in their financial knowledge show a higher degree to plan and avoids overspending.

c) Managing the risk and portfolio diversification.- In the study Thomas and Spataro proved that the higher financial literacy is associated with higher probability to participate in the stock market. Additionally human capital that is the schooling years and the effectiveness of the teachers are positively associated with stock market participation (Thomas and Spataro, 2015).

d) Helps in making the retirement plans- The individuals with the higher level of financial knowledge are more likely to plan for the retirement. They are more aware of the various retirement plans available and invest in the most suitable retirement plan, Thus there is a significant relationship between financial knowledge and the planning for the retirement (Lusardi, 2011).

FINANCIAL LITERACY IN INDIA- DISCUSSION

The level of financial literacy varies across globe due to variations in the socio-demographic variables like age, sex, religion, education level. The various levels of financial literacy among different nations has been discussed under.

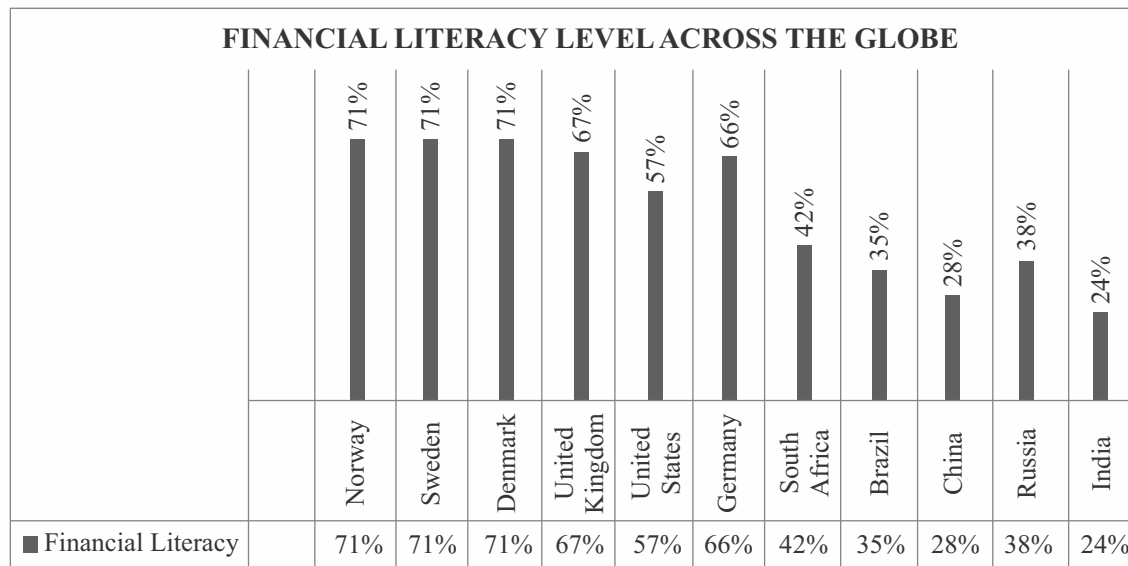
Figure 1- Financial Literacy Level across the Globe in the Year 2014

Figure 1 shows that the financial literacy stands the highest in the European nations i.e. 52 percent. In Europe, Netherlands, Sweden, Denmark and Germany has the highest level of literacy rate whereas Cyprus and Romania stands on the lowest level of financial literacy in the Europe. In comparison the lowest financial literacy is found in the South Asia where only one-fourth of the population is financially literate. Among the BRICS (Brazil, Russia, India, China and South Africa) the level of financial literacy is as low as 28 percent. The literacy rate is lower in these countries due to the fact these are still developing economies and there still exists a lot of disparity and thus these nations are lagging behind. Among the most developed nations- United Kingdom, United States, Germany, Japan and Canada, the percentage of financially literate population stands to be 55 percent (Klapper et al., 2015). United Kingdom and United Nations holds 6th and 14th rank with the 67 percent and 57 percent of the financial literacy respectively (The Wall Street Journal, 2015).

In comparison India has quite a low rate of financial literacy among all the categories of people. Merely 24 percent of the total population can understand the financial concept. 35 percent of the males and 30 percent of the women are financially literate in India (S&P Global Financial Literacy Survey Report, 2014).

FINANCIAL LITERACY INITIATIVES IN INDIA

In India, a large number of stakeholders including financial regulators, financial institutions, educationists and other agencies are involved in spreading financial literacy, given the low level of financial literacy. Efforts are continuously being made so as to improve the level of financial literacy in India. These measures are as follows:-

(a) Measures taken by Securities Exchange Board of India

Securities Exchange Board of India (SEBI) has taken various measures to spread the financial literacy awareness across the nation to various segments viz. school students, college students, working executives, middle income group, home makers, retired personnel, self help groups etc., by appointing the Resource Persons throughout India. The SEBI Certified Resource Persons organise workshops topics like savings, financial planning, retirement plans, investments etc. to the target segments across India. Stock Exchanges, Depositories, Mutual Funds Association, Association of Merchant Bankers etc. conducts the seminars wherein study material is disseminated on the investors' education. Other material related to the financial education is available on the official website of the SEBI. College and school students are encouraged to visit SEBI office and learn about its working under 'Visit SEBI' programme. Recently SEBI has launched a toll free helpline number in 14 languages for the investors wherein they can seek information on any related issue of the finance.

(b) Measures taken by Reserve Bank of India

A project titled "Project Financial Literacy" has been launched by the Reserve Bank of India (RBI). The objective of this project is to disseminate information regarding the basic banking concepts to various target groups, including school and college students, women, rural and urban poor and senior citizens. The study material related to the financial literacy is available in English and 12 other Indian languages. It is disseminated to the target audience with the help of banks, local government agencies, schools and colleges through presentations, pamphlets, brochures, films and also through the RBI's official website.

