International Journal of Operations Management

Volume No. 13

Issue No. 1

January - April 2025

ENRICHED PUBLICATIONS PVT.LTD

JE - 18,Gupta Colony, Khirki Extn,
Malviya Nagar, New Delhi - 110017.
E- Mail: info@enrichedpublication.com
Phone :- +91-8877340707

International Journal of Operations Management

Aims and Scope

The aim of the International Journal of Operations Management is to provide academically robust papers, research, critical reviews and opinions on the organisational, social and management issues associated with significant information-based technologies. It is designed to be read by academics, scholars, advanced students, reflective practitioners, and those seeking an update on current experience and future prospects in relation to contemporary information and communications technology themes.

International Journal of Operations Management

International Journal of Operations Management

(Volume No. 13, Issue No. 1, January - April 2025)

Contents

Sr. No	Article/ Authors	Pg No
01	The Effect of Corporate Governance on Saving and Credit Cooperative Unions Financial Sustainability; the Case Oromia National Regional State of Ethiopia *- Mr. Berhanu Bayisa Eticha, Dr. Workineh Abebe*	1 - 10
02	Self Service Technology and Customer Loyalty in the Banking Industry: A Study of Retail Bank Customers in Anambra State. *- Christian. C. Ezenwafor, Titus.C. Okeke, V. N. O Aghara*	11 - 22
03	The Impact of Goods and Services Tax on:- Micro, Mediom and Small Entreprises of India *- Kishan Digal*	23 - 26
04	Indian Corporate and its Capital Structure: Changing Trends *- Dr.Vikas Joshi*	27 - 38
05	A Management Development Program *- Ulhas Deshpande*	39 - 46

The Effect of Corporate Governance on Saving and Credit Cooperative Unions Financial Sustainability; The Case Oromia National Regional State of Ethiopia

Mr. Berhanu Bayisa Eticha[1], Dr. Workineh Abebe[2]

[1]PhD Scholar; Institute of Cooperatives and Development studies, Department Cooperative; Ambo, Ethiopia

[2]Lecturer at Ambo University; Institute Of Cooperatives And Development Studies, Department of Development Studies, Ambo, Ethiopia

A B S T R A C T

The main objectives of this study was to analyze the effect of corporate governance on financial sustainability of SACCO Unions in Oromia national regional state of Ethiopia. The Gender Composition of Management Committee, Controlling Committee Role, Management Committee Size, measured the effect of corporate governance, on financial sustainability and Management committee independence, financial sustainability of the SACCO Unions was analyzed using multiple regression. From A sample 225 primary Sacco's was drown from Eight Unions having started their operation before 2008. The investigation and data collected was analyzed using descriptive statistics and multiple regression model to evaluate the effect of independent variables on dependent variable using SPSS 24 version. The study had shown weak corporate governance in Sacco Unions. Sacco's management committee elected by the general assembly to lead the unions without any knowledge of financial and cooperative leadership skill. There is no separate enforcing financial and operational regulation to guide the unions to apply cooperative laws to practice the Corporate Governance Functions (indicators) in the region at all. There is no role difference of management committee and hired management of the unions. Limited number of women in leadership, weak supervision of control committee. Most unions Management committees are dependent on chief officers (managers and employees) of the unions. As a result, the sustainability status of the SACCO unions in the region indicates 48% only. While the rest 52% of them are in danger to failure. By this study, we recommend that the least performing SACCO Unions should apply the corporate governance principles and try to design strategies to include educated, youth and women leaders, capacitate controlling (control) committees to check and balance the activities of both management committee and managers from dependence on externalfunds and fraudulent actions that harms the sustainability of the unions. The region needs to have strong financial and operational regulations for saving and credit cooperative to apply corporate governance principles and values accordingly.

Key Words: Saving and credit cooperatives, Unions, Financial Sustainability, Corporate Governance

1. BACKGROUND OF THE STUDY

According to Ethiopian cooperative proclamation No. 985/2016, cooperative societies saving and credit cooperative union" means a secondary level cooperative society established by primary cooperative societies having similar objective with a minimum number of members as prescribed in the Proclamation to provide service or to engage in activities that are beyond the capacity of primary cooperative societies;

In Ethiopia Cooperatives including SACCOS are key grassroots level organizations, which are critical instruments in implementing the objectives of various development programs and strategies such as rural development programs, poverty reduction, industrial development, agricultural marketing, food security programs, and financial intermediations (Wolday Amha 2012). In particular, SACCOS are locally established financial institutions to meet the financial needs of community, particularly to assist the poor who were not accessed to the formal financial systems in Commercial Banks and Microfinance Institutions and they considered the poor community as a risky option. Furthermore, the costs of accessing the credit worthiness of poor clientele was high compared to financial cooperatives. SACCO unions are safe financial intermediaries to provide financial service to their member and/or middle-income community and their associations with fair lending financial costs (EIFTRI, 2012, Kinde, 2012).

According to Federal cooperative agency report of (2019), despite the difficulties experienced, SACCO's movement in Ethiopia had registered numerical growth over the past decades in terms of both number, membership and capital. However, membership was still much smaller towards the huge potential. The table below indicates that SACCOs have been constantly growing in terms of number, membership and capital mobilized over the period and contributing 4.29% to the national domestic saving.

According to Paraveen (2009), for any financial Cooperatives to be sustainable, it needs to have effective Corporate Governance System. Corporate governance is the scheme in which the SACCOs were directed and controlled in order to accountable to the members. It represents the bylaw, principles and values in which the power of the leaders exercised in the management of its assets and other resources to satisfy the needs of member societies.

According to Kifle, (2015) the major SACCOs challenges identified were Weak Corporate Governance, limited financial outreach, inefficient, and unsustain growth trends, lack of Management committee's financial knowledge , absence of financial regulation that govern their financial and operational activities.

The researchers concerned to investigate the effect of Corporate Governance on the financial sustainability of SACCO unions using five independent variables, namely the Number Of Women In Management Committee (NMW), Management Committee Independence, Internal Monitoring, Control Mechanisms, Corporate Governance Strength, Management Functions (Adams & Mehran, 2012; Andreou et al., 2014), some of which were used in this study. The number of Women in management committee represents the consistent number of members on a Management committee of directors; management committee independence was measured using the number of independent/non-executive committee member of a management committee, while control committee role was the number of control committee members of the societies. The intention here was to understand the dynamics of financial sustainability from the perspectives of corporate governance.

2. RESEARCH METHODOLOGY

The study adopted cross-sectional sample survey, in which questionnaires and document review used to collect data from Primary and SACCO Unions for analysis using descriptive statistics. Descriptive research design was applied, which involved the collection of longitudinal data. In this type of research design, quantitative descriptions of the trends, attitudes or opinions of a population obtained by studying a scientifically selected sample (Creswell, 2003; Mugenda & Mugenda, 2003). descriptive study describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and the tabulation of the frequencies on research variables or their interactions (Cooper & Schindler, 2006). The target population of the study was 225 primary SACCOs member to eight unions in operation and registered before 2008. The sample fairly represented the whole population and considered large enough to provide a general view of the entire population and serve as a good basis for valid and reliable conclusions. Primary data collected by means of observation and enquiry. To ensure the validity of the data collected, both internal and external validities were tested.

3.4. Sample Design

In Oromia National Regional State, there are 28 SACCO Unions (OCA, 2017). Multi-stage sampling technique was used to select study units. At the first stage, using three criteria, the seniority of the SACCOs Unions and large membership year of formation, size, and capital positions.

From the purposively selected 9 SACCO Unions, the researcher will randomly select five member SACCOs and five committee members as individual respondents considering the same criteria /followed. The sample size is determined by applying the following Yamane (1967) formula for sample size determination.

$$n = \frac{N}{1 + N(e)^2} = \frac{520}{1 + 520\,(0.05)^2} = 225$$

Where
n = Sample Size
N = Population Size
e = Level of Precision.

The level of precision is the range in which the true value of the population was estimated to be; it is expressed in percentage points (±5).

S. N	Name Of Sacco Union	Number Of Society Selected	Number Of Respondent From Each Society	Total number of responders	Location Zone
1	Ifa Boru	**5**	5	25	Arsi
2	Qalata	**5**	5	25	Arsi
3	Duro Shala	**5**	5	25	W/Arsi
4	Abdi Gudina,	**5**	5	25	E/Shewa
5	Awash	**5**	5	25	E/Shewa
6	Biiftuu Batu	**5**	5	25	E/Shewa
7	Aga Dhagayii	**5**	5	25	E/Welega
8	Gudatu Gimbii	**5**	5	25	W/Welega
9	Waltane Ambo	**5**	5	25	W/Shewa
	Total	45		**225**	

Table 1.1: The primary societies selected for investigation are the following

3.5. Methods and Tools of Data Collection

The study needs both primary and secondary data and it requires qualitative and quantitative data. So the primary quantitative data was gathered from 172 members and societies directly through semi Structured Interview Schedule (SIS). Additionally, qualitative information collected from members of management committee, employs of the Unions (Union Managers, Accountants, credit officers and member service officers) through checklist. Focus group discussions was undertaken with key stakeholder's supervisors (auditors and inspectors). The secondary information was gathered from the documents of the sample SACCOs (audit reports, financial record books, member saving books and ledgers, and other reports produced by the Management committee, region zonal and woreda SACCO promotion Agencies.

3.6 Methods of Data Analysis

To achieve the stated objectives specified data analysis such as descriptive statistics, variance analysis, and regression analysis were applied. To ensure the validity of the data collected, both internal and external validity were tested. Internal validity refers to the ability to draw conclusions from the study in a confident manner (Schram, 2005), and shows the causal relationship between the variables and the results obtained from the study. Pilot testing used where the respondents, to take corrective action, issued questionnaires to a small number of SACCO Unions s in order to anticipate problems of understanding the questions or any other source of confusion. Multiple regression model were employed to analyze the effect of independent variables on dependent variable.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 \ \beta_3 X_3 \ldots\ldots\ldots\ldots\ldots\ldots \beta_{nxn} + E$$

The regression model applied for the SACCO corporate governance variable was as follows:

$$Y = \beta 0 + \beta 1 NMW + \beta 2 MCIND + \beta 3 CC\ ROL + \beta 4 MCS$$

Where:

$\beta 0$ is the intercept i.e. $Y = \beta 0$ when $X1, 2, 3, 4, \quad k = 0$

$\beta 1, \beta 2, \beta 3, \beta 4 \ldots \beta k$ are the regression coefficients of the contribution of each measure of the independent variable.

The final model for Union's corporate governance was as presented below:

$$\text{Log (FSS)} = 1.9905 - 0.615311\ NWMC - 0.1023330\ CC\ ROL - 0.211332 MCIND$$

There is significant effect on the number of Women in Management Committee, Independence of Management Committee, and the Control Committee Role on the financial sustainability of the Unions. This means a unit increase in the number of Women in Management Committee increases the financial sustainability by 0.515311, and how often control committee increase their supervision frequency on the operations of the Unions, the financial sustainability increased by 0.7433. The management committee independence from interference has also significant effect on Corporate Governance of the unions.

4. RESULT AND DISCUSSIONS

As stated in the literature review, the effect of corporate governance on the financial sustainability of the unions, Measured using five independent variables, namely the Number of Women in Management Committee (NMW), Management committee Independence, Control Committee Role in Decision Making Management Functions (Adams & Mehran, 2012; Andreou et al., 2014). Some of which were used in this study. The number of Women in management committee represents the consistent number of women members in Management committee; management committee independence was measured using the influence of non-executive committee member of a management committee, while control committee role was the number of control committee members of the societies. The intention here was to understand the dynamics of financial sustainability from the perspectives of corporate governance.

4.1. Composition of Women in Management Committee

Ethiopian coop. proclamation 985/2016, sub article 34, states that" where there is possible number of female, at least 30% of any cooperative society management committee shall be held by female members". Leader's gender diversity or the higher combination of women in management committee enhance corporate governance and firm sustainability (Fields & Keys 2003). The higher the number of committed and effective percentage of women in management committee have positive affect financial sustainability of the unions. As the firms making commitment to increasing the number of women in management committee they increases the firm's efficiency and commitment, Carter et al. (2003).Gender diversity of management committees provides directors to more pay for performance motivations and that the management committees meet more frequently, Adams & Ferreira (2002). According to Cox & Blake (1991), managing management committee diversity can create competitive advantage for firms in six areas. These are cost, resource acquisition, marketing, creativity, problem solving, and organizational flexibility, which can directly affect the financial sustainability of the firms in one another.

Regression results of number of women in Management committee and financial sustainability indicates that there was significant relationship with financial sustainability as measured. A p- value of 0.039 was reported, which is less than 0.05. The results were significant at the 5% level. As the number of NWMC increases, so Financial Sustainability also increases. The study results indicate that there is a significant effect of NWMC on financial sustainability of Sacco Unions. A large number of NWMC result a better decisions since the management committee members made up of a pool of men and woman experts from different segments of the Experience, skill and exposures in their society. Better decisions be made and this result to better Sacco Unions performance. Better performance then lead to financial sustainability. This research finding indicates that increasing the number of women in management committee exerts a significant influence on Financial Sustainability of SACCO Unions. These findings support the term" Any cooperative society shall include requirements necessary to encourage participation of female members in the management committee of the society. Any cooperative society shall include activities to increase the active participation of women, youth and the disabled in their strategic and annual plans.

4.2. Management Committee Size

Ethiopian coop. proclamation 985/2016 sub article 34, "Any cooperative society shall have a management committee which are loyal and respectful and can overcome their responsibility and accountable to the general assembly and whose members and manner of election to be determined in the by-laws of the cooperative society". Management committee is a central institution that is involved in the internal corporate governance of cooperatives (Guest, 2009). Its role is to monitor the activities of management and ensure protection of the interests of all members, as outlined by the members' theory of corporate governance. Furthermore, it is the mandate of the management committee or Management Committee to resources utilized in the creation of wealth for the members, which is in line with the resource dependency theory of corporate governance (Franken & Cook, 2013; Lefort & Urzua, 2008). The management committee should protect the Unions from internal/external interferences as outlined in the political theory of corporate governance. The management committee should avoid nepotism, corruption, mismanagement and financial indiscipline in Unions, which are a manifestation of political interference with the management of firms (Abdullah & Valentine, 2009). The number of its members determines the size of a management committee, which is in turn dependent on the profitability and financial sustainability of the SACCO Unions (Guest, 2009; Chenuos et al., 2014). The optimal size of a management committee was not clearly stated in the proclamation for all types of cooperatives. Depending up on their type and size of SACCO Unions suggested a minimum of five and a maximum of nine members; Kiel and Nicholson (2003). SACCOs with an average management committee size should be more financially sustainable (Guest, 2009; Horváth & Spirollari, 2012; Chenuos et al., 2014), because it's advantage, the diverse experience of the members and at the same time reduces disagreements during the process of decision making (Horváth & Spirollari, 2012).