(c) Measures taken by Insurance Regulatory and Development Authority

Insurance Regulatory and Development Authority (IRDA) has taken up different steps in the area of financial literacy. Awareness programmes are been organised on national television and radio wherein the simple messages about the rights and duties of the policyholders are discussed in English, Hindi and 11 other Indian languages. IRDA organises an annual seminar on policy holder protection and welfare and also partially sponsors seminars on insurance by consumer bodies. IRDA has also brought out publications of 'Policyholder Handbooks' as well as a comic book series on insurance. An official website has been designed for the consumer education in insurance by IRDA.

(d) Measures taken by Pension Fund Regulatory and Development Authority

The Pension Fund Regulatory and Development Authority (PFRDA) has developed Frequently Asked Questions on the pension related issues on its official website, and has associated itself with the various non-government organizations to spread the pension awareness in India.

(e) Measures taken by various other Market Players

In view of the national emphasis on electronic benefit transfer the commercial banks have initiated various measures for creating awareness through Financial Literacy and Counselling Centres and Rural Self Employment Training Institutes on financial literacy. The objective of these centres is to advise people on gaining access to the financial system including banks, creating awareness among the public about financial management, counselling people who are struggling to meet their repayment obligations and help them resolve their problems of indebtedness, helping in rehabilitation of borrowers in distress etc. Some of these credit counselling centres even train farmers/women groups to enable them to start their own income generating activities to earn a reasonable livelihood.

Similarly, many Stock Exchanges like National Stock Exchange, Broking Houses and Mutual Funds have initiatives in the field of financial education that spawns conducting of seminars, issuance of do's and do not's, and newspaper campaigns. Insurance companies too, carry out campaigns and other educational activities for generic education in insurance. Similarly National Bank for Agriculture and Rural Development has a handbook available in their official website whereby the various real-life case studies and frequently asked questions are available in English and Hindi language.

SUGGESTIONS AND CONCLUSION

Financial literacy is a way by which individuals can enhance their understanding about the financial concepts, markets, and products to take effective action to improve overall well-being and avoid distress in financial matters thus improve their financial status. Given the low level of financial literacy in India, various agencies are taking initiatives to improve financial literacy in India. On the basis of the analysis of above initiatives, the suggestions are as follows:

- (1) More capital infusion towards financial literacy workshops, seminars at the school, college, workplaces and the residential areas so as to boost up its effectiveness on the usage of financial products and services and thereby enhancing the financial system of the nation.
- (2) Conducting workshops, seminars are not sufficient, the feedback and the assessment should be done so as to get the eminent results.
- (3) Small activities on types and importance of the investment avenues should be undertaken at the various schools, colleges, offices and the local level.
- (4) Focus on usage of the financial knowledge rather than just cramming the various financial concepts.
- (5) Various helplines can be started at the national as well as local level so as to take up the problems related to investments, securities and other matters related to financial concepts and usage.
- (6) Special Programs on television and radio should be started to spread the financial literacy. Along with this People should be encouraged to watch and read the financial news.
- (7) Financial literacy should be part of the good governance of financial institutions whose accountability and responsibility should be encouraged.
- (8) A special day/week specially dedicated to the financial literacy can be observed every year in which participants can share their success stories. Various competitions like development of the new financial product, service should be organised. This will bring out best practices in the system to achieve large-scale financial literacy.

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Case Study

The Leadership Change at the Casino Blue Bell

Padhmanabhan*

The Casino Blue Bell was promoted by TPP Pvt. Ltd with a mission to provide an exciting entertainment and hospitality experience. The TPP Pvt Ltd was owned by two NRI* venture capitalist, having a wide array of investment portfolio ranging from software solutions to financial brokerages.

On December 31, 2003, during the New Year eve, the casino was grandly inaugurated with a lavish celebration. The Blue Bell was positioned as an extravagant casino setup in a beach side location at a coastal strip of India. The casino provided gamers with a luxury gaming experience in a prime tourist spot in western part of India.

THE CASINO INDUSTRY – AN OVERVIEW

Asia has one of the fastest growing casino industries and was broadly viewed as an attractive destination for casino

gaming markets. For quite a long time, the Chinese gamers were the major players in the world. China had a well-organized and well-developed gaming industry, which had enabled it to sustain its position as the world's largest gaming market. As a result, the global gaming industry remains anchored by the inherent value generated by the Chinese gaming market.

Investors and promoters in the Asia-Pacific region gaming industry had impressed with the phenomenal growth. The continued growth had motivated the gaming investors to start looking beyond China. They explored various other attractive locations elsewhere in the Asian market. This subsequently resulted in expansion into various Asia Pacific markets that included South Korea, Cambodia, Vietnam, Singapore, Sri Lanka, and Philippines.

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Recently, India had begun to attract attention of investors to the casino gaming industry. Given the advantages of the lucrative Indian market, investors have started viewing it as a potential source of major/significant demand. In addition, India shared many similarities with China to become the next possible growth market. A few but significant favourable factors like a large and thriving India economy with a huge population, and gaming-friendly consumer habits were perceived to be supportive in building a rich gaming industry. In the past, the Indian gaming clients have always had grievances that they were not suitably served by the existing gaming destinations within the country. As a result, they flew to nearby international gaming terminuses like Macau, Sri Lanka, Nepal and Singapore to play. However, currently, Indian casinos located in Sikkim, Daman and Goa have started attracting gaming investors which could set the stage for high quality gaming experience. The gaming investors have also become sensitive to Indian consumers' needs and have introduced specific gaming products to further lure them.

The Indian market was increasingly becoming consumer driven with a projected increase in spending by 2025. The improving economic prosperity and growing middle class income have changed the Indian consumer's lifestyle and behaviour considerably. The Indian consumers' needs have grown beyond basic conservative fulfilments like food and shelter. Consumer spending have increased along various segments like healthcare, education, personal care and grooming, recreation, leisure entertainment gaming). It could be interpreted based on the Nielsen's Consumer Confidence rating from the fourth quarter of 2016 that India is at 136 followed by Philippines, US and Indonesia (nielson.com). This trend could be expected to change as the proportion of middle-class citizens continue to increase. According to a recent study by the McKinsey Global Institute (MGI), at the current pace of India's growth, average household incomes will triple over the next two decades. This projected growth will subsequently make India the world's fifth largest consumer economy by 2025, up from the current 12th position it currently holds.