The regression results of number of management committee and Financial Sustainability. The results show that there was significant relationship between number of management committee and financial sustainability as measured by Financial Sustainability. A p-value of 0.0312 was reported, which is less than 0.05. The results were significant at the 5% level. As the number of members on a management committee increases, so Financial Sustainability of Unions also increases. The study results indicate that there is a significant effect of number of management committee on financial sustainability of the unions. A Unit increase in the number of management committee increases the financial sustainability also increase by 0.8418. The results indicate that as number of management committee increases so does financial sustainability. A large number of management committee members result to better decisions since the management committee made up of a pool of experts from different sectors of the economy. Better decisions could made and it result better performance. Better performance then lead to financial sustainability of SACCO Unions.

Therefore, the study findings indicate that number of management committee exerts a significant influence on Financial Sustainability. These findings support the previous findings of Kifle (2015), Amha (2015), John et al. (2008), Yared (2008) who found that a positive relationship exists between number of management committee and financial sustainability as measured by financial sustainability.

4.3. Control Committee Role

A control committee is an independent committee elected by general assembly, which oversees and ensures SACCOs corporate governance, responsibility, and promotion of efficacy in controls.

The existence of control committee enhance accountability and transparency, thereby exposing transactions that hurt the interests of members. (Rezaee, Olibe, & Minmier, 2003). The control committee also enhance protection of members' interests, against interference, and ensure proper resource utilization (Abdullah & Valentine, 2009). SACCOs with control committees expected to be financially sustainable since accountability was enhanced and managers put in check (Rezaee et al., 2003).

The regression results show that a significant relationship exists between control committees role and financial sustainability as measured. A p-value of 0.0111 was reported, which is less than 0.05, hence the significant influence. Based on the above results, the null hypothesis is rejected, thereby concluding that control committees exert a significant influence on financial sustainability at 5% significance level. The results also indicate that the control committee role significantly influences financial sustainability. The present study findings indicate that control committees exert a significant influence on financial sustainability.

A SACCO Unions' corporate governance, measured by committed control committee; therefore, it exerts a significant influence on financial sustainability of Sacco unions. The finding support the agency theory relied upon by this study. Control committee ensure members interest protection, to control loan process, to aware managers and management committee members aware of their actions toward goals achieved. As control committee become strong and inspire, to monitor, theft, embezzlement, avoids unnecessary costs, reduces interest of conflicts that may raise. Therefore, as the management of Sacco unions become strong, operational and financial efficient, the firm increases and ensure financial sustainability.

4.4. Management Committee Independence

Management committee independence determined by the number of non-executive directors on a management committee (Horváth & Spirollari, 2012), as an independent or non-executive director is not an employee of the firm and has no financial or family ties with management (Adams & Mehran, 2012; Franken & Cook, 2013; Horváth & Spirollari, 2012). Management committee independence for SACCOs enhances the protection of members interests, protects the SACCO against political interference, smooths the acquisition of resources for members' wealth creation, and can minimize agency conflict (Abdullah & Valentine, 2009; (Amess & The existence of an independent management committee enhances accountability, which would result in financially sustainable operations (Horváth & Spirollari, 2012, Chenuos et al., 2014).

5. CONCLUSION

The main objective of this paper was to analyse the effect of corporate governance on financial sustainability of SACCO Unions in Oromia National Regional State of Ethiopia. All independent variables derived from theoretical framework and empirical studies measures the SACCO Unions corporate governance indicated significant influence on financial sustainability. Therefore it was concluded that the number of women in management committee, and control committees roles do exert a significant influence on Financial sustainability of SACCO Unions.

The findings of the study indicate that corporate governance was one of the factors that influence a SACCO Unions financial sustainability in the region. SACCO management committee size was also found to influence financial sustainability; as the management committee size increases, so financial sustainability also increases. A larger number of management committee would result in better decisions being made for the benefit of all the members, and would increase a union's ability to deal with complex situations. This was the case, because management committee members sourced from different primary societies in the sector and considered to have vast knowledge to solve complex financial and leadership problems that assures the sustainability of the unions.

Control committee was the other measure of corporate governance, was also found to exert a significant influence on financial sustainability; SACCOs that had effective control committee members were more likely to be financially sustainable than those that did not. The control committees, resulting in accountability of the management committee, could attribute to the enhancement of the unions internal control systems. Furthermore, the existence of control committees reduces agency cost and conflict, and work for the benefit of member society.

6. RECOMMENDATIONS

1) The effectiveness and sustainability of SACCO Unions depends on the skill of management committee/board members/ elected from the member societies. Competent management committee plays a key role in leading the unions in principle and reducing agency costs by

overseeing management's behavior. The cooperative promotion authority should concerned on the skills the elected/candidates to be elected for management committee should possess the required financial in addition, leadership knowledge to understand the financial conditions, risks and reporting of the unions. Therefore, we recommend that the concerned authority shall fix for Age, Gender, Education level, experience , professional and ethical values that the management committee members to fulfill to be elected for SACCO Unions.

2) Women participation in leadership should encouraged and supported accordingly to the proclamation.
3) Both management and organizing government agency should respect management committee independence for decision making at the union level.
4) Independent and active control committees, Internal Credit Committee has to be encouraged and supported.
5) The SACCO Unions shall form their own regional/national apex management committee y that supports the Provision of relevant trainings in governance, risk management, credit and savings mobilization based up on the needs assessment of member SACCO unions.
6) The government shall allot Comprehensive financial and operational regulations that guides Effective Corporate Governance for SACCO unions in the region.

7. FURTHER RESEARCH INVESTIGATIONS

Finally, we recommend that conducting further and in-depth study on corporate governance of SACCO unions with broader perspective in cooperation with academicians, practitioners, researchers, supervising agency and other stakeholders. Further research could conducted on factors affecting sacco unions financial sustainability based on age of establishment, capital they owned, Categorizing Rural and Urban.

ACKNOWLEDGEMENT

I greatly value the intellectual guidance, thought provoking and invaluable comments, patience and constructive criticisms from Dr.Workineh Abebe. I am really highly indebted for his assistance. I also wish to thank my wife Gadise Lemi, for her encouragement during the time pursuing this degree.

My heartfelt acknowledgement also goes to Professor S.Nakkiran, Dr.M.karthikian Mr. Dagnachew Shiferaw, for their countless contributions. To all others who contributed in many ways towards the completion of this thesis, feel honored and appreciated, and may the God Almighty bless you all. Thank you all!

REFERENCES

1. *Adams, R. B., & Mehran, H. (2012). Bank board of director's structure and Performance: Evidence For large bank holding companies. Journal of Financial Intermediation, 21(2),243-267.*
2. *Amess, K., & Howcroft, B. (2001). Corporate governance structures and the Comparative Advantage of Credit Unions. Corporate Governance: An International Review, 9(1), 59-65.*
3. *Biruk Ayalew Wondem; (January 2015), Rural Saving and Credit Cooperatives Financial Performance, Challenges and Prospects in Rural Financing in East and West Gojjam Zones-Ethiopia.*
4. *ETHIOPIA, I. G. O. 1960. Commercial Code of the Empire of Ethiopia of 1960, NegaritGazeta – Extraordinary Issue No. 3 of 1960, Addis Ababa.*
5. *KIFLE TESFAMARIAM .2011. Management of Savings and Credit Cooperatives from The Perspective of Outreach and Sustainability: Evidence from Southern Tigray of Ethiopia.16-20; available to download at www.iiste.org. .*
6. *NEGARITGAZETA, F. 2016a. Cooperative Societies (Amendment) Proclamation Addis Ababa, Ethiopia. NEGARITGAZETA, Cooperative Societies Proclamation No.985/2016, Addis Ababa, Ethiopia.*

7. *SERVICES, P. C. A. I. 2006. Developments in Saving and Credit Cooperatives in Ethiopia: Evolution, Performances, Challenges and Interventions with Particular Emphasis on RUSACCOs (September): Addis Ababa, Ethiopia.*
8. *WOLDAY AMHA .2003. Microfinance in Ethiopia: Performance, challenges and the role in Poverty reduction. AEMFI, Occasional Paper No. 7.*

Self Service Technology and Customer Loyalty in the Banking Industry: A Study of Retail Bank Customers in Anambra State.

Christian. C. Ezenwafor[1], Titus. C. Okeke[2], V. N. O Aghara[3]

[1]Department of Marketing Nnamdi Azikiwe University, Awka.

Department of Marketing Nnamdi Azikiwe University, Awka.

Department of Marketing Nnamdi Azikiwe University, Awka.

A B S T R A C T

The emergence of information, communication technology (ICT) and its wide application in the banking industry lead to the development of self-service technology (SST) based products like automated teller machine (ATM) internet banking among others. In view of this banks have invested heavily in the innovation with the aim of attracting and holding customers; hence the aim of this study is to evaluate how these SST products impinge customer loyalty among the retail banking customers in Anambra State. The question is how does this affect customer loyalty in the banks? The study is a survey research and is based on a statistically determined sample of 246 respondents selected from among some of the major towns in the state out of which 236 respondents returned duly filled and usable questionnaire. Questionnaire is the major instrument for data collection and this will be self-administered to the respondents. The stated hypotheses were tested using multiple regression analysis. The results of the analysis show that security of SST, reliability, competence and accessibility have significant influence on customer loyalty with in the retail banking industry. To further improve the service quality, SST service should be able to provide enhanced interactivity, diversified offerings, and facilitate customers to participate in improving the service encounter with ATM and make it a memorable and pleasant experience. Banks should develop strategies to motivate non- users through awareness, education, extending personalized services, and demonstrating the functions of SST baking services. This is more so as the study has shown that consumer awareness is highest among ATM users. It is evident from the study that security, reliability, accessibility and competence have relationship with SST. Bank management should monitor the environment and identify the trends through marketing intelligence. Further studies could be conducted to check the socio-demographic trends in consumer use of the SST channels since demographic variables are dynamic.

Keywords: self-service technology, service quality, banking industry, customer satisfaction, Atm.

INTRODUCTION

Technology has a great impact on the way organizations function, create, produce and deliver. The adoption of technology by firms has helped them to get quicker access to information, make better and informed decisions. This helps to change the way traditional business operate and also help to develop new practices. One of the important technological applications is Self-Service technology, especially within the service industries. Self-Servicing technologies are those that allow the customers to carry out the service on their own, without the help of the employees of the organization. Put pointedly, Banks are increasingly using technology in their efforts to reach and serve their customers effectively, and as a result, it is important to understand the impact of these technologies on customers' loyalty.

The evolution of Self-Service Technology (SST) has tremendously changed the way customers' interact with firms to create service outcomes. In a typical banking industry, before the invention of SST, all the services bank can render to the customers are performed by the staff of the bank ranging from deposit, withdrawal, transfer and interaction with customer service personnel. The inconsistency of the staff to render required service quality to massive foot-force that enters the bank in daily basis may lead to dissatisfaction among the customers. More so, Inferior service quality leads to unfavorable behavioral intentions, hence leads to customer defection from the organization, which in turn leads to lost customers and increased costs associated with attracting new customers (Zeithaml, &Parasuraman, 1996). To comb this malice, service providers especially bankers now deploy self-service channels such as Automated Teller Machine (ATM). These channels offer a number of strategic advantages to bank managers for customer loyalty.

Self-Service Technology is devices and machines that are facilitated by information, communication and the internet and allow customers to perform some activities without the presence of an employee from the organization. They include ATMs, online banking, internet banking and Point of Purchase (POS) terminals. By deploying SST, service providers can deliver better quality products and convenient solutions to customers and thereby engender customers' satisfaction and loyalty. Customer loyalty is necessary to ensure corporate survival and profitability because it is much more expensive to acquire a new customer than to retain existing ones. In addition, loyal customers act as advocates for the firm and are usually willing to recommend the firm to other potential customers.

Accordingly, banks have resorted to adopting technology based self-service channels that promise to remove the constraint of time, distance and communication. The adoption of self service technology has drastically reduced the foot force in typical banking industry. Over the decade, there has being a drastic shift from omni-channel (customers that use both digital and physical channels) to omni-digital (customers who use just the digital channel). As extracted from PwC. (2017), there are 46% users of omni-digital compared to 27% usage in the year 2012. Evidently, customers use self-service technological channels 20-30times monthly and only visit bank branches 2-3 times monthly with serious service need (miller, 2016).

From the banking institution's point of view, automated self-service users are no more looked at as customers only, but rather as employees, since they are more involved in co-creation of their services (Sindwani & Goel, 2017). Another identification of SST in banking services is its competitive advantage and its use as a weapon of returning a benefit that justifies the initial investment (Davies et al., 1996). SST is a win-win situation for banks and their customers; as the benefits are in form of lower cost of transaction and lesser customer load on branches (Sindwani&Goel, 2017). Owing to the recent focus and massive investment by banks on the self- service channels, it is therefore imperative to study customer loyalty in light of the new developments. SST channels are perhaps regarded as tools to maintain customer loyalty. However, it is still unclear if the effects of these SST on consumer behavior yield to customer loyalty in the retailing banking context.

Research on automated banking service quality is given due importance as it is found to have effect on customer loyalty (Al-Hawari, Hartley & Ward, 2005; Santos, 2003). On the global facet, Plethora of researches (e.gShblidigbal 2017; Ding, Verma&Igbal 2007; susianto&Fachira 2015; Lan 2013; Niemezjk, chair, Gray& Batman; diu, Lee, Chao 2012; &Sindwani&Goel, 2017) have been carried out on this area, of which majority of the studies on technology based self-service banking quality covers only one of the automated banking channels. However, focus of these studies is either on Internet banking or on ATM banking. In this era of technological advancement, customers are using more than one automated banking channel(Omni-digital) to avail services. Therefore, in bid to gain a holistic insight into the concept of SST, it is imperative to study all SST channels to present the overall picture of technology based banking in a typical facet of a developing country. This study utilises security, reliability, accessibility and competence. To get the comprehensive picture, in the present study broad attributes related to all channels of SST service quality are grouped into the four dimensions and their impacts on customer loyalty is examined

UNDERPINNING MODEL

E-service Quality Model

Many researchers have examined electronic service quality as an emerging ICT artifact from the perspective of user adoption of information technology (IT) (Zhou et al., 2010). Service quality in its contemporary conceptualization is a comparison of perceived expectation(E) of a service with perceived performance (p), giving rise to the equation SQ=P-E levis and booms (1983). The phenomenon of service quality emanates from expectancy-disconfirmation paradigm (oliver et al 1994). Scholars have treated service quality as very difficult to define and measure due to the inherent intangible nature of service which is often experienced subjectively (gonroos et al 2000).

Service quality has been evolving from time to time. In its evolution process, some of its determinants and elements are placed by more pertinent element. One of the earliest attempts to grapple with the service quality concept emerged from Nordic school where they proposed that service quality is seen as having two basic dimensions which are technical quality and functional quality.(extrinsic and intrinsic), (gronroos, 1984).

A model of service quality, based on the expectancy-disconfirmation paradigm as developed by A.parasuraman, Valarie, A Zeithaml and lenberry identifies the principal dimension of service quality and proposed a scale for measuring service quality known as SERQUAL. The model originally identified 10 dimension of service quality that influences customer perception of service quality (parasuraman, 1985). However, further research showed that some of the dimensions were found to be auto correlated and the total number of the dimension was reduced to five Reliability, Assurance, Tangible, Empathy and Responsiveness with the acronym (RATER).

Given the widespread use of internet and ecommerce, researchers have sought to define and measure e-service quality. E-service quality is increasingly recognized as an important aspect of electronic commerce (Santos, 2003). According to (Santos, 2003) E-service quality has incubative and active dimension. Incubative consist of ease of use, appearance, linkage, structure, layout and content while active dimension consist of reliability, efficiency, support, communication, security and incentive. In this study, e- service quality model was adapted and competence inculcated from the work of Parasuraman et al (1988). Competence was inculcated to enable the researcher pick a stand on the evolving debate on the predictiveness or non- predictiveness of the variable.

Variable extracted and used in the study are; Reliability, Competence, Accessibility and Security to evaluate the impact of customers' loyalty with respect to e-service quality in bank. Finally, the suitability of this model is based on fact that in this literary context, SST is concerned with the performance of self service channels which are mostly internet enabled and e-service quality is interested in the performance of self-service rendered over the internet.

SELF-SERVICE TECHNOLOGY

Self-Service Technologies are services that are performed by customers themselves using various types of technological innovations, such as ATMs, the internet, internet banking and interactive kiosks (Amanda, Nick and Leonard, 2007). They represent an alternative way of service delivery using innovative technologies for complementing or even replacing personal services.

Customers value the convenience, consistency and self-control of automated transactions over a friendly smile, while companies value the increased coverage, low cost of operation and reliability of automating transactions. It is common practice for individuals to encounter long lines and companies that are closed when you want to do business, as a result, opportunities to conduct transactions online or using self-service technologies have become a welcome alternative to most consumers. Self-Service Technology (SST) channels are classified into three (3) main categories based on their purpose, namely: customer service, transactional and self-help (Langeardet al., 1981).

Customer Loyalty

The recent years have shown a growing interest in customer loyalty. The globalization competition, saturation of markets and development of information technology have enhanced customer awareness and created a situation where long-term success is no longer additional through optimized product price and quality. Instead, companies build their success on long-term customer relationship. According to former studies, it can cost as much as 6 times more to win a new customer than it does to keep an existing one (Rosenberg &Czepiel 1984). Hence, we can see that the increase and retention of loyal customers has become a key factor for long-term success of a company. The new catch in marketing has moved from winning new customers to the retention of existing ones.

Customer loyalty, the main consequence of customer satisfaction, has been defined and measured in various ways over the past decades. Oliver (1997), defines customer loyalty as, "a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, despite situation influences and marketing efforts having the potential to cause switching behaviors." According to the literature on loyalty, customer loyalty has several distinct dimensions. The two most important dimensions are the behavioral and attitudinal components, (Day 1969; Jacoby and Kyner 1973; Yi 1991). Earlier researches conceptualized customer loyalty as a behavior (Dick and Basu 1994; Jacoby and Chestnut 1978). Behavioral loyalty signifies actual repeat of purchasing behavior, or the likelihood of repeat product/service purchases from the same supplier.

HYPOTHESIS DEVELOPMENT

Relationship between Competence and customer loyalty

This is the ability of an SST channel to serve a customer satisfactorily. Competence is measured against the perceived level of service delivery which a customer will receive if such service were being performed by a human being (Sindwani et al., 2017). On competence, the customers desire that the SST channels can perform the required task without any hiccups or challenges which may require external interventions. Meuteret al, [2000], discovered that customers were more satisfied when the SST channel delivered the service smoothly, timely and without need for human intervention. Also users of mobile banking systems who could easily check their account balance and make cash transfers without any errors showed high level of loyalty. Based on the foregoing, we therefore hypothesized as follows:

H1: competence has a positive and significant effect on customer loyalty.

Relationship between reliability and customer loyalty

This is the assurance or probability that a particle SST channel will perform the task or service it is designed to, when accessed by a customer (Zeithaml et al., 1996). Miller, (2006) described reliability as the ability of the SST channel to function at a specified moment or interval of time. Subjects of interest under reliability include: Network reliability, Network connectivity and Software reliability. , Zhu et al. (2002) argued that ‗reliability has a direct positive effect on perceived service quality and customer satisfaction in electronic banking systems'. The aforementioned reliability indexes contribute to the efficacy and reliability of SST channels. Based on the findings, we hypothesis

H2: reliability has a positive and significant effect on customer loyalty.

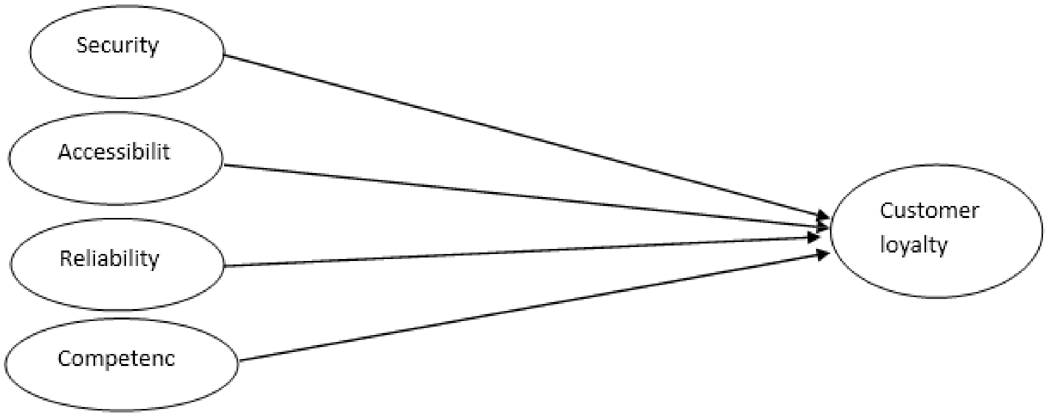
Relationship between Accessibility and customer loyalty

Accessibility refers to ability or ease with which customers can perform transactions on their accounts (Xu, 2014). This incorporates the different channels with which the bank customers can make use of their accounts using the Self-Service channels. The ability of the customers to access the channels as when needed has shown to have significant effect on satisfaction. The channels available to customers to perform transactions include: ATM, POS, Mobile banking and Internet banking. (Makanyeza & chikazhe, 2017; Iqbal & Masood 2017) in their study found that accessibility of SST channels have significant effect on customer loyalty. Thus, we hypothesis H3: Accessibility has a positive and significant effect on customer loyalty.

Relationship between security and customer loyalty

This implies the measures and steps put in place by the bank, to ensure that customers' accounts are not compromised or made accessible to external parties. Security implementations include Bank Verification Number (BVN). Personal Identification Number (PIN) and chip technology debit cards. Security primarily consists of network security. It consists of the policies and practices adopted to prevent and monitor unauthorized access, misuse, modification, or denial of computer network and network-accessible resources. Network security involves the authorization of access to data in a network, which is controlled by the network administrator. Users are usually assigned an ID and password or other authenticating information that allows them access to information and programs within their authority. Iqbal, Masood&habibah (2017) found that SST security has a significant effect on customer loyalty hence; banks should ensure proper safety of customers' information while dealing with them. We hypothesis

H4: security has a positive and significant effect on customer loyalty.



Source: Researcher's conceptualization

RESEARCH METHODOLOGY

Research design is the detailed blueprint used to guide a research study towards its objectives (Aakeret al. 2009). Survey research design was adopted as appropriate for this study. This type of design is more directly related to descriptive and causal research and success in collecting primary data is more a function of correctly designing and administering the survey instrument which in this research is the questionnaire.

Hypotheses were tested using multiple regression analysis to show the relationship between variable and t-test statistic was adopted to test for the significance of the hypotheses.

RESULT

Profile of respondents

On gender, 158(66.9%) of the respondents are male while the remaining 78(33.1%) are female. On marital status, 149(63.1%) are singles, 40(16.9%) are married, while 47(19.9%) are either divorced or separated. On age bracket, 118(50.0%) are below 30 years, 73(30.9%) are within 31 – 40 years, while 45(19.1%) are within the age bracket of 41 – 50 years. The implication of this is that majority of our respondents are very young people who are more prone to innovation than old people. On education, 89(37.7%) have O-Levels only, 115(48.7%) have HND/BSc while 32(13.6%) have post graduate qualifications. The implication of this is that majority of the respondents 147(62.3%) have tertiary education and are therefore disposed to give valid and usable information needed for the study.

Table 1: Demographic Characteristics of the Respondents

Table 1: Demographic Characteristics of the Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Gender:	Male	158	66.9	66.9	66.9
	Female	78	33.1	33.1	100
	Total	236	100	100	
Marital status:	Single	149	63.1	63.1	63.1
	Married	40	16.9	16.9	80.1
	Separated/Divorced	47	19.9	19.9	100
	Total	236	100	100	

Age bracket:	Below 30 years	118	50	50	50
	31 - 40 years	73	30.9	30.9	80.9
	41 - 50 years	45	19.1	19.1	100
	Total	236	100	100	
Education:	O'Level	89	37.7	37.7	37.7
	HND/BSc	115	48.7	48.7	86.4
	Postgraduate	32	13.6	13.6	100
	Total	236	100	100	

Principal component analysis

Principal component analysis (varimax rotation) method was applied to the data. Items that did not load on factors (< 0.5) were removed. Cronbach alpha was computed to measure the internal consistency of the factors. All factor had internal reliability between 0.61 and .81 in line with acceptable values (aaker, 2009).

Table 2: Principal component analysis

Component labels	Item	loading	alpha
		.531	
Security	Ensures physical safety of the transaction	.643	
	It also increases the financial security		
	Privacy can be easily maintained.	.773	
	Password facility provides confidentiality to transaction.	.742	0.68
Ease of use	I am able to use SST	.869	
	I find SST easy to use	.664	
	I have a well-developed technological competency	.789	
Reliability	Provides error-free transactions	.790	.77
	Provides convenient location of service facility (location of ATM, POS terminals)	.783	
	Reduces the waiting time to receive the service.	.663	
Competence	Online purchase of goods and services including online payment is easier payment is easier	.655	.80
	Self-service technology channels is easily accessible	.500	
	Provides convenient location of service facility	.616	.

Competence	Reduces the waiting time to receive the service	.775	0.61
	I like online payment because it helps me in purchase of goods and services online	.515	
	I will introduce my bank to others	.624	
	I will Influence others to Use my t h e bank	.755	
Customer loyalty	I am Satisfied with my bank,		
	refore I will Continue to be Loyal	.761	.79

Extraction Method: Principal Component Analysis.

Testing of Hypotheses

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.371	.138	.123	.65112

• **Predictors: (**Constant), Security, Accessibility, Reliability and Competence.

• **Dependent Variable:** Customer loyalty

Model	Unstandardized coefficients B	Std. Error	Standardize d coefficient Beta	T	Sig.
(Constant)	.617	.358		1.721	.087
Security	.155	.071	.136	2.187	.030
Accessibility	.159	.030	.456	5.348	.000
Reliability	.391	.078	.310	5.041	.000
Competence	.108	.049	.134	2.002	.029

Source: SPSS Version 24

Dependent Variable: customer loyalty

Table above reveals the standardized Beta coefficients, which give the contributions of each variable to the model. The t and p values show the effect of the independent variables on the dependent variables. Based on the analysis, the following inferences were drawn in relation to the hypotheses.

The smaller the value of significance (p- value) and the larger the t- value the greater the contribution of that predictor. In this model, security (t =2.187, p = .030 0.05), accessibility (t = 5.348, p = .000 0.05), reliability (t = 5.041, p = .000 0.05) and competence (t = 2.002, p = .029 0.05) were all significant to customer satisfaction. From the magnitude of the t-values, we can see that accessibility as the highest effect; follow by reliability, security and competence in that order.

DISCUSSION OF FINDINGS

This study was informed by the need to assess the relationship between self-service technology and customer loyalty in the retail banking industry. It was based on sample 246 retail bank customers in Anambra State of which 236 responded. The study was based on four independent variables: Security, Reliability, Accessibility and Competence while customer loyalty was the dependent variable. The descriptive analysis of the data shows that young and middle age customers are more inclined to explore innovations like the SST channels: ATM, Mobile banking and internet banking than the old customers. The study equally shows no clear variations in the usage of the SST channels between male and female respondents. On the other hand, the more a customer stays with a bank the more the customer is inclined to use SST channels to conduct bank transactions. The study also shows that ATM is the most preferred channel among all the SST channels. This finding is in line with Okeke, 2013, cited in the review.

The study found out that there is a significant relationship between SST security and customer loyalty with banks. This finding is in line with Guriting, Gibson and Ndu (2007). It is also in line with Liao and Cheung (2003) that security of operations is important to customers when considering SST channels. It was also found out that Reliability has a significant relationship with SST channels. This is in line with Zahid, Mujtaba and Riaz (2010) earlier cited in the literature. The study also found out that accessibility and competence have significant relationship with SST channels. These agree with Liao and Cheung (2003); Okeke, (2013); and Okeke, Ezeh&Nnedum, (2015).

CONCLUSION

This work is concerned with self-service technology and customer loyalty in the banking industry: a study of retail bank customers in Anambra State. E-Service Quality Model was reviewed after which the study relied on four independent variables: Security, Reliability, Competence and Accessibility, while the dependent variable is customer loyalty. The data collected were analyzed using both descriptive and inferential statistics. Based on the analysis, the following conclusions are made; there is no clear difference between the two genders males and females on the use of SST channels especially ATM. The more a customer stays with a bank the more such a customer is inclined to use the SST channels which include ATM, mobile banking and internet banking. ATM is the most preferred channel for transacting retail banking services through the SST. That is to say that ATM is the most patronized SST channel. Security of SST channel has a significant and positive effect on customer loyalty with retail banking. Reliability of SST channel is positively related to customer loyalty with banks. Also competency and accessibility have significant and positive relationship with customer loyalty in retail banking.

RECOMMENDATIONS

The results of this study show that ATM usage is highest among the SST services. To further improve the service quality, ATM service should be able to provide enhanced interactivity, diversified offerings, and facilitate customers to participate in improving the service encounter with ATM and make it a memorable and pleasant experience. Banks should develop strategies to motivate non-users through awareness, education, extending personalized services, and demonstrating the functions of SST baking services. This is more so as the study has shown that consumer awareness is highest among ATM users.