THE MANAGEMENT AT BLUE BELL CASINOS

The working directors Vaz and Braganza were tasked with making strategic decisions and also day-to-day management. They had an extensive work experience in various casinos and wereworking with the casino Blue Bell since its inception.

Vaz, the chief human resources manager, began his career as a recognized slot operations executive with extensive experience in slot machine strategy. He had mentored and trained many young staffs into slot operation

executives who could oversee the casinos' slot machine operation and its offerings. At Blue Bell, he ensured that quality standards were met through proper human resource training. Vaz reinforced values of fairness and morality in his employees, even down to the minute details like interaction and etiquette towards guests visiting the casino. He stressed on the importance in practicing ethical gaming and also created an ethics charter in his department.

According to him,

"My guest can think that they have lost in the game. It is part of the playing; however, they should not feel that they have been cheated, after all gaming is giving an experience of hope".

One of the practice was to discourage any guest from playing while the person was intoxicated. All department supervisors, slot attendants, bartenders, cashier, customer service representatives, gaming dealers, chef/cooks and other entry level positions were recruited locally and trained to the industry quality standards. Their performance appraisals were periodically reviewed and lofty bonuses were awarded to outstanding performers. Employees appreciated the culture of the organization which was friendly, protective, collegial and most importantly for them, equal distribution of tips earned. Many of them preferred to stay in the organization for many years without looking for options elsewhere.

Fernandes, VP Marketing, was involved in analysing and evaluating the operational performance of the casino. He had begun his career as a kitchen steward manager and had worked in every department of the casino including the all-important budgeting department. He oversaw marketing and advertising campaign strategies.

Braganza, a certified chartered accountant and company secretary, oversaw all legal, accounts, and financial operations. He also took care of contracts, regulatory compliance matters and other risk management of casino operation.

Other departments such as Security & Surveillance, Information Technology, and Food & Beverage ensured smooth functioning of the casino.

THE CURRENT SCENARIO

The promoters entrusted the business to the working directors and focused on the other ventures; however, the casino working directors were in the view that this business needed continuous hands-on attention particularly additional re-investments from the owners. Introduction of new games was not done since its launch, adding to that, new competitors started entering the market with more attractive features to enhance customer experience.

According to Braganza,

“Competitors were improving slot floor layout, very adept in utilizing technology, and were aggressive in new game offerings to maximize slot revenues subsequently increasing market share. A casino needs to keep its brand value relative to the high net worth individuals to upkeep or improve its earnings”.

The competitors' spending in advertisement and promotions were intense, while Blue Bell was reluctant. The Marketing Department needed infusion of funds to support outreach and engagement activities to all patrons through direct mailing, advertising, database marketing, event managements, celebrity endorsements, web and digital presence.

According to Vaz,

“running a casino business is very expensive, which needed promoters' support for more profitable returns; increased ---- foot falls --- in the casino floors keeps the support staffs happy, and they in return earn high tips.”

Fernandes could sense that the competitors spent large sums of money to provide luxurious complimentary to the high-net-worth players in the form of free dining, accommodation and transportation to earn their patronage. He strongly felt Blue Bell needed further investments in upgrading its current operations.

The management felt they were not successful in convincing the promoters to further invest in the casino. They also sensed the promoters had lost interest in this venture. They felt it would be a wise decision to sell the casino while it was operating profitably. They were also of the opinion that they could find more takers while selling it along with the entire human resources. It would be an attractive proposition for any buyer to buy a functioning casino with a well-trained human resources. The promoters were convinced of this; however, they wanted selectively to reveal this “intention to sell” information into the market. More importantly, this decision was made unilaterally by themselves without involving senior executives.

THE DELHI CONSORTIUM

The news about the sale of the Blue Bell reached the Delhi Consortium, a business conglomerate, operating from Lucknow. The Delhi Consortium consisted of three partners, Sodhi, Takore and Sait, having major investments in entertainment, event managements, and real estates. They had well-established networks and contacts of the rich and famous of northern India. This motivated them to venture into the gaming industry with an ultimate goal of making huge profits. They had a good database of many topmost gamers from northern India and were sure that they would be successful in getting those high-net worth players to the casino. All the three

partners decided to have equal share partnership with equal investments in the casino venture.

In March of 2012, the Delhi consortium agreed to complete the purchase deal of Casino Blue Bell for INR 1 billion. The buyers had to pay the quarter of 1 billion as advance at the time of memorandum of understanding and the remaining amount in three quarters in instalments at the end of every month over a period of three months. Some of the major points in the MOU were:

- a) The sellers wanted the deal to go through without any promotion.
- b) The buyers had to continue the existing ethical practices during the period of the deal, which was of three months.
- c) The buyers and their representatives can accede the casino anytime and watch the operation. They will be permitted to obtain information from every department; however, they will not have direct authority over any employees and were not authorised to make any decisions.
- d) The buyer had to retain each and every staff and management that are currently employed. Most of the staff and management of Blue Bell Casino were employed since its inceptions and this job was the only source of income, and their families were completely dependent on them.

The major conditions from the buyer were as follows:

- a) They wanted free entry to their guests whom they would bring over during the period of three months.
- b) They would continue using the same name i.e., “Blue Bell Casino”, as it was well-built as a brand. Until the final instalment, the original proprietors' title will remain unchanged in all the legal documents of the casino.
- c) The management should agree unconditionally to cooperate in sharing the casino operation details to the buyers for their learning.

THE PERIOD OF THE DEAL

The Delhi Consortium went ahead and signed the Memorandum of Understanding by paying the advance sum as agreed by the Promoters in April of 2012. The Letter of Intent was signed between the two parties and an escrow account was opened for the transaction. The promoters insisted the senior management team not to inform the remaining staff about the sale until the pending the payments are cleared by the consortium. They informed the senior management to instruct the managers and the staffs of casino to cooperate and provide whatever information the acquiring team would demand for. The senior management was also informed that they could continue to work as they were working under the existing

promoters; however, the promoters did not prefer to disclose the other conditions regarding the deal to the senior management. On receiving these instructions, the working directors were in ambiguity over the deals; nevertheless, they trusted their promoters and hoped that the deal will move smoothly.