It is evident from the study that security, reliability, accessibility and competence have relationship with SST. Bank management should monitor the environment and identify the trends through marketing intelligence. They need to constantly up-date and differentiate their SST products service quality dimensions to ensure continuous satisfaction and loyalty of customers. Quick response to customers' needs and queries about the SST related services are important to improve the service standards of SST banking channels. This would facilitate customers to participate in improvement of service quality, learn and perform, and have a pleasant experience through two-way communication.

There is no doubt that the possibilities and consequences of cybercrime are many and they threaten the survival of corporate organizations and even individuals. The growth of ICT infrastructure and the Nigeria's economy at large is at risk which is why the fears in some quarters that Nigeria will be subject to various vulnerabilities, especially cybercrimes, as the nation deploys ICT infrastructure to support her development. There is the need for the CBN, the Economic and Financial Crimes Commission (EFCC) and the Nigerian Information Technology Development Agency (NITDA) to work together to ensure that the anti-cyber law is more effective.

REFERENCE

1. *Aaker, D.A., Kumar, V., & Day, G.S. (2009).Marketing Research. New Delhi: John Wiley & Sons.*
2. *Agbonifoh, B.A., Ogwo, O.E., Nnolim, D.A. &Nkamnebe, D.A. (2007).Marketing in Nigeria: Concepts, Principles and Decisions. Aba: Afri towers Publishers.*
3. *Aladwani, A. (2001). Online banking: a field study of drivers, development challenges, and expectations International Journal of Information Management, Vol. 21, pp. 213–225.*
4. *Al-Hawari, M., Hartley, N., & Ward, T. (2005). Measuring banks' automated service quality: a confirmatory factor analysis approach, Marketing bulletin, 16(1), 1-19.*
5. *Al-Hawari, M., Ward, T., & Newby, L. (2009). The relationship between Service quality and Retention within the automated and Traditional contexts of Retail banking.Journal of Service Management, 20, 455-472.*
6. *Al-Madi, F. (2010). The effects of E-banking on the Jordan Islamic Bank clients Satisfaction, Faculty of Economic & Administrative Sciences, Business Administration Department, The Hashemite University, Jordan.*
7. *Alnaser, F.M., Gharu, M.A., Rahi, S., Mansour, M., and Abed, H. (2017). The impact of Serqual model and subjective norms on customer satisfaction and customer loyalty in islamicbankig. International journal of economics and management science, 6.5, Doi 10.4172/2162.*
8. *Al-Somali, S., Gholami, A.R. & Clegg, B. (2009).An investigation into the acceptance of online banking in Saudi Arabia, Technovation, 29, 130–141.*
9. *Amanda B. & Nick L. & Leonard. V. C.; (2007). "Self-Service Technology and the Service Encounter," The Service Industries Journal, Taylor & Francis Journals, vol. 27(1), pages 75-89, January.*
10. *Awan, H.M., Bukhari, S.K. and Igbal A. (2011).Service quality and customer satisfaction in banking sector.Journal of Islamic banking, Vol. 2, no. 3, 203-224.*
11. *Bankole, O.F, Bankole, O. & Brown, I.T.J. (2011).Mobile Banking Adoption in Nigeria. Electronic Journal of Information Systems in Developing Countries · EJISDC (2011) 47, 2, 1-23. July 20 11. DOI: 10.1002/j.1681-4835.2011.tb00330.*
12. *Bhagwati (1985).―Nature of the Service Sector in terms of its Concept and Classification‖.Online Document.*
13. *Boon-itt, S. (2015).Managing self-service technology service quality to enhance e- satisfaction.International journal of quality and service science, Vol.7, no. 4, pp.375-391*
14. *Bradley, L. & Stewart, K. (2003).Delphi Study of Internet banking, MCB UP Limited.*
15. *Caruana, A. (2000). The effect of service quality and mediaiting role pf customer satisfaction.*
16. *Central Bank of Nigeria (CBN) (2003). Guidelines on Electronic Banking in Nigeria August, 2003.*
17. *Choudhury, K. (2013). Service quality and customer purchase intentions: an empirical study of India banking sector. International journal of business and management, 3(13).*
18. *Chu, P., lee, G. and chao, y.(2012). Service quality, customer satisfaction, customer trust and loyalty in an e-banking context.Social behaviour and personality, 40(8), 1271-1284.*
19. *Day, G., & Fahey, L. 1988. Valuing market strategies. Journal of Marketing, 52(July): 45- 57. Google Scholar, Crossref, ISI.*

20. Day, G.S. (1969). A Two-Dimensional Concept of Brand Loyalty.Journal of Advertising Research, 9(3), 29-35.
21. Dick, A. S., &Basu, K. (1994). Customer Loyalty: Toward an Integrated Conceptual Framework. Journal of the Academy of Marketing Science, 22(2), 99-113. http://dx.doi.org/10.1177/0092070394222001.
22. Djajanto, l., Nimran, U., Kumadji, s., and kertahadi. (2014). The effect of self service technology, service quality and relationship marketing on customer satisfaction and loyalty. Journal of business and management, Vol. 16, Pp. 39-50.
23. Dondolo, H.B., and Madinga, N.W. (2016). Ease of use, security concerns and attitude as antecedent of customer satisfaction in ATM banking. Banks and bank system, Vol. 11, 4
24. Field, A.P. (2013). Discovering Statistics using IBM SPSS Statistics.4th Edition. London: SAGE Publications Limited. Online Edition.
25. Ganguli, S. and Roy, S.K. (2011). Generic- technology- based service quality dimemsions in banking. Impact on customer satisfaction and loyalty.International journal of banking marketing, Vol. 29, pp.168-189
26. Guriting, P., Gibson, C. and Ndu, N.N.O. (2007) ‗Computer self-efficacy levels, perceptions and adoption of online banking', International Journal of Services Technology and Management, Vol. 8, No. 1, pp.54–61
27. Hill, (1977) in ―Nature of the Service Sector in terms of its Concept and Classification‖.Online Document.
28. Jacoby, J. & Chestnut, R.W. (1978). Brand Loyalty, Measurement and Management. New York: John Wiley and Sons.
29. Jacoby, J., &Kyner, D.B. (1973). Brand Loyalty versus Repeat Purchasing Behavior. Journal of Marketing Research, 10(1), 1-9. http://dx.doi.org/10.2307/3149402.
30. Jayawardhena, C., and Foley, P. (2000). Changes in the banking sector—The case of Internet banking in the UK.Internet Research: Electronic Networking Applications and Policy, 10(1), 19–30.
31. John, A.S. (2016). The effect of ATM service quality on customer satisfaction I the banking sector of Nigeria. Global journal of human management, Vol.4, no.5, Pp. 65-79
32. Karjaluoto, H., Mattila, M. &Pento, T. (2002). Electronic banking in Finland: consumer beliefs and reactions to a new delivery channel. Journal of Financial Services Marketing. 6: 346- 361.
33. Kim, P.H.; Dirks, K.T.; & Cooper, O. D. (2004). The Repair of Trust: A Dynamic Bi-Lateral Perspective and Multi-Level Conceptualization. Academy of Management of Management Review.
34. Korankye A.(2014). The impact of e-banking on customer service and profitability of banks in Ghana.Global journal of commerce and management perspective.Vol 3(1): 61-65.
35. Kotler, P. & Keller, K.L. (2012).Marketing management.Upper Saddle River, New Jersey: Pearson Education Limited.
36. Langeard E.; Bateson J.; Lovelock C &Eigelie P. (1981). Marketing of services: new perspectives from consumers and managers.Cambridge: Marketing Sciences Institute.
37. Lee, E., & Lee, J. (2001). Consumer adoption of Internet banking: Need-based and/or skill based? Marketing Management Journal, Spring.
38. Lee, G.Y., Chu, P.Y., and Chao, Y. (2011).Service quality, relationship quality and customer loyalty in Taiwanese internet banks.Social behavior and personality, 39(8), 1127-1140.
39. Lenka, U., Suar, D., Mohapatra, P.K.J. (2009). Service quality, customer satisfaction and customer loyalty in Indian commercial banks.Journal of entrepreneurship, 18: 47.
40. Long, P. and Vy, P.D. (2016).Internet banking service quality, Customer satisfaction and customer loyalty.International journal of strategic decisison sciences, Vol.7.
41. Lovelock, C. &Wirtz, J. Services Marketing: People, Technology and Strategy. Upper Saddle River, New Jersey: Pearson Education Inc.
42. Makanyeza, c and Chikazhe, L. (2017).Mediator of the relationship between service quality and Customer loyalty.Evidence from the banking sector in Zimbabwe.International Journal of bank marketing, 35(3), 540-556.
43. Mango, W., Muceldili, B., and Erdil, O. (2017). AN investigation of sst on participating banks in turkey. Journal Of economics, finance and accounting, Vol.4, Pp. 145-153.
44. Mdariff, M.S., Yen, L.O., Zaluan, N and Ismail, K.(20113). impact of service quality and customer satisfaction on customer loyalty in internet banking. Preceedia- Social and behavioural science, 81, 469-475.
45. Meuter, M., Ostrom, A., Roundtree, R and Bitner, M.(2000) Self-Service Technologies: Understanding Customer Satisfaction with Technology-Based Service Encounters, Journal of Marketing, 64(July), pp.50-64.
46. Miller, H. (2016). The Paradigm Shift in banking Industry. Business to community.com/brandviews/bpmon line/paradigm-shift-banking-industry-01690199/amp.

47. Min, Q., Ji, S. and Qu, G. (2008) Mobile Commerce User Acceptance Study in China: ARevised UTAUT Model, Tsinghua Science and Technology, 13, 3, 257-264.
48. Ndikubwimana, P., and Berndi.(2016). Service quality and customer satisfaction among banks clients in Rwanda.Journal of economics, management and trade, Vol. 143(4).
49. Okeke T.C., Ezeh G.A, &Nnedum O.A.U. (2015).Service Quality Dimensions and Customer Satisfaction with Online Services of Nigerian Banks. J Internet Bank and Commerce 20: 116. doi:10.4172/2165-7866.1000117
50. Oliver, R. L. (1997). Satisfaction: A Behavioral Perspective on the Consumer. New York: McGraw-Hill.
51. Onditi, A.A., Oginda, M.N., Ochieng, N., and Oso, W. (2012).Implication of service quality on customer loyalty in the banking sector. A survey of banks in Homabaycounty, Kenya. International journal of business and social science, Vol. 3, no. 21.
52. Padwal, S.M. (1995). ―Banking and Technology in India…‖ Vinimaya, NBM. Pune, Jan.- March.Vol. X1.No.4.
53. Phillips, J. (2007). Online Banking, in Handbook of Computer Networks, edited by HosseinBidgoli, John Wiley and Sons, forthcoming.
54. Picker, L and Dinhi, V. (2013).Investigating the relationship between service quality and customer loyalty: A study of banking industry. Management science letter 3, 2147-2154.
55. Pikkarainen, T., Pikkarainen, K., Karjaluoto, H. &Pahnila, S. (2004). Consumer acceptance of online banking: an extension of the Technology Acceptance Model, Internet Research, 14(3), 224–235.
56. Pitt, L. F., Watson, R. T. and Kavan, C. B. (1995)."Service Quality: A Measure of Information Systems Effectiveness," MIS Quarterly (19:2), pp. 173-187
57. PwC. (2017). The rise of the digital – only banking customer. The financial brand.https://thefinancialbrand.com/65628/digital-banking-consumer-trends/
58. Ravi, V., Carr, M. &Sagar, N.V. (2007).Profiling of internet banking users in India using intelligent techniques.Journal of Services Research, 7(1), 61–73.
59. Rosenberg, L., Czepiel, J.A. (1984). A Marketing Approach to Customer Retention. Journal of Consumer Marketing, 1, 45–51
60. Santos, J. (2003). E-service quality: A model of virtual service quality dimensions. Managing Service Quality, 13, 233-246.
61. Seth, N., Deshmukh, S. G., &Vrat, P. (2006).A conceptual model for quality of service in the supply chain.International Journal of Physical Distribution & Logistics Management, 36, 547-575.
62. ShahidIqbal. (2017)."Impact of self-service technology (SST) service quality on customer loyalty and behavioral intention: The mediating role of customer satisfaction" .Cogent Business & Management (2018), 5: 1423770.Article accessed onlineathttps://doi.org/10.1080/23311975.2018.1423770
63. Sindwani, R. &Goel, M. (2017). ―The Impact of Technology Based Self ServiceBanking Service Quality on Customer Loyalty‖. International Journal of Marketing and Business Communication.Vol. 4.Issue 3.Article accessed online at http://www.publishingindia.com.
64. Sohali, k. and Abudullah, N.N. (2019). The effect of ATM service quality on customer satisfaction and loyalty: an empirical analysis. Russian journal of agricultural and socio- economic science, 5(89)
65. Sudarraj, .P.,& Wu ,J. (2005), Using information-systems constructs to study online and telephone banking technologies, Electronic Commerce Research and Applications, Vol 4, pp.427–443.
66. Venkatesh, V., Morris, M.G., Davis G.B. and Davis, F.D. (2003) User Acceptance of Information Technology: Toward a unified view, MIS Quarterly, 27, 3, 425-478.
67. Wang, Zhu. (2006). Online banking comes of age. Federal Reserve Bank of Kansas City Ten.Winter, 22-23.
68. Xi, S.(2014). Service quality and customer loyalty of c22 platform.Advanced material research, Vol.1011-1045, Pp. 1816-1819.
69. Yi, Y. (1991). A critical review of consumer satisfaction.In Zeithml, V.A. (Ed.) Review of Marketing. Chicago, IL: American Marketing Association.
70. Zahid, N., Mujtaba, A. &Riaz, A. (2010).Consumer acceptance of online banking, European Journal of Economics, Finance and Administrative Sciences, 27, 44-52.
71. Zeithaml, V. A., Berry, L. L., &Parasuraman, A. (1996).The Behavioral Consequences of Service Quality.Journal of Marketing, 31-46.
72. Zhou, T., Lu, Y. and Wang, B. (2010).Integrating TTF and UTAUT to Explain MobileBanking User Adoption, Computers in Human Behaviour, 26, 4, 760-767.

The Impact of Goods and Services Tax on:- Micro, Mediom and Small Entreprises of India

Kishan Digal
Research Scholar Department of Commerce
Utkal University

A B S T R A C T

A comprehensive dual Goods and Services Tax (GST) has replaced the complex multiple indirect tax structure from 1 July 2017.It is the biggest tax reform ever happened in India. Now we are witnessing, how this tax reform reshapes our economy and business dynamics for Micro, Small and Medium Enterprises. The Micro Small and Medium Enterprises sector is a major constituent of our economy and contributes significantly to manufacturing output, employment and exports of our country.

This research tries to understand the effects of GST on micro, small & medium enterprises (MSME). Both positive & negative impacts have been found and noted. The paper has tried to make an attempt to discuss the problem faced back then & still how the businesses are managing after the effect of the GST

KEYWORDS: - GST, MSME, TAX STRUCTURE

INTRODUCTION

India has witnessed substantial reforms in indirect taxes over the past two decades. Even after these reforms indirect tax was a highly fragmented and distortionary tax structure characterized by multiple tax rates, barriers to interstate trade and cascading of taxes. However VAT reforms have succeeded in preparing the ground for the introduction of a comprehensive Goods and Service Tax [GST]

GST is 'The Goods and Service Tax' implemented by Government of India on 1st July 2017, through the implementation of 'One Hundred and First Amendment' of the Constitution of India. It was launched at midnight by the then President of India, Shri. Pranab Mukherjee and thePrime Minister of India Shri. Narendra Modi. It is an indirect tax system that relieved the various other taxes i.e. VAT, excise duty, service taxes etc. which were applicable before on goods and services. According to the Government, GST is a well structured & simplified taxation system, wherein the authoritative segregation of central government and the state government has beendone. Every enterprise has dual GST model applicable, i.e.Central Goods and Services Tax(CGST) and the State Good and Services Tax (SGST).

OBJECTIVE OF THE STUDIES

- To understand the concept of Goods and Service Tax.
- To study the impact of GST on MSMEs.
- To examine opportunities for MSMEs on the implementation of GST

GOODS AND SERVICE TAX

GST can be defined as a tax on goods and services, which is leviable at each point of sale or provision of service, in which at the time of sale of goods or providing services the seller or service provider may claim the input tax credit of tax which he has paid while purchasing the goods or procuring the service (The Institute of Chartered Accountants of India, 2013). Implementation of GST is accepted among the direct stakeholders as it removes several blockades in the former VAT system such as tax cascading, double taxation, complexity, composite contracts…etc.

ORIGIN OF GST

GST is framed based on the Value Added Tax (VAT) principles. Value Added Tax was first devised by a German economist named Dr. Wilhelm Von Siemens during 18th century. France was the first country to introduce VAT system in 1954. At present VAT based tax regime has been introduced in more than 150 countries. Most of the countries have a unified GST system. Brazil and Canada follow a dual system where GST is levied by both the Union and the State Governments.

GOODS AND SERVICES TAX GLOBALLY:

Country	Rate of GST
Australia	10%
France	19.60%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
New zealand	15%

MSME SCENARIO IN INDIA

The Micro, Small and Medium Enterprises [MSMEs] have been the solid backbone of our country's economic development. It is estimated that in terms of value, the MSME sector accounts for about 45 percent of the manufacturing output and 40 percent of the total exports of the country. The sector is estimated to employ about 69 million employees in over 26 million units throughout the country MSMEs in accordance with the establishment of Micro Small Medium Enterprises Development (MSMED) Act, 2006, is classified under 2 categories i.e. manufacturing sector & service sector, according to the investments for plant & machinery, equipment respectively

ENTERPRICES	MANUFACTURING SECTOR	SERVICE SECTOR
Micro	≤ 25 lakhs	≤ 10 lakhs
Small	≥25 lakhs - ≤ 5 crores	≥ 10 lakhs - ≤ 2 crores
Medium	≥ 5 crores - ≤ 10 crores	≥ 2 crores - ≤ 5 crores

IMPACT OF GST ON MSME

In the earlier taxation system, any manufacturer with a turnover of Rs 1.5 crore or less was not required to comply with the rules of excise duty. Under the GST realm, any manufacturer with a turnover of Rs 20 lakh (others) /10Lakh (Special category states) or more will have to comply with GST, and that results in the increase of taxpayer base. Accordingly majority of MSME's working now in the unorganized sector fall under GST regime and will put a burden of compliance and associated costs to them.

POSITIVE IMPACT OF GST

GST boosts competitiveness of MSMEs. They will benefit as follows:

- **Starting business becomes easier:**

Currently, the Sales Tax department has various turnover slabs which require VAT registration. A business with multi-state operation in this case has to follow varied tax rules applicable to different states. This not only creates excess complication but also adds to procedural fees, due to which the price sensitive MSMEs will be burdened. Uniform GST will standardize the process.

• Improved MSME market expansion:
In the current system, big corporations procured goods based on MSME's locality in order to reduce overheads. Thus MSMEs limit their customers within state as they will bear the ultimate burden of tax on interstate sales, reducing their customer base. With implementation of GST, this will be nullified as tax credit will transfer irrespective of location of buyer and seller. This allows MSME segment to expand their reach across borders.

• Lower logistical overheads:
As GST is tax neutral it will eliminate time consuming border tax procedures and toll check posts and encourage supply of goods across borders. Accordingly the logistical cost for companies manufacturing bulk good will be reduced. Such costs can be crucial for the survival of MSMEs.

• Aids MSMEs dealing in sales and services:
GST will not distinguish between •sales and services. This is good news for the MSMEs that deal with sales and services model of business, for them the taxation is simplified and will be calculated on total.

• Unified market:
GST will allow flexibility in transfer of goods across states and reduce the cost of doing business, as the reform will cut down multiple taxes imposed by state and central government.

• Purchase of Capital Goods:
In the current system, only 50% of the input tax credit against purchase of Capital Goods is available in the year of purchase and the balance amount in subsequent years. Under GST regime, entire amount of input tax credit can be availed in the year of purchase itself. This will support "Make in India" campaign.

NEGATIVE IMPACT OF GST

• The burden of lower threshold:
The GST bill proposes a reduction in threshold to be Rs. 9 lakh to increase the tax net, Rs. 41akh for North Eastern states. (However, GST council has increased the threshold limit from 10 lakh to 20 lakh and from 41akh to 10 lakh for North eastern states) Under the reform, any service provider or retailer will be subject to tax levy. In the current central excise law threshold is Rs.1.5 crore. This reduction will significantly impact the MSMEs' working capital. For example, a manufacturer who trades today at Rs. 25 lakhs without any tax levy will be expected to pay GST post implementation. As the threshold is low, most MSMEs are now exempted and will have to pay a chunk of their capital towards tax in future.

• Selective Tax Levying
GST is not applicable to Alcoholic liquor for human consumption and petroleum products, which creates further gap and does not support the 'unified market' ideology of GST.

• Financial Preparedness
Since outward and inward supplies would be electronically matched every month, availing of input tax credit by the buyer would be based on the compliances of the supplier. Any failure by the supplier to declare his outward supplies correctly would lead to mismatch of returns leading to reversal of credits availed by the MSMEs

• Technological Preparedness

Upgrading IT systems by MSMEs require a sizeable investment. In addition, expenses incurring for training employees for the new GST regime is also lead to increased overhead costs for the MSMEs

CONCLUSION

There was a dire need to integrate India into one economy and get rid of the multiple taxes and its cascading effect. Introduction of GST resulted in simplification of indirect tax system in the country and thereby ensures seamless business transactions across our nation and world over. On the arrival of GST, the MSME sector has forced to revamp their strategies, systems, supply chains and costing apart from meeting the quality standards as per international norms. So far, unorganised MSMEs have grown faster than organised peers because of lower cost structures stemming from tax benefits, (if turnover is less than ₹1.5 crore). India's paradigm shift to the Goods and Services Tax (GST) regime brought majority of MSME's into the indirect tax net for the first time and thereby increased compliance costs for MSME's. Complying with GST is bit complex for MSME's at present. However in the long run it will benefit small and medium businesses as well as consumers. The overall impact of GST on MSME sector has to be reviewed by the Centre and the States periodically, and any adverse impacts observed should be addressed at appropriate times for the success of new tax regime.

Bibliography

1. Alain Charlet, J. O. (2010). An International Perspective on VAT. Tax Notes International , 943-948.

2. Bidin, Z. (2014). The Perception of Manufacturing Companies towards the Proposed Goods and Service Tax in Malaysia. Research Gate .

3. Bolton, T. (2004). An Empirical Note on the Comparative Macroeconomic Effects of the GST in Australia,Canada and New Zealand. England: School of Economics, University of England.

4. Chadda, R. (1998). Impact of Trade Policy Reforms: A CGE Modelling Approach. University of Michigan Press.

5. Jaswal, S. S. (2014). Problems and Prospects of Micro, Small and medium Enterprises. International Journal of Innovative Research and Studies , 140-161.

6. John, P. V. (2009). Reforms in Sales Tax Structure : Study with Reference to VAT in Kerala. Cochi: Department of Commerce, Cochin College.

7. Mathew, A. (2012). Study on the Role of MSME Di In the Development of MSMEs in Kerala. Kanjirappally: Research and Post Graduate Department of Commerce,St Dominics College.

ONLINE RESOURCES

•*http://www.nipfp.org.in http://www.idtc.icai.org*

•*http://www.caa.in/image/23ugstb.pdf*

•*www.unionbudget.nic.in/ub2006-07/bs/speecha.htm*

•*http://www.finmin.nic.in/kelkar/report.pdf*

• *http://indiabudget.nic.in/FM_Speech_Delhi_budget_2014_2015.pdf.*

• *http://www.dcmsme.gov.in/CII.pdf*

Indian Corporate and its Capital Structure: Changing Trends

Dr. Vikas Joshi
CSJM University,
Kanpur

A B S T R A C T

Background: Since the liberalization of Indian economy, there has been an upsurge in research on company finance, particularly aimed at understanding how companies finance their activities and why they finance their activities in these specific ways. In practice, it is observed that finance managers use different combinations of debt and equity. The present study is aimed at to find out the trend and pattern of financing by the Indian companies before and after the liberalization. The sheer size and diversity of the Indian capital market are, on their own, more than sufficient reasons for investigating Indian company financing in depth. In addition, the liberalization of the market offers a unique laboratory for evaluating the development of companies as liberalization proceeds. In this study, we attempt to compare and contrast the capital structure of Indian corporate before and after liberalization. Going beyond this, we examine the impact of liberalization and changes if any noticed due to liberalization, on the capital structure of Indian companies. Effort is also made to analyze the capital structure decisions of Indian companies in the recent past.

Objectives: The present study is aimed at to examine the changing trend of the capital structure financing pattern of Indian companies during pre and post liberalized era as well as in the recent past.
Methodology: We propose to analyze the financing pattern of 300 Indian private sector companies, comprising of 20 different sectors for the period 19992000 to 20072008, duly grouping them on the basis of their region, size, age, and nature etc.

Findings/Results: In this study, we try to find out the ways in which different companies at different times and in different institutional environments have financed their operations; and to identify possible implications of these financing patterns. The central issue we address is to examine the trend of changes in the capital structure of Indian companies and impact of liberalization on the capital structure decisions of Indian companies. We also try to find out the factors that determine the financing pattern of capital structure of Indian companies, particularly in the private sector.

Keywords: Capital Structure, Liberalization, Leverage, Indian Corporate, Private sector

1. INTRODUCTION

Capital structure is the combination of debt and equity that funds an organization's strategic plan.

The "right" capital structure supports strategic•financial goals, while optimizing flexibility and minimizing cost. Capital structure management can be approached by answering the question, what is the appropriate amount, mix, structure, and cost of debt and equity to support the organization's strategic•financial goals? The proper and strategic management of capital structure ensures access to the capital needed to fund future growth and enhance financial performance. The key benefits of effective capital structure management are increased capital access, added flexibility, and lower overall cost of capital. "Organized properly in an organization of any size, a capital structure can be easily adjusted to meet changes in interest rates and the changing shape of interest rate yield curves," notes Kenneth Kaufman, managing partner of Kaufman Hall.

Unfortunately, there is no magic proportion of debt that a company can take on. The debt•equity relationship varies according to industries involved, a company's line of business and its stage of development. However, because investors are better off putting their money into companies with strong balance sheets, common sense tells us that these companies should have, generally speaking, lower debt and higher equity levels.

A company considered too highly leveraged (too much debt versus equity) may find its freedom of action restricted by its creditors and/or may have its profitability hurt as a result of paying high interest costs. Of course, the worst•case scenario would be having trouble meeting operating and debt liabilities during periods of adverse economic conditions. Lastly, a company in a highly competitive business, if hobbled by high debt, may find its competitors taking advantage of its problems to grab more market share.

Theoretically, the financial manager should plan an optimum capital structure for his company. The optimum capital structure is obtained when the market value per share is maximum. There is significant variation among industries and, among individual companies within an industry in terms of capital structure. Since a number of factors influence the capital structure decision of a company, the judgment of the person making the, capital structure decision plays a crucial part. Two similar companies can have different capital structures if the decision makers differ in their judgment of the significance of various factors. A totally theoretical model perhaps cannot adequately handle all those factors, which affect the capital structure decision. These factors are highly psychological, complex and qualitative and do not always follow accepted theory, since capital markets are not perfect and the decision has to be taken under in perfect knowledge and risk.

1.1 Liberalization of Economy

The Government of India started the economic liberalization policy in 1991. Even though the power at the center has changed hands, the pace of the reforms has never slackened till date. Before 1991, changes within the industrial sector in the country were modest to say the least. The sector accounted for just one•fifth of the total economic activity within the country. The sectoral structure of the industry has changed, albeit gradually. Most of the industrial sector was dominated by a select band of family•based conglomerates that had been dominant historically. Post 1991, a major restructuring has taken place with the emergence of more technologically advanced segments among industrial companies. Nowadays, more small and medium scale enterprises contribute significantly to the economy.

By the mid•90s, the private capital had surpassed the public capital. The management system had shifted from the traditional family based system to a system of qualified and professional managers. One of the most significant effects of the liberalization era has been the emergence of a strong, affluent and buoyant middle class with significant purchasing powers and this has been the engine that has driven the economy since. Another major benefit of the liberalization era has been the shift in the pattern of exports from traditional items like clothes, tea and spices to automobiles, steel, IT etc. The „made in India‟ brand, which did not evoke any sort of loyalty has now become a brand name by itself and is now known all over the world for its quality.

1.2 Capital Structure of Indian Corporate Before Liberalization

Studies on capital structure of Indian Industries are inconclusive and often conflicting. A study by Sharma and Rao (1968) on 30 Engineering firms for 3 years concludes that debt due to its tax•deductibility is a prominent determinant of the cost of capital. A study by I. M. Pandey (1981) on cotton textiles, chemicals, engineering and electricity generations lends support to the traditional approach. Bhatt (1980) in his paper concludes that the leverage ratio is very much influenced by business risks measured in term of variability in earnings, profitability, debt service capacity, and dividend•payout ratio. I. M. Pandey (1984) in another study found that during 1973•81 about 80% of the assets of the companies sampled were financed by external debt and current liabilities. Large sized companies were more levered though a large number of small firms also courted more debt capital. Leverage did not exhibit a definite relationship with growth and profitability, although all the three variables moved in the same direction. He also found that a majority of the profitability and growth oriented companies were within the narrow bands of leverage. S. K. Chakraborty (1977) in his study found that age, retained earnings, and profitability were negatively correlated with the debit equity ratio, while total assets and capital intensity were directly related to it. He felt that a high cost of capital for all the consumer industries was due to their low debt component. His indirect attempt to test the MM hypothesis for 22 firms showed that cost of capital was almost invariant to the debt equity ratios.