In May of 2012, the Delhi Consortium moved into managing the business and in the beginning vast majority of guests inside the casino were invitees of Consortium members. The numbers of guest were more than 400 each day, the majority being high-networth players. Meanwhile, employees started hearing rumours from guests that the casino was sold to the consortium, which was currently managing it. Sensing the uncertainty prevailing among the employees, the senior management informally announced that the deal was a “work-in-progress”; however, it had not been finalised yet. They also mentioned that the promoters had given the acquiring team a three months’ time to complete the deal. They assured them that their jobs were secured and that they can continue to work as they were working under the existing promoters.

DEVIATIONS IN THE BEHAVIOUR

Two weeks subsequent to the takeover, the Delhi consortium and their representatives began spreading information to the staff that they had already bought the casino and that they were the new owners of the casino. On several occasions, they even told the staff that they had full control over the operations of the casino. The consortium member's demeanour inside the casino also made the employees believe that they were the new owners.

However, some of their behaviours and practices surprised the staffs and the senior executives. For instance, the consortium members kept watching certain high-net worth guests playing patterns and their moves in their gaming table. It was against the house gaming rules. Secondly, they frequently borrowed from the Cash Department to play in credit. Members of the Delhi consortium frequently gambled by taking credit from the cashier, en-cashed the prize money whenever they won but whenever they lost their bets they did not pay for the credit. This led to discrepancies in the closing tallies as they did not refund the money that they borrowed from the cashier. When this borrowing behaviour started, the cashier was under the impression that probably the consortium members were allowed to do so as they were supposed to be the new owners. At times, the consortium members did not agree with the Accounts Department to sign on the vouchers as an evidence for their borrowings. On noticing these deviation, Braganza verified with the consortium members whether they were allowed to do so, they confirmed “yes” in full confidence; however, he informed the cash department to keep account of the

outstanding due on record.

The normal practice in Blue Bell was that only if guests played above INR 1 million were they entitled for the premium liquor beverage brands; however, consortium members instructed the Food and Beverage manager that all guests who were invited by the consortium would get premium liquor beverage brands which would be served unlimited to them. This instruction also included guests who were average players in terms of net worth. On knowing these irregularities, Braganza instructed the Food and Beverage Department to keep account of the drinks served to these average players and also to remind the consortium members about the casino’s beverage policy. The Consortium was reminded about the policy through a communication; however, they insisted that beverage be served to the low-end players. Although this practice went on for a month, at the end of the month the Food and Beverage manager submitted a bill to the consortium. On receiving the bill, the consortium members refused to settle the bill and insisted that owners were not supposed to pay any bills and conveyed that it can be deducted from the revenue. While at the same time, quite a few hotel bookings and flight bookings made by Delhi consortium for its guests were paid by the Casino management amounted to half a million INR. At the end of the month, when this bill was presented to the Delhi consortium, they again debated that they were owners and subsequently instructed the casino to deduct it from their revenue.

Braganza kept Vaz informed about all deviant behaviours of the consortium members. They initiated an investigation secretly and could find through the managers that the consortium borrowed money to support its guest from Delhi. They also discovered that many of the guests actually were consortium’s own people who were acting as guests and playing on credit with the Delhi consortiums’ approvals. If they won, they encashed but if they lost, then Consortium negotiated that it would pay the outstanding at a later period. Braganza and Vaz sensed that the consortium borrowed money from the casino and earned through its guest for paying its instalments.

In the investigation, the most shocking revelation for Vaz was that the consortium had bribed the casino dealers, who operated the live table games, to help them win. In return, the casino dealers were promised lofty tips and even assurance of promotions at a later stage. The consortium members had also threatened certain managers and dealers who disobeyed their request that they would be terminated if their instructions were not followed.

Vaz and Braganza were concerned about these irregularities and planned to bring it to the notice of the promoters. They could see the entire system in the brink

of failure. It was a challenge to build and maintain the employee culture in a casino environment. Vaz was worried to notice the employees' attitudes getting deviated in moral grounds. He had invested his considerable time and energy to build employee values. At this juncture, if he does not contain the emerging deviant practices, he strongly felt even the employees staying at the fringes of morality can be easily lured into unethical practices. Vaz was apprehensive about the Delhi Consortium members' values and practices. He was afraid to imagine that they could be future leaders of this organization after the takeover.

Vaz and the rest of the senior leadership team decided to report to the Casino Blue Bell's promoters about the issues. Vaz sent a mail requesting them for an appointment to discuss about the emerging crisis at the casino. While waiting for their reply, Vaz was contemplating the entire situation, attempting to analyse where it had gone all wrong and wondering whether his organization can sustain over this change of leadership and its practices?

ACKNOWLEDGEMENT

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ASSIGNMENT QUESTIONS

- Q.1 What is the role of culture in an organization?
- Q.2 What is the role of leadership in influencing the culture?
- Q.3 What is the impact on existing culture, during a leadership change?
- Q.4 Can unethical behavior of leadership in Casino Blue Bell sabotage the existing organizational values?

They conduct various games such roulette, cards, dice by all rules and regulations; they engage in collect winnings or collect losing bets as established by the rules and procedures of a specific game.

Case Study

Microsoft's Acquisition of LinkedIn- A Smart Move or a Mistake?

Keywords: Acquisition, Microsoft Corp., LinkedIn

Sonam Sachdeva^{*}, Roopam Sachdeva^{} & Anmol Krishan Sachdeva^{***}**

ABSTRACT

Microsoft Corp. closed its \$26 billion deal to buy the famous professional-networking site LinkedIn, bolstering the largest acquisition in the tech giant's history. The conjugal of the two firms, announced in June, 2016 is a wager that the social network can revive Microsoft's software offerings despite topical struggles by both companies. The closure of the deal was announced by Microsoft Chief Executive Satya Nadella in a LinkedIn post on December 8, 2016 after six months of the news first broke of the deal. This is one of the bravest risk the organization has taken under its Chief Executive Satya Nadella. The present case will do a detailed analysis of this move by Microsoft Corp. and catch on reasons that could make this deal efficacious unlike its earlier deals.