Before 1980s Indian financial managers courted debt due to its low cost, tax advantages and the complicated procedures to be observed in garnering equity capital. The substitutability of short term debt for long term loan was another attraction. However, with the waves of liberalization, privatization and globalization sweeping the capital market in recent years, the corporate world has started wooing equity capital in a big way. The arrival of a matrix of new financial instruments such as commercial papers, asset securitization, factoring and forfeiting services, and the market related interest rate structure and their stringent conditions for lending, force modern enterprises to court equity finance.

In the study conducted by Chhabi Majumdar in 1992 for his Doctoral Thesis titled, “Borrowing as a Source of Financing Working Capital in The Corporate Sector in India: An Empirical Analysis” on Working Capital Financing Sources of Indian Corporate before liberalization, for the period 1981 to 1990, he analyzed the balance sheets of 20 companies, 10 from private sector and 10 from public sector. In addition, he has processed the relevant figures of a good number (ranging from 534 to 641 units) of public limited companies whose results have been published in the RBI (Reserve Bank of India) Bulletins during the period under study. While processing the figures so obtained, he has taken help of some accounting as well as statistical tools e. g. current ratio, debt•equity ratio, standard deviation, co•efficient of variation and test of significance.

In the process of the study he has seen that the working capital of each firm is constituted by several types of sources like bank borrowings, public deposits, trade credit, long•term borrowings and equity capital. At the outset, he has tried to find out the reasons behind utilizing several sources instead of relying upon one or two best•suited sources. What appears there from is that, since working capital needs are partly fixed and partly fluctuating, the companies cannot but resort to sources of different types and terms. Moreover, whereas short•term borrowings offer the benefit of reduced cost due to reduction of idle capital, the use of long•term borrowings has also the necessity on many grounds. Long•term borrowings are less risky than short•term borrowings and the firms would not have to meet the cash obligations off and on. Not only the long •term borrowings, but the equity capital has also its role to play in the financing of working capital in Indian corporate sector. At the initial stage of a firm, fixed assets as well as current assets have to be financed by this equity capital, since other sources may not be easily available at that time. Subsequently, when the firms get momentum, several lenders may stretch their hands for advancing loan, but the importance of equity capital does not end altogether. On the ground of stability and security, each firm is to maintain "equity cushion" throughout its life time. In view of this, it has been deduced in his study that there is need for financing working capital from various sources.

Of different sources, bank credit has been working since long as a major source of working capital in India and abroad. In 1970s the use of bank credit in Indian corporate sector became so excessive that the desired correlation between bank credit and the holding of inventory and book debt was hampered in most cases. Hence, attempt was initiated to bring in a „check‟ on the use of bank credit and several study groups (Dehejia Study Group, Tandon Study Group, Chore Study Group, Marathe Committee, Chakraborty Committee etc.) were set to find out a way in this regard. All the study Groups gave recommendations in favour of providing a „restraint‟ on the use of bank credit, and the Tandon Study Group prescribed some definite norms to that effect. Suggesting a limit on the holding of inventory and book debt, the Tandon Study Group prescribed three methods (methods I,II &III) to be implemented one after another, with a view to reducing the share of bank credit in the working capital. Applying the prescribed (prescribed by Tandon Study Group) norms for holding inventory and bank credit he has seen in his study that there has been a positive impact of the Tandon Study Group recommendations on the use of bank credit by Indian companies. That means the desired correlation between bank credit and the holding of inventory and receivables has now been mostly established. Notwithstanding, the share of bank borrowings to total borrowings in public limited companies is 20% in average during the period 1981•90, and that to current assets is 22•25%. The yearly scores during the decade of eighty are also in agreement with the average results, and hence the standard deviations calculated thereon have been very low. In government companies, the combined scores in relation to total borrowings as well as to current assets are only 5•6% no doubt, but in six out of ten government companies the individual scores range from 17% to 31%. In view of this, it may be said that the role of bank borrowings in working capital financing in Indian corporate sector is still immense. Then, he has analyzed the role of public deposit as a source of working capital in Indian corporate sector. This source emerged in India in 1930s. In 1950s, there became a downfall in the use of it. In 1970s it again came into prominence. Use of public deposit may frustrate the Government's policy of canalizing the flow of funds to industrial sector according to planned priorities. Moreover, it is said that the unwary depositors may come into the trap of unscrupulous depositee companies, by lending their hard•earned money as public deposit. But from the standpoint of depositee companies, public deposit can be said to be a viable source of finance in many respects. The most important argument in favor of its use is that it is cheaper than bank borrowings and many other sources of finances. Now, government has imposed some regulation and as a result the interest of innocent investors has been protected to an extent and the flow of public deposit has also been restrained in the interest of planned economy. It is thus expected that the investors will now accept the offer for public deposit more freely and the firms, due to its cost advantage, will utilize this source up to at least the permissible limit. But what he has observed is that the share of public deposit to total borrowings is, on an average, only 6% in public limited companies, and this is as meager as0.08% in government companies. Share of public deposit to current assets is also only 7% in public limited companies and 0.08% in government companies. The individual results as to the use of public deposit are, however, widely scattered, and this is substantiated by the high co•efficient of variation (108%) of the scores. Nevertheless, it is evident from the combined results that the role of public deposit as a source of working capital is not significant in the decade of eighty, though in 1970s its role had been better to some extent.

Long•term borrowings like debenture, institutional loan and government loan have also a contribution to working capital financing, since, a part of current assets is usually covered by long•term funds. The corporate practices as to these of different types of long•term sources reveal that the position of debenture in corporate finance is almost equal to that of institutional loan. In RBI sample, both hold individually 14% of total borrowings. In case of ten selected public limited companies their individual scores are 7% and in case of government companies their scores are only 0.1% • 0.3%. Government loan, on the other hand, occupies as much as 66% share of total borrowings in government companies, though its position in public limited companies is really insignificant.

Sometimes long•term borrowings may occupy important role in total borrowings, but that does not mean that contribution of long•term borrowings to working capital will also be significant. If current liabilities cover the current assets in full, the long•term sources, whatever may be their position to total borrowings, will have to be presumed to be used for financing the fixed assets only. From this view point, he has computed the extent of gap between current assets and current liabilities of the selected companies, and has presumed that the gap has been financed by long• term sources as a whole. Multiplying the gap with the ratio of each long•term source to total long•term funds, he has estimated the share of different companies of long•term borrowings, viz, debenture, institutional loan and government loan, in the context of working capital. The results so obtained reveal that the individual share of institutional loan and debentures towards financing working capital is 2%•5% in case of public limited companies and 0.05% • 0.16% in case of government companies. Thus, it appears that the role of debenture and institutional loan in working capital finance is almost an exercise of paper only. Position of government loan is also disappointing in public limited companies. But in government companies its contribution is remarkable. This is quite expected as government companies have developed a practice of banking upon „easilyavailable" government loans. However, the position of government loan as a source of finance is gradually decreasing even in government companies. On the other hand the position of debenture is gradually improving both in private as well as in public sector. Institutional loan exhibits a fluctuating trend during the decade of eighty, although ultimately its position has improved to an extent.

Another viable source of working capital is trade credit, which is considered to be a formality• free, security•free and interest•free source of finance. Due to the above advantages, trade credit has been practically a common source of working capital to almost all enterprises; notwithstanding the fact that there is some implicit cost associated with trade credit and the explicit cost is also originated when cash discount offered is foregone. During 1980s, 30% of current assets and 25% of total borrowings of public limited companies have come from trade credit and in case of government companies the scores have respectively been 8.3% and 8.8%. As such, it may be stated that the role of trade credit is equally important during the period under study. However, its contribution in public limited companies is higher in comparison with that in government companies.

One of the important factors determining the feasibility or otherwise of a particular source of finance is stated to be the cost. Hence, he has attempted to see thereafter how far the cost actually plays the decisive role in the selection of sources.

With an attempt to estimate the effect of cost on their selection, he has computed the specific costs of some sources. Trade credit has been taken to be less costly source of finance, although there are some implicit costs of trade credit over and above the cost of foregoing cash discount. Bank borrowings, on the other hand, appear to be costliest of the three sources. Thus, on cost consideration, it is natural that share of bank borrowing in working capital finance will be much lower than that of trade credit. But the corporate practices reveal that ratio of bank borrowings, to trade credit is, on an average, 88%, that is, bank borrowings do not lag as much behind the trade credit as it should be from the view point of cost of finance. Then, coming to the comparative position of bank borrowings and public deposit he found that, throughout the decade of eighty, the cost of public deposit had always been lower than that of bank borrowings. But during the period, the use of bank borrowings was approximately four times of public deposit. Moreover, it has been revealed that the cost of public deposit, contrary to general expectation, has gradually come down. Had the cost been a factor for the use of public deposit, its share to current assets would have been higher over time due to gradual reduction in cost. Reversely, he has observed a decreasing trend in the use of this source. In view of all these, he concluded that effect of cost on the selection of sources of working capital is not at all significant.

2. IMPACT OF LIBERALIZATION ON CAPITAL STRUCTURE OF INDIAN CORPORATE

Until the early nineties, corporate financial management in India was a relatively drab and placid activity. There were not many important financial decisions to be made for the simple reason that firms were given very little freedom in the choice of key financial policies. The government regulated the price at which firms could issue equity, the rate of interest which they could offer on their bonds, and the debt equity ratio that was permissible in different industries. Moreover, most of the debt and a significant part of the equity were provided by public sector institutions. At the beginning of the reform process, the Indian corporate sector found it significantly over• levered. This was because of several reasons:

- Subsidized institutional finance was so attractive that it made sense for companies to avail of as much of it as they could get away with. This usually meant the maximum debt•equity ratios laid down by the government for various industries.
- In a protected economy, operating (business) risks were lower and companies could therefore afford to take more risks on the financing side.
- Most of the debt was institutional and could usually be rescheduled at little cost.

The liberalization changed all of this. The corporate sector was exposed to international competition and subsidized finance gave way to a regime of high real interest rates. One of the first tasks for the Indian companies was substantial deleveraging. Fortunately, a booming equity market and the appetite of foreign institutional investors for Indian paper helped companies to accomplish this to a great extent in 1993 and 1994. The downturn in the stock market that has followed since then has stopped this process from going any further and has probably left many companies still excessively levered. According to the figures compiled by the Centre for Monitoring the Indian Economy, the average debt•equity ratio of private sector manufacturing companies in India fell from 1.72 in 1990•91 to 1.05 in 1996•97, and more than half of this reduction took place in one single year • 1994•95. And consequently, the post•liberalized era has started observing the following changes in the sources of Industrial finance:

2.1 Domestic Capital Formation

The planners, in the fifties, had recognized that the material shortage of capital in relation to labor was the principal constraint to the industrial growth. It was envisioned that increased capital formation would contribute for more industrial output & a 'virtuous circle' of growth. Gross Capital Formation (GCF) is estimated across three types of assets, viz., construction, machinery and equipment. The GCF, adjusted for errors and omissions, is termed as aggregate investment or Gross Domestic Capital

Formation (GDCF). A positive association is hypothesized between the capital formation and the industrial production.

2.2 Foreign Direct Investment

Foreign investment can be classified as foreign direct investment (FDI) and foreign portfolio investment. International investment in financial assets such as shares, debentures and bonds, is called portfolio investment. Foreign investment in real assets is called foreign direct investment (FDI). Multinational corporations (MNC s) are the chief source of foreign direct investment in real assets. Real assets consist of physical things such as factories, land, capital goods, infrastructure and inventories. Multinational may collaborate in joint ventures with host country enterprises or may have fully owned subsidiaries in host countries. Such investments are called foreign direct investments.

A few decades ago, many countries considered FDI as the source of economic imperialism. But things are quite different now. The argument is that FDI contribute to the growth of host economies in many ways. e.g. physical capital formation, technology transfer, human formation stimulation of productivity, augmentation of output, promotion of foreign trade and improvement of competitiveness of indigenous entrepreneurs. After weighing the prospects and consequences, government of India seems keen to attract ever•increasing amount of FDI, which can be evidenced by its efforts aimed at deregulation, transparency and globalization. In brief, It can be regarded as a source of industrial growth. As part of the economic reforms introduced in 1991, in the wake of a sharp external payments crisis, policies relating to foreign investment and foreign technology agreements were radically changed. Foreign Investment Promotion Board (FIPB) was specifically created to invite and negotiate for substantially large investment by international companies.

2.3 Primary Issues in the Capital Market

Capital market constitutes primary (new issues market) and secondary (stock) market. The primary market helps the public and private sector companies in raising finance mainly for their new projects, expansion, modernization, acquisition etc. The secondary market provides liquidity for the financial instruments (equity, preference shares and debentures/bonds) through adequate marketability and price continuity. The array of financial institutions also have played crucial role in meeting long•term credit needs of the industrial sector.

With the liberalization of the Indian economy since 1991, the Government has provided a number of additional fiscal and other incentives to foster capital market development. The result has been an explosive growth of the market. The magnitude of the growth has been rapid and vivid in terms of fund mobilized, the amount of market capitalization and the expansion of investor population. The Indian market was opened up for investment by the foreign institutional investors (FIIs) in Sept.1992 and the Indian companies were allowed to raise resources abroad through Global Depository Receipts (GDR) and Foreign Currency Convertible Bonds (FCCB). Both the primary and secondary segments of the capital market displayed rapid expansion and growth accompanied by greater institutionalization and larger participation of individual investors during the post•reform period.

Despite the structural transformation of the Indian capital market, there are many problems which often come on the way of its efficiency. These relate to investor protection, consolidation (after massive expansion), integration with other market segments, product innovation and technology, etc. which are critical and need to be addressed. Reserve Bank of India has expressed concern over continued sluggishness in the primary capital market for the last two years (1996•97 and 1997•98), as long term prospects for industrial development are critically dependent on the revival of primary market.

2.4 Bank Credit

Banks are the dominant financial intermediaries in developing countries including India. Bank credit is considered as an important source of industrial finance. The dependence on bank for finance could vary according to the size of the companies. The small•scale industrial units have increased their dependence on banks for loans because they have virtually no access to the capital.

The Reserve Bank of India‟s attempt at reforming the financial sector was visible from the recommendations of the Committee to Review the Working of the Monetary system (1985) (referred to as Chakraborthy Committee Report).The Committee advocated the necessity of moving away from quantitative controls which, it felt, led to distortions in the credit market and resulted in curbing the growth of the economy. But the impetus to reforms in the financial sector was given by the Report of the Committee on the financial system (Narasimham Committee). The financial sector reforms, based on this report were mainly aimed to provide credit to the industrial sector by reducing the Cash Reserve Ratio and Statutory Liquidity Ratio. The liberalization policy also called for increased efficiency of commercial banks by encouraging them to compete in the market. The public sector banks were given autonomy to frame their policies including interest rate fixation. It may be noted that the bank credit to the industrial sector has not increased during the post•reform period in spite of the various attempts.