INTRODUCTION

Acquisition:

Acquisition is a situation where one company takes over another company and clearly establish itself as its owner and pays a price in return. This is usually done either by the procuring the assets of the other company or by the securing ownership more than 51% of its paid-up share capital.

In Acquisition, the Company which acquires another Company is known as the Acquiring Company while the Company which is being acquired is known as Target Company or Acquired Company. The acquiring company is more powerful in terms of size, structure, and operations, which overpower or takes over the weaker company i.e. the target company.

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Most of the firm uses the acquisition strategy for attainment of immediate growth, high competitiveness and expanding their area of operation, market share, profitability, etc. in a short span of time.

TYPES OF ACQUISITIONS:

There are basically four types of acquisitions:

1. Friendly acquisition

In a friendly acquisition, both the companies are in favour of the acquisition under friendly terms. There is no forceful acquisition and the entire process is carried out in a harmonious manner.

2. Reverse acquisition

In a reverse acquisition, a private company acquires a public company.

3. Back flip acquisition

It is a very sporadic case of acquisition wherein the acquiring company becomes a subsidiary of the acquired company.

4. Hostile acquisition

In this type of acquisition, the entire process is carried out forcefully. The acquired company is left with no option but to agree to the acquisition to save itself. The acquiring company buys off all its share, hence establishing a majority.

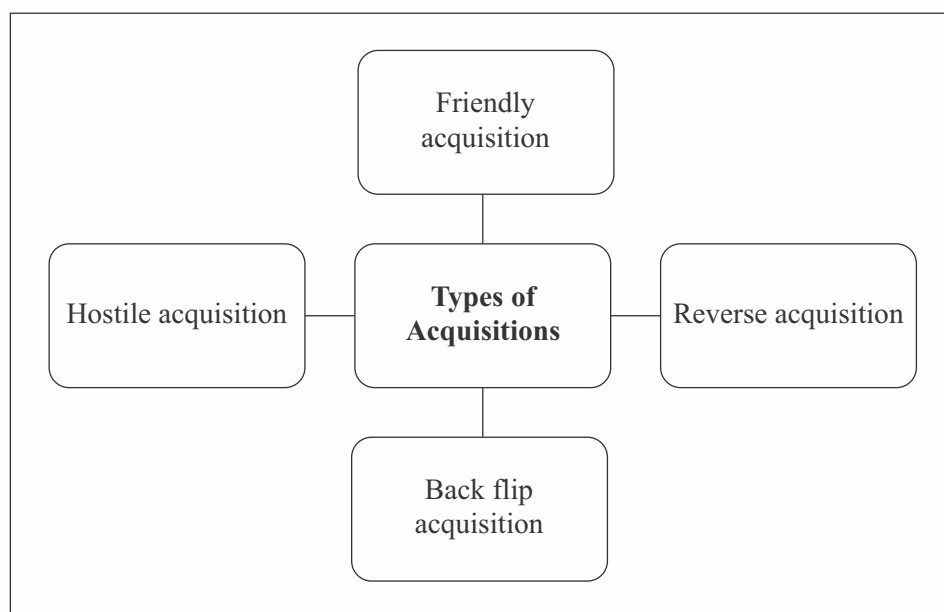


Figure 1: Types of acquisition

REASONS FOR ACQUISITIONS:

Some of the commonly identified reasons for acquisition are:

1. To increase market share and positioning giving broader market access

Synergy is the most essential constituent of acquisitions. In acquisitions, synergy between the participating companies determines the increase in value of the united entity. This thereby results in increasing market share and

positioning thereby giving broader market access.

2. Strategic realignment and technological change

To remain in competition, companies need to constantly upgrade their technology and business operations. To upgrade technology, a company need not always purchase technology. By procuring another company with exclusive technology, the acquiring company can gain a competitive edge.

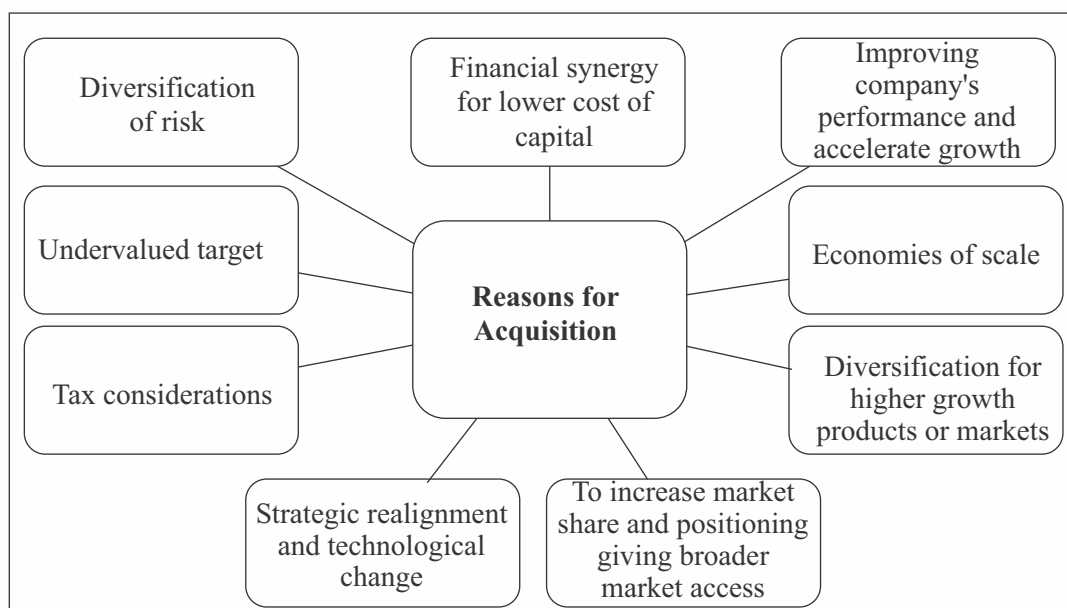


Figure 2: Reasons for Acquisition

3. Diversification for higher growth, products or markets

Companies explore the possibilities of acquisition when they anticipate that it will result into higher growth, diversification of products or increase their market standing.

4. Economies of scale

Companies also opt for acquisition so as to acquire a competency or capability that will result into achievement of economies of scale.

5. Diversification of risk

Acquisitions are often looked upon as a tool for an easy entry into new markets. A company may face tough competition if it is new to the market. Thus, by acquiring an existing firm, an acquiring company may expand its customer base and diversify its risk.

6. Financial synergy for lower cost of capital

It is often seen that a company may find difficulty to access funds from the capital market. This weakness deprives the company of funds to pursue its growth objectives effectively. Thus, a company may decide to

merge with another company which is considered as fund-rich.

7. Tax considerations

Acquisitions are also embraced to reduce tax liabilities. By acquiring a small company with a high tax liability, the acquiring company can set off the accumulated losses of the acquired company against its profits thereby gaining tax benefits.

Different Stages of Acquisition:

Phase 1: Pre-acquisition review

The first stage in an acquisition process includes self-assessment of the acquiring company with regards to the need for acquisition, ascertain the valuation and draw out the progression plan through the target.

Phase 2: Search and screen targets

This includes searching for the possible suitable takeover contenders. This process mainly involves scanning so as to see that there is a good strategic fit for the acquiring company.

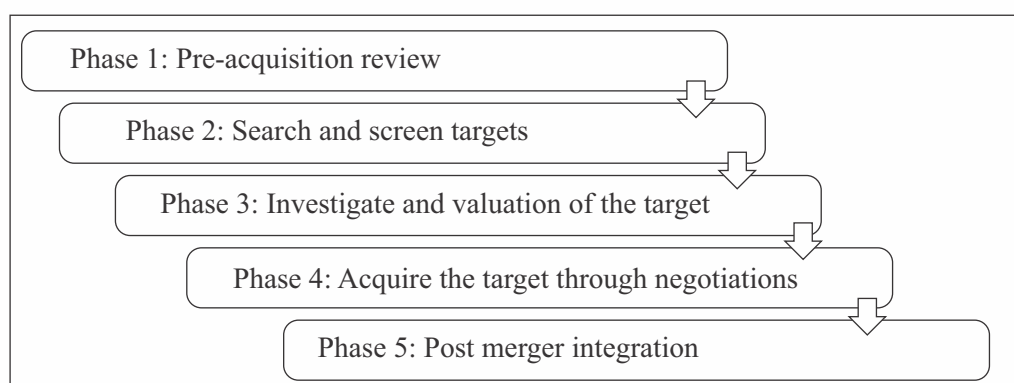


Figure 3: Stages involved in Acquisition

Phase 3: Investigate and valuation of the target

Once the suitable company is nominated through primary screening, comprehensive analysis of the target company has to be done.

Phase 4: Acquire the target through negotiations

After the target company is selected, the next step is to start negotiations to reach at an agreement for the

acquisition. This results in both the companies to agreeing mutually for the deal of long term working of the Acquisition.

Phase 5: Post merger integration

If all the above steps are found satisfactory, then a formal announcement of the acquisition is made.

COMPARISON BETWEEN MERGER & ACQUISITION

BASIS FOR COMPARISON	MERGER	ACQUISITION
Meaning	The merger means the union of two or more companies joining together on voluntarily basis to form a new company.	When one company purchases the business of another company, it is known as Acquisition.
Formation of a new company	A new company is formed in a merger.	No new company is formed in acquisition.
Nature of Decision	There is a mutual decision making between the companies involved in a mergers.	Nature of decision may be Friendly or Hostile.
Minimum number of companies involved	There are minimum three companies involved.	There are minimum two companies involved.
Purpose	To reduce competition and increase operating efficiency.	For immediate growth of the company.
Size of Business	The size of the merging companies is generally same.	The size of the acquiring company is more than the size of acquired company.
Legal Formalities	There are more legal formalities involved in a merger.	There are comparatively less legal formalities involved in an acquisition.

REASONS FOR FAILURE OF ACQUISITIONS

While there is often a great hype when an acquisition is announced, the outcome may not always be encouraging. The most common reasons for failure of acquisitions are as follows:

1. Unrealistic price paid for target

The process of Acquisition involves appraisal of the acquired company and compensating a price in return for the assets purchased. It is often seen that the price paid to the acquired company is much more than what should have been paid. While the shareholders of the acquired company are highly benefited, the shareholders of the acquiring company on the other hand end up trailing. This is because they have to bear the burden of the overpriced assets of the acquired company which reduces the future earnings of the acquiring company.

2. Difficulties in cultural integration

There are often difficulties in cultural integration after

acquisition. The companies involved have different cultures, leadership styles, differences in employee expectations and behaviours and operational differences. If the process of acquisition is not dealt delicately with regard to human resources, the entire process may turn out to be a disaster.

3. Overstated synergies

Acquisitions are often done for synergies. This leads to increased revenue, reduced costs, reduction in networking capital requirement and improvements in the investment intensity. However, the companies should estimate the after-effects carefully as overestimation of these can lead to failure of acquisition.

4. Integration difficulties

Companies after acquisition often face integration difficulties. The combined entity has to adapt to a new set of challenges given by the changed circumstances. To overcome these integration difficulties, companies

pre-decides to integrate the operations of the combining entities. If the information available on related issues is inadequate or inaccurate, integration becomes difficult.

5. Poor business fit

Acquisitions may fail if the products of the companies involved in acquisition do not naturally fit into the acquirer's overall business plan. This delays effective and efficient integration and causes failure.

6. Inadequate due diligence

Due diligence is of utmost importance in the process of acquisition. It helps in analysing the financial and business risks that the acquirer inherits from the target company. Inaccurate estimation of the related risk can result in failure of the companies.