3. CAPITAL STRUCTURE OF INDIAN CORPORATE AFTER LIBERALIZATION

Capital Structure management has been impacted by a number of the developments discussed above • operational reforms in the area of credit assessment and delivery, interest rate deregulation, changes in the competitive structure of the banking and credit systems, and the emergence of money and debt markets. Some of the important implications of these changes for short term financial management in the Indian corporate sector are:

1. Creditworthiness: The abolition of the notion of maximum permissible bank finance has given banks greater freedom and responsibility for assessing credit needs and creditworthiness. Similarly commercial paper and other disinter mediated forms of short term finance are very sensitive to the company‟s credit rating and perceived creditworthiness. Companies are suddenly finding that their creditworthiness is under greater scrutiny than ever before. Over a period of time, companies will have to strengthen their balance sheets significantly to ensure a smooth flow of credit. In the meantime, many borrowers‟ especially small and medium businesses have seen their source of credit dry up.

2. Choice: Top notch corporate borrowers are seeing a plethora of choices. The disintegration of the consortium system, the entry of term lending institutions into working capital finance, and the emergence of money market borrowing options gives them the opportunity to shop around for the best possible deal. Some borrowers indeed appear to have moved to a highly transaction oriented approach to their bankers. Over time, however, we would probably see the re•emergence of relationship banking in a very different form.

3. Maturity Profile: The greater concern for interest rate risk makes choice of debt maturity more important than before. Short term borrowings expose borrowers to roll•over risk and interest rate risk.

4. Cash Management: Cash management has become an important task with the phasing out of the cash credit system. Companies now have to decide on the optimal amount of cash or near•cash that they need to hold, and also on how to deploy the cash. Deployment in turn involves decisions about maturity, credit risk and liquidity. In the mid•nineties, policy of this period, some companies were left with too little liquid cash, while others found that their "cash" was locked up in unrealizable or illiquid assets of uncertain value.

In quantitative terms, the growth of the Indian capital markets since the advent of reforms has been very impressive. The market capitalization of the Bombay Stock Exchange (which represents about 90% of the total market capitalization of the country) has quadrupled from Rs. 1.1 trillion at the end of 1990•91 to Rs. 4.3 trillion at the end of 1996•97. As a percentage of GDP, market capitalization has been more erratic, but on the whole this ratio has also been rising. Total trading volume at the Bombay Stock Exchange and the National Stock Exchange (which together account for well over half of the total stock market trading in the country) has risen more than ten•fold from Rs 0.4 trillion in 1990•91 to Rs. 4.1 trillion in 1996•97. The stock market index has shown a significant increase during the period despite several ups and downs, but the increase is much less impressive in dollar terms because of the substantial depreciation of the Indian rupee. It may also be seen from the chart that after reached its peak in 1994•95, the stock market index has been languishing at lower levels apart from a brief burst of euphoria that followed an investor friendly budget in 1997. For the primary equity market too, 1994•95 was the best year with total equity issues (public, rights and private placement) of Rs. 355 billion. Thereafter, the primary market collapsed rapidly. Equity issues in 1996•97 fell to one•third of 1994•95 levels and the decline appears to be continuing in 1997•98 as well. More importantly, most of the equity issues in recent months have been by the public sector and by banks. Equity issues by private manufacturing companies are very few.

A study conducted by Justin Paul, A. Ramanathan, reveals that bank credit constitutes two•third of the total credit to the industrial sector and still continues as the important source of finance for small•scale industries. More attention has to be paid for providing as much as bank credit for the industrial sector. Reserve Bank of India‟s efforts to reduce the Cash reserve Ratio and withdrawal of adhoc treasury bills (abolition of automatic monetization of fiscal deficit) will be helpful to pump more credit to the banking sector. But commercial banks are required to take steps for providing more credit to the industrial sector, rather than investing in government securities. Priority should be given for small•scale units and new entrepreneurs. Bank Rate has to brought down in order to reduce the cost of funds (interest rate) in India. Similarly, certain measures have to be adopted immediately in the financial sector to recover the buoyancy in the stock market.

3.1 Capital Structure of Indian Companies In Recent Past

In order to know the financing pattern of Indian companies in recent past, we have analyzed the financing pattern of 300 Indian private sector companies, comprising of 20 different sectors for the period 1999•2000 to 2007•2008, duly grouping them on the basis of their region, size, age, and nature etc. At first we conducted the analysis of the total sample of all the 300 companies on an aggregate basis. Later on we examined the capital structure of the companies after classifying them into different sizes, ages, regions and sectors. The different sources from where the corporate sector has raised the funds and the ways and means by which the so raised funds have been utilized have been analyzed in detail. The analysis of the study is based on the historical funds flow statements of each company. For the total sample, the aggregate of (300 companies) individual sources of funds and their investment in acquiring different assets has also been made. The key findings are as follows:

- Indian corporate employ substantial amount of debt in their capital structure in terms of the debt•equity ratio as well as total debt to total assets ratio. Nonetheless, the foreign controlled companies in India use less debt than the domestic companies. The dependence of the Indian corporate sector on debt as a source of finance has over the years declined particularly since the mid•nineties.
- The corporate enterprises in India seem to prefer long•term borrowings over short•term borrowings. Over the years, they seem to have substituted short•term debt for long•term debt. The foreign controlled companies use more long•term loans relatively to the domestic companies.
- As a result of debt•dominated capital structure, the Indian corporate are exposed to a very high degree of total risk as reflected in high degree of operating leverage and financial leverage and, consequently, are subject to a high cost of financial distress which includes a broad spectrum of problems ranging from relatively minor liquidity shortages to extreme cases of bankruptcy. The foreign controlled companies, however, are exposed to lower overall risk as well as financial risk.
- The debt service capacity of a sizeable segment of the corporate borrower as measured by Interest Coverage Ratio and Debt Service Coverage Ratio is inadequate and unsatisfactory.
- Retained earnings are the most favored source of finance. There is significant difference in the use of internally generated funds by the highly profitable corporate relative to the low profitable firms. The low profitable firms use different forms of debt funds more than the highly profitable firms.
- Loan from financial institutions and private placement of debt are the next most widely used source of finance. The large firms are more likely to issue bonds in the market than small corporate.
- The hybrid securities are the least popular source of finance amongst corporate India. They are more likely to be used by low growth firms. Preference shares are used more by public sector units and low growth corporate.
- Equity capital as a source of fund is not preferred across the board.
- Indian companies prioritize their sources of financing (from internal financing to equity) according to the law of least effort, or of least resistance, preferring to raise equity as a financing means “of last resort”. Hence internal funds are used first, and when that is depleted debt is issued, and when it is not sensible to issue any more debt, equity is issued.
- Study revealed that an average of 60.54% of the total funds was raised from internal sources whereas external sources contribute only 39.46% of the total funds of Indian companies. It indicated that Indian companies prefer more to raise funds from internal sources as compared to external sources.
- It has been found that, issue of share capital had never been a major source of long•term finance for the corporate sector. The dependence on debt capital i.e. secured and unsecured loan is more as compared to equity.
- Small sized companies relies more on debt capital as compared to large sized companies. The average debt•equity ratio of small sized companies were found to be more than 3:1 whereas in case of large sized companies it is 1:1. This shows that the large sized companies followed a strict conservative policy while deciding the debt equity mix.
- The average debt•equity ratios of manufacturing companies were more than double of the average debt•equity ratio of service sector companies. It indicates that service sector companies relies more on the equity and less on the debt, and vice•versa in case of manufacturing companies.
- The common observation for the companies of all the four regions was that they have raised more funds through debt capital as compared to equity, may be due to the reason of easy availability of cheap debt capital.

- Although the size of the firm, its age, the region to which it belongs and industry• classification contribute to the existing variation in capital structure across industry classes but nature of the industry seems to dominate.
- The study revealed that in terms of total average inflow of funds, western region stood highest as this region is the most industrially advanced region of our country and covers 135 companies out of the total sample size of 300 companies. In terms of mean average southern region has the highest inflow of funds as compared to other regions because most of the large sized companies are situated in this region, which are capable of generating more funds as compared to the companies of other region.
- More specifically, it is the differences in external fund requirement based on technology differences that play a leading role in determining the inter•industry variation in capital structure. This signals that there exists a linkage between product market and capital market. This proves that the capital structure and the determinants of capital structure vary from industries to industries and the nature of the industry acts as a key determinant of the capital structure.
- To sum up, nature of the industry to which the firm belongs to, its size, age and location plays a major role in the determination of the capital structure of the private sector firms of Indian corporate.

4. APPENDICES

Table 1: Classification of companies according to their age

Year of Incorporation	Age Group	No. of Companies	*% to Total Sample*
Prior to 1947	Very Old	44	14.67
1947 • 1980	Old	95	31.67
After 1980	New	161	53.66
Total		**300**	**100**

Table 2: Classification of companies according to their region

Region/Group	Eastern	Western	Southern	Northern	*Total*
No. of Companies	34	135	85	46	300
% of Total Sample	11.33	45	28.33	15.34	100

Table 3: Classification of companies according to their size

Size of the Company	Total Assets as on 31st March 2008 (Rs. in Crores)	No. of Companies	*% to Total Sample*
SMALL	Below Rs. 100 Crores	75	25
MEDIUM	Rs.100 Crores to Rs.500 Crores	98	32.67
LARGE	Above Rs.500 Crores	127	42.33
TOTAL		300	100

Table 4: Classification of companies according to their sector/industry

INDUSTRIAL GROUP	NAME OF THE INDUSTRY/SECTOR	NO. OF COMPANIES	PERCENTAG E TO TOTAL SAMPLE
Agro Based	Textiles Manmade, Food Processing,	90	30
Manufacturing Industries Mineral Based Manufacturing Industries	Edible Oil, Cotton Textiles, Paper, Sugar, Chemicals, Cement, Fertilizer, Construction & Housing, Mining, Fabricated Metal, Electric Equipment, Pharmaceuticals, Plastic,	135	45
Service Industries	Computer Software, Hotel, Transport	45	15
Plantation Industries	Rubber, Tea & Coffee,	30	10
Total		300	100

CONCLUSION

So far as India is concerned, much remains to be done for industrialization. There exists the need to develop a synergic relation between the government and the private sector. State will have to keep constant dialogue with the entrepreneurs and their representatives to revive their confidence. To overcome the severe demand contraction in the economy, India has to rely on higher government spending and tax cuts. The government has to play a dominant role for allocating the limited resources and for more public investments. In sum, the study leads to the conclusion that India has to concentrate on domestic capital formation. In order to achieve this goal, we have to promote the private corporate investment from Indians nationals as well as non•resident Indians. Despite the relaxations in some regulatory acts, India continues to repel investors with interminable delays. Indians abroad, have demonstrated to the world that its entrepreneurial and professional skills are as good as best. Corporate sector has entered into a world where only the fittest can survive. To be able to do so, Indian industry must become more quality conscious, invest in human capital and encourage professional management.

6. REFERENCES

1. Brealey, R., and Myers S. (2000) Principles of Corporate Finance, McGraw•Hill6th edition.
2. Bradley, M., G. Jarrell, and Kim E. (1984): On the Existence of an Optimal Capital Structure: Theory and Evidence, Journal of Finance, 39, pp 857•878.
3. Fama, E., and French K. (2000): Testing Tradeoff and Pecking Order Predictions about Dividends and Debt, working paper, University of Chicago and Sloan School of Management .
4. Galai, D., and Masulis R.(1976), The Option Pricing Model and the Risk Factor of Stock, Journal of Financial Economics, 3, pp 631•644.
5. Grossman, S., and Hart O. (1982): Corporate Financial Structure and Managerial Incentives, in: McCall, J. (ed.), The Economics of Information and Uncertainty, University of Chicago Press.
6. Gujrati D. N. & Sangeetha (2007): Basic Econometrics: India: Tata Mc Graw•Hill.
7. Harris, M., and Raviv A. (1991): The Theory of the Capital Structure, Journal of Finance 46, pp 297•355.
8. Jensen, M. (1986): Agency Cost of Free Cash Flows, Corporate Finance and Takeovers, American Economic Review 76, pp 323•339.
9. Jensen, M., and Meckling W. (1976): Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure, Journal of Financial Economics 3, pp 305• 36.
10. Jensen, M., D. Solberg, and Zorn T. (1992): Simultaneous Determination of Insider Ownership, Debt and Dividend Policies, Journal of Financial and Quantitative Analysis 27, pp
11. Kim, E.H. (1978): A Mean•Variance Theory of Optimal Capital Structure and Corporate Debt Capacity, Journal of Finance, 33, pp 45•63.
12. Kraus A., Litzenberger R. (1973): A state•preference model of optimal financial leverage, Journal of Finance 28, pp 911•922.
13. Modigliani, F., and Miller M. (1958): The Cost of Capital, Corporation Finance and the Theory of Investment, American Economic Review 48, pp 261•297.
14. Myers, S. (1977): The Determinants of Corporate Borrowing, Journal of Finance 32, pp 147• 175.
15. Myers, S. (1984): The Capital Structure Puzzle, Journal of Finance 39, pp 575• 592.
16. Myers, S., and Majluf N. (1984): Corporate Financing and Investment Decisions When Firms Have Information Investors Do Not Have, Journal of Financial Economics 13, pp 187 222.
17. Moore, W. (1986): Asset Composition, bankruptcy Costs and the Firm"s Choice of Capital Structure, Quarterly Review of Economics and Business, 26, pp 51•61.
18. Rajan, R., and Zingales L.(1995): What Do We Know about Capital Structure? Some Evidence from International Data, Journal of Finance, 50, pp 1421•1460.
19. Shenoy, C., and Koch P. (1996): The Firm"s Leverage•Cash Flow Relationship, Journal of Empirical Finance 2, pp 307•331.
20. Scott, J. (1977): Bankruptcy, Secured Debt and Optimal Capital Structure, Journal of Finance 32, pp 1•19.
21. Thies, C., and Klock M.(1992): Determinants of Capital Structure, Review of Financial Economics 1, 40•52.
22. Titman, S., and Wessels R. (1988): The Determinants of Capital Structure Choice, Journal of Finance, 43, pp 1•19.
23. Dhankar Raj S and Boora Ajit S "Cost of Capital, Optimal Capital Structure, and Value of Firm: An Empirical Study of Indian Companies"

A Management Development Program

Ulhas Deshpande
Ex Sr V P JM
Baxi & Co

ABSTRACT

The aim of management development should be to increase workgroup and organisational effectiveness which, in turn, is a function of the interaction between characteristics of the organisation, its environment and people. Management Development Programmes (MDP) provide participants with the opportunity to refocus, to immerse themselves in the latest thinking about best practice in management, and provide them with personal and professional tools to strengthen their effectiveness as a manager and leader. This paper helps us to understand MDP in better prospective and also focuses view. Managers are provided with different trainings in order to enhance their skills. A developmental program will focus more on developing the skill set of managers to get better results and achieve the organizational goals. Different types of training modules are implemented in the organization depending on the current need and the future analysis.