7. High leverage

One of the most vital essentials of an effective acquisition strategy is planning how to finance the deal through an ideal capital structure. The acquiring company may decide to acquire the target company through cash. To pay the price of acquisition, the acquiring company may have to borrow extensively from the market. This creates a very high financial leverage and may increase the interest burden of the company. This increased interest cost may consume a large portion of the earnings and defeat the very purpose of acquisition.

8. Boardroom split

For the process of acquisition, it is important to assess the composition of the boardroom and compatibility of the

directors. Suddenly deprivation of authority of some Managers or Directors can be disastrous. Personality clashes between the employees of the companies involved is also common. This may prove to be quite problematic and may result in slowing down or preventing integration of the entities.

9. Regulatory issues

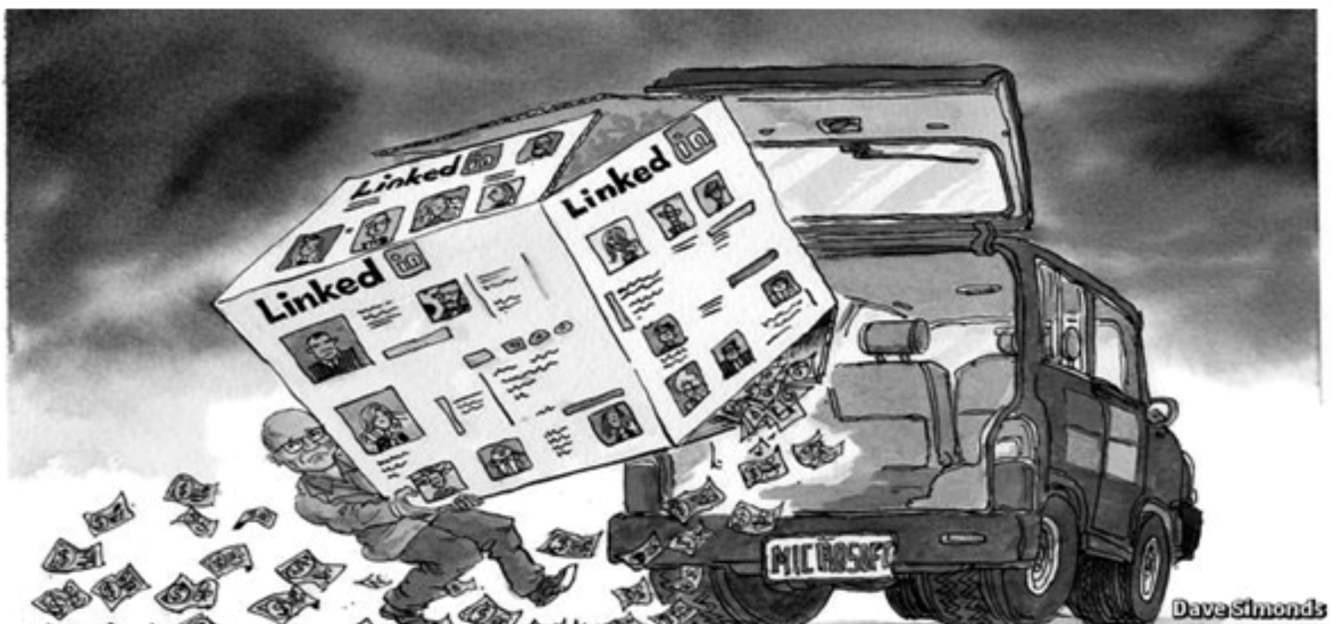
The entire acquisition process requires legal approvals. If the stakeholders are not in favour of acquisition, they might create legal obstacles and slow down the entire process of acquisition. This may lead to regulatory delays and increases the risk of decline of the business.

10. Human resources issues

An acquisition is identified with layoffs, corporate restructuring and the implementation of a new corporate culture. This can lead to creation of ambiguity, apprehensions and resentment among the company's employees. Companies often pay undue attention to the short-term legal and financial considerations involved in acquisition, and neglect crucial human resource issues which may adversely affect worker's morale and productivity.

COMPANY BACKGROUND

Microsoft Corporation is an American multinational tech giant with its headquarter in Redmond, Washington. It is one of the worlds' leading computer software and hardware manufacturer and marketer. It was founded by Paul Allen and Bill Gates on April 4, 1975.



MUST KNOW FACTS ABOUT THE MICROSOFT-LINKEDIN \$26.2 BN DEAL

Microsoft acquired LinkedIn for \$26.2 billion in its' largest-ever deal, combining it rapidly growing cloud services business with an online network of 433 million professionals on LinkedIn.

Here are some must facts know about the deal...

1. The deal was finalized as an all-cash transaction at \$196 per share at a premium of 49.5%.
2. As far as the corporate hierarchy is concerned, Jeff Weiner will remain CEO of LinkedIn, reporting to Satya Nadella who is the CEO of Microsoft.
3. The deal received unanimous approval from both LinkedIn's and Microsoft's board.
4. Microsoft has financed the transaction through the issuance of new debt. Microsoft has made plans to speed-up the monetization of LinkedIn by growing individual and organization subscriptions as well as targeted advertising.
5. After being acquired, LinkedIn will retain its distinct brand, culture and independence.
6. Acquisition of LinkedIn is the largest deal under Satya Nadella's tenure as CEO. With this acquisition, he aims to increase Microsoft's appeal more to business customers with cloud-based services and productivity tools.
7. Morgan Stanley is the exclusive financial advisor to Microsoft while Qatalyst Partners and Allen & Company LLC will remain to be the financial advisors to LinkedIn.
8. After realization of this deal both the companies will witness the cost savings of about \$150 million annually by 2018. In case of breakup of the deal when LinkedIn backs out, it would be required to pay \$725 million.
9. Jeff Weiner assured his employees that the acquisition would help to intensify LinkedIn's competition in the tech landscape and will lead to little change in corporate culture.
10. This deal is likely to become earnings accretive to Microsoft's non-GAAP earnings per by the end of fiscal year 2019.

MICROSOFT'S ACQUISITION HISTORY

In its rich history of 41 years, Microsoft has acquired several companies but the biggest victory was of Hotmail. Microsoft bought Hotmail from Sabeer Bhatia for \$500 million in the year 1997. However Microsoft has not been able to achieve success like that of Hotmail's acquisition in the last 19 years despite making several

deals worth over a billion dollar each.

While the \$26.2 billion acquisition deal of LinkedIn by Microsoft has been the biggest for Microsoft so far, the tech giant has made eight acquisitions in the past that were worth over one billion dollars which includes companies like Skype which was acquired in 2011, a Quantive acquired in 2007, Fast Search & Transfer acquired in 2008, Navision acquired in 2002, Visio Corporation acquired in 2000, Yammer acquired in 2012, Nokia acquired in 2013 and Mojang acquired in 2014.

According to the analysts, the company's track record its past eight acquisitions worth billion-dollar plus indicate that the company's current CEO Satya Nadella will have to put a lot of energy to warrant that its largest acquisition so far of LinkedIn for \$26.2 billion is not another mark on its reputation.

REASONS FOR SCEPTICISM FOR MICROSOFT'S LINKEDIN ACQUISITION

1. High bid price

The price bid of \$26.2 billion, is by far is considered to be Microsoft's largest acquisition ever. The size alone is one of the biggest reason for caution, given the poor history of such large deals in company's past.

2. Past acquisitions experience

Microsoft's has not experienced a good history with acquisitions. In 2014, Microsoft acquired Nokia Corp.'s handset unit, as a result of which it had to write-down more than \$9.4 billion than it paid. The other earlier deals for Skype Technologies and Yammer Inc., designed to augment Microsoft's digital and social credentials, did bantam for it.

3. Premium amount paid

Microsoft paid a high price for a firm that has suffered a setback in its share prices. In February, 2016 LinkedIn's share price dropped by more than 40% in a day, flaking \$11 billion from its market value. LinkedIn as a result made a forecasts of lower revenues for 2016. Despite this fact, Microsoft paid a liberal 50% premium over LinkedIn's share price to acquire the firm.

4. No new capabilities provided by LinkedIn to Microsoft

LinkedIn does not provide any newer capabilities to Microsoft, thus what benefits will Microsoft reap after acquiring LinkedIn is again a big question.

PROBABLE SUCCESS FACTORS FOR THIS DEAL

1. Synergy between the products of the two companies

One of the probable reasons for success of this deal could be the real synergy between the companies and their products. Microsoft's Office productivity suite which is

delivered primarily online and LinkedIn's core database with more than 400 million professional profiles will lead to enhancement of the professional cloud.

2. Multiplying of customer base of Microsoft

After acquiring LinkedIn, Microsoft could multiply its customer base as it would be its core demographic. It would also offer Microsoft a network with which users identify which was not there earlier. Microsoft should persuade LinkedIn users to adopt that identity and use it across as many Microsoft products as possible. Access to those users, along with the massive amounts of data they have off, could help Microsoft to monetize its investment in LinkedIn in ways that the professional networking site might not be able to.

3. Supercharging of Microsoft's customer relationship management (CRM)

LinkedIn has a repository of data and reach that any CRM company would crave for. LinkedIn's built-in insight about who is connected to whom could thus supercharge Microsoft's Customer Relationship Management (CRM) software which is used to identify and track sales leads.

4. Software development prowess for LinkedIn

LinkedIn has carved itself to a niche segment of professional users only, thereby losing out on the numbers game to its competitors. A deal with Microsoft could also be seen as a step in the bigger ocean that LinkedIn was deprived of. LinkedIn's acquisition by Microsoft is likely to open up new panoramas for LinkedIn in the form of software development competency.

HURDLES IN WAY OF MICROSOFT'S ACQUISITION OF LINKEDIN

Antitrust regulators in the United States, Canada and Brazil already approved the deal when Microsoft announced its plans to purchase LinkedIn for \$26 billion in June, 2016 however it had to wait for a long time before getting a nod from European Union. Microsoft got its final approval from EU on 6th December, 2016.

Salesforce, which lost its bid to Microsoft on LinkedIn approached European Union complaining that the proposed acquisition does not allow for business competition to regulators globally and thus look into the potential antitrust issues.

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In order to receive approval of those in Europe, Microsoft decided on many things over the next 5 years in order to preserve competition. In order to ensure that LinkedIn competitors will still receive access to participate in Office Add-in and promotional opportunities in the Office Store, Microsoft decided not to enter into agreements with PC manufacturers to pre-install a Windows LinkedIn application or tile that would favour LinkedIn on an exclusive basis.

CONCLUSION

Microsoft's acquisition of professional social network LinkedIn for \$26.2 billion is one of the largest acquisition in technology-industry till date. The maker of Windows software attempts to put itself at the heart of people's business lives. The deal will help Microsoft to grab the missed out opportunity to sprint ahead in social tools for professionals which is mostly dominated by the likes of Google and Facebook.

Microsoft has paid \$196 per share in an all-cash transaction at a premium of 49.5% to LinkedIn. LinkedIn will retain its brand value, culture and independence and Jeff Weiner will remain to be the CEO of LinkedIn. The price in relation to LinkedIn's earnings makes this deal the most expensive one for the year 2016.

Microsoft had to face a lot of hurdles from its competitors and Antitrust regulators in United States, Canada, Brazil and European Union before it got its approval which took a long time of almost six months.

Though there is a lot of scepticism about the success of this deal due to many factors including High Bid Price, Microsoft's past acquisition experience and no newer capabilities provided by LinkedIn to Microsoft but analysts believe that this deal could probably be a successful one. Synergy between the products of the two Companies, Multiplying of the customer base of Microsoft, Supercharging of Microsoft's Customer Relationship Management (CRM) and Software Development prowess for LinkedIn are some of the factors that may result in making this deal a successful one.

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ASSIGNMENT QUESTIONS

- Q.1 What do you think were the reasons for scepticism for Microsoft's acquisition of LinkedIn?
- Q.2 What do you think can be the various attributes which can make this deal a successful one?
- Q.3 What hurdles did Microsoft confront with in order to acquire LinkedIn?
- Q.4 Do you think that Microsoft has made a wise decision of acquiring LinkedIn?

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