In the rapidly changing working environment, Management Development program is very important from organizations point of view. In order to implement this, organization are using different techniques and tools to manage their employees and improve the organizational behaviour. To enhance the skills and improve the knowledge, managers use Management development which is a structured program. This MDP results in benefiting the managers directly or indirectly and thus eventually which is beneficial for the development of whole organization the work for. This program helps the employees in reducing the stress and thus gives work satisfaction to the employees. Which in turn increases the productivity of employees and of the organization. The important need of MDP is it helps employee to identify their skills and techniques which they might not know. It builds confidence of the employee and it helps in retention of the employees. MDP encourages the less active employees to take up the higher projects and tasks. Employee who are performing well are further motivated to boost up their skill set. This increases the efficiency of the employees. An important objective of management development program is to hold on the most valuable employees of the organization. Along with enhancing the skills and techniques, conceptual knowledge is an important objective of this program. This program aims at providing the best quality managers to the organizations who will meet the future need of these organization. The training provided at MDP helps them to be ready for any kind of change in the organizational behaviour. Thus having a Management development program is very crucial for an organization success.

INTRODUCTION

MANAGEMENT DEVELOPMENT PROGRAM

Managing people or tasks in the best optimum way possible that will also ensure self- development of managers. This developmental program is a systematic process which will help manager to prioritize tasks and get the desired outputs. This program will involve all the training, learning process that enables managers to improve their competence levels and way of performing managerial tasks.

1. Self- Development
2. Long term process
3. Recognize one's own differences and accordingly focus on individual needs of development program

To elaborate further the above said points, Self-Development aspect will focus on employee productivity not only in terms of organizational growth but will also help the employee enhance those inactive competencies which they are totally unaware and can perform well when trained. Such ignored competencies in an individual can be given proper training and learning process yielding to unexpected results. This also links to third point which means every individual has got different set of competencies and identifying the best ones will help better results and productivity. The only draw-back is that this is a long-term process because identification, training and mentoring managers about their own abilities is a very time-consuming program.

NEED OF MDP

The goal of the executive's advancement process is to improve the viability of the association through adequacy of administrators and potential heads in future. Through this the association improves interior quality of labour.

The methodology is centring present just as future.

1. To continue better execution of heads all through their vocations.
2. To improve the current execution of heads at all levels.
3. To urge existing supervisors to build their ability to expect and deal with more prominent obligation.
4. To empower the association to have the accessibility of required number of supervisors with the necessary abilities to meet the present and foreseen (future) needs of the association.
5. To supplement older administrators who have ascended from the positions by profoundly equipped and scholastically qualified experts.
6. To give chances to the officials to satisfy their profession desires.
7. To guarantee that the administrative assets of the association are used ideally.

Objectives of Management Development Programme:

1. To give the association the necessary quantities of heads being able to meet the present and future authoritative needs
2. To instil a feeling of self-reliance and accomplishment among supervisors
3. To urge the administrators to stay up with the latest, and develop to address the difficulties, adapt up to the changes, and handle complex circumstances and more prominent issues
4. To release their obligations with improved execution
5. To continue great execution and gain distinctive competence.

TRAINING METHODS

There are two main techniques which are used to train managers to acquire knowledge, skills and attitudes. The two main techniques are On-the-job & Off-the-job training.

• On- the- Job Training

In this type of training, employees are being trained particular skill set with the help of hand on experience using the tools available at the workplace. This learning process give an opportunity to an employee to manage the real time operations and helps them learns more with accuracy. Such type of training is carried out at normal working environment of the employee where he/she feels comfortable. The responsibility of train the employee is given to the co-worker if they have that ability to teach. In case of some special technology or skill set, there might require an external trainer. For example, if there is a newly installed machine in plant, then the vendor will train the employees how to operate that machine.

1. Coaching: This method includes superior or experienced person who gives instruction on how to perform particular task and explains it process. One to one job trainings are modified in such a way that the employees should understand and find answers to their problems using demonstration.

2. Mentoring: Training is given at managerial level persons in which a senior manager demonstrates his/her sub ordinates to help them carry their day to day activities efficiently. This also helps in improving the relation between the manager and sub ordinates.

3. Job Rotation: In order to train the employee understanding all the tasks and functions, job rotation technique is used. This process helps in improving the performance of employee and they get bored by working on same job daily.

4. Job Instructional Training: In this type of on job training, a special program is designed in which the employee is given the instruction to perform the job as per the requirement. The details of the job explained to the trainee and what skills are required for the same are demonstrated to them. After the instructional training, employee performs the job as per his learned skill sets and then he is asked to give feedback on it. He can also ask any query arising out of the training program.

5. Understudy: In order to have a replacement for any superior person in case of his retirement, transfer, promotion or death, that superior person trains the subordinate as an understudy or an assistant.

6. Apprenticeship: Broadly speaking, this form of training is given to people in crafts, trade and technical fields that require long-term learning before they actually gain the expertise in their respective disciplines. This preparation is a mix of classroom and hands on preparing and is directed under the nearby supervision. This can be reached out dependent upon 3 to 4 years as disciples need to experience the learning procedure till they become a specialist in their fields.

• Off-the- Job Training:

This type of training is carried outside of the job location. This might be very early stage of the training where many things need to be considered. Members participating in such type of training must need to get comfortable with the other participating members so the group must perform effectively. Various training methods are used to motivate the team members. Such type of training is essential where skills cannot be taught on the job location directly because some job cannot be taken directly even for training without prior knowledge.

1. Case Study: In this type of training, case studies based on actual business situations are given to trainee managers for discussion and they have to arrive to a proper decision. They are given freedom to find out various problems and they can also suggest alternatives to tackle them. This case study technique helps the decision-making ability and analytical judgment ability of the trainee. Case study training method was made popular by Harvard Business School.

2. Simulation Exercises: This technique includes a duplicate copy of work or a similar situation which arises on actual job is created and a role is given to trainee to find out solution to the problem and helps in taking decision. Getting feedback on his/her work sharpen the trainee in decision making. This method is quite costly as compared to other methods.

3. Management Games: Under these procedures the trainee officials are separated into equal bunches accepting the administration of simulated companies. Each rival group must talk about a given subject relating to generation, promoting, estimating etc. and arrive at a selection of one choice. The group respond to the choice of each other. They get prompt feedback on their execution. This method makes strong bond amongst team members and helps in building term spirit.

4. Managerial Grid: This is a long-term program which ranges from three to five years. This program helps in improving the managerial skills, intergroup relation and it also improves leadership style.

5. Role Playing: This exercise it the simulated one. The trainee has to take up the role of the person in simulated situation. These trainees have to react to each other in similar way as they would be doing the same tasks as a manager on the job. They are given some learning point list which they have to use during the interaction with subordinate. They have to maintain that decorum among the subordinates. They can use video for the improvement in their personal management skills.

6. Incident Method: In this incident method, incidents based on the real situation which can occurred are prepared. The group members then discuss and makes a decision. The incident method technique was developed by Paul Pigors which helps in developing the intellectual level, decision making ability of the trainee.

7. In Basket Method: In this method of off the job training, there this basket which contains various categories such as reports, letters, replies, application each which involves certain problem statement and it is given to the trainee. Then trainees are allotted specific time limit to solve that problem by passing order, recommendation, delegating authority to the subordinate and distributing work. Thus, trainee learn the decision-making skills. This method is less expensive.

8. Conference: Under this procedure a bunch of officials meet as per arrange and talk about an issue of common intrigued. The individuals of the gather learn through others perspective and create their information by comparing their supposition with others. It is the foremost compelling strategy when an issue is to be analysed and tried through distinctive points or viewpoints. The conference features a pioneer who leads the discourse and takes due care that the partaking individuals are not remaining absent from the most issue beneath discussion. The administrators learn how to motivate people through discussion. Each member is given an opportunity to precise his conclusion unreservedly. This is often an awfully common strategy of creating administrators.

9. Lectures: It is exceptionally well known and straightforward strategy. The concepts, thoughts, hypotheses, standards are clarified through addresses. The speaker is a master who collects the fabric and conveys an address to the learner administrators. It may be a coordinate, time sparing, move in fetched strategy of clarifying and showing a perspective on any issue or subject to the trainees.

10. Programmes by Academic Institution: Many academic instruct and colleges run organization courses. They join degree as well as brief term affirmation courses. These educate additionally hold conferences, courses, workshops, address course of action and other related programs which offer help in organization advancement. The reasonability of these programs depends upon their quality, response from the companies and execution. Associations can back their chairmen to associate these courses. Other than these educational teach, All India Organization Alliance aswell conducts a couple of organization courses for company authorities, hold classes and conferences frequently.

11. **Transactional Analysis:** The transactional analysis (TA) is an attempt to get it and analyse the trainee's identity through the communicative interaction. The interaction between person human being is seen as exchanges, for occurrence, "I will do this for you and you are doing that for me." TA holds the see that the human identity is constituted by three self-image states i.e., parent, child and grown-up. All these three senses of self-states are reflected in his identity when he communicates with others. Parent state is reflected when he carries on and interatomic like a parent and offers "do's" and "don'ts" e.g. Do this, don't appoint specialist to him etc. The value- based investigation points at freeing the grown-up from the parent and child state. The grown-up state is sound and bargains with reality. It collects data and see reasons and takes choices. Grownup conduct and intuitive are anticipated from administrators and directors who are choice creators. Value-based investigation is a vital psychiatric strategy.

LITERATURE REVIEW

Since 1950, Management or Executive Development has been the most prominent area of personnel or human resources management. It is also called management revolution. Management development is a systematic process of management training and growth by which individuals (aspiring to rise on the ladder of management) gain and apply knowledge, skills, insights, and attitudes to manage managers, workers and work organisations effectively.

Management development, therefore, means any planned, guided or directed activity undertaken by a manager to help himself become more competent in his present and/or to consciously prepare himself for assuming higher and more important managerial duties and responsibilities so that he can claim promotion by merit or competence.

Management development programmes are conducted by big corporates and management institutes in order to enable current and prospective managers to develop an understanding of management concepts, practices, approaches and perspectives. The participants gain an immersive learning experience and are encouraged to provide insights on situational problems and are exposed to the views of other participants of their group. Through this process, they gain problem solving skills and analytical thinking ability.

Nakkiran & Karthikeyan (2007) suggest that management improvement is intended to increase the overall performance of managers in their current roles and to prepare them for greater transparency when they are promoted. Training is characterized as an effort by the organization to increase the effectiveness of its members. Training helps to sustain and improve existing work efficiency. Khurana, Khurana & Sharma (2009) identify some of the common management growth strategies and methods used in organizations. Dale (1998) explains the action open to any manager who wishes to ensure his or her own growth and the people around them. Training programs have a role in development and can be useful opportunities to learn and enhance skills. He says that if learning is to take place in full, certain skills must be used, and his main concernremains the development of skills at work. Fee (2001) suggests that management growth is a crucial factor of performance in business organizations. Management development is defined as a subset of employee development, which is itself a subset of human resource management. Mailick & Stumpf (1998) explores appropriate ways to incorporate theory with work experience and promote behavioural modification as a basic objective. We describe different ways of learning, such as passive (lecture, case study, discussion) and experiential (role play, sensitivity training). We also explain that no one method is sufficient and can be thorough in all cases. Samanta (2000) attempts to summarize the different problems, facets, dimensions and strategies of the training process in order to enable training managers and trainers to make training efficient, meaningful and purposeful Abel et al. (1998) describe management growth and training principles, future management creation, marketing techniques, improvements in management and knowledge resources. We identify management training and development processes and on-going programs that support the creation of human resources in a professional manner connect management growth goals with current and future business challenges and strategies. Henry (2006) points out that development is increasingly necessary as awareness shifts with increasing rapidity and workers empowerment. He explores the relationship between growth, innovation and well-being.

FEATURES OF MDP

1. Management development is planned and organised process of target achieving.
2. It is an ongoing process, through-out the tenure of a manager in the organisation as well as his own professional career.
3. It is a long-term process as administrative abilities can't be changed & advanced in short term
4. It is guided self-improvement. An organisation can give full chances to improvement of its present and potential managers.
5. Its aims at preparing the better performing managers to further improve their skills and achieve the business goals.

MANAGEMENT DEVELOPMENT PROGRAM PROCESS

1. Finding of Organization's Needs – It is important to distinguish the associations needs in the line of association's targets for the advancement of its administrators.

2. Examination of Present Managers Abilities – To discover the hole between the genuine presentation of employment and the standard execution of occupation.

3. Set the Objectives of Development Program – Now the following stage is to set the targets of a specific administration improvement program.

4. Arrangement of Manager Inventory – For the motivation behind getting chief stock the accompanying data about every director is fundamental Name, age, capability, work understanding, residency of administration, spot of posting, nature of occupation and execution examination information, and so on. This aides in the choice of chief for improvement programs.

5. Arranging of Individual Development Program – based on supervisor stock, it is anything but difficult to discover the qualities and shortcomings of every one of the administrators. This aides in preparing surrounding and propelling customized programs.

6. Foundation of Development Program – After this the obligation of HR supervisor or Training and Development director is to set up improvement program for administrator like authority courses, dynamic, innovative reasoning, the board games and affectability preparing and so on.

7. Assessment of Development Program – The last advance is to assess the improvement program in the line of the targets of the program. As per Tracey (1971) the most significant methods for assessing improvement program are perception, evaluations, preparing overviews and preparing interviews.

PERQUISITES FOR SUCCESSFUL MDP

(i) Management development starts with the selection of the right applicants for leadership ranks. It is important to ensure that good content is introduced into the system at the entry level.

(ii) Management development should be defined as an essential and continuous process within the organization;

(iii) There should be a reasonable timetable in line with the needs of the company. The timeline would take into account the need for management resources over a fairly long period of time. The resource that is available and those that need to be acquired should be estimated;

(iv) Management development must match the needs of the organization and the individual,

(v) Managers must take up the responsibility of developing their subordinates for greater responsibilities,

(vi) Managers must be motivated to invest time in the development of themselves and their subordinates using special reward systems.

(vii) The management development program should be based on a specific strategy, which should specify the type, coverage and objectives of the programme. A multi-tier supervisory and management development system will start with the first line supervisor and go all the way to the top management.

IMPORTANT CONSIDERATIONS FOR MDP

1. Management learning systems are described as logical and mechanistic in orientation. They use standardized blue prints and frameworks to direct the development of productive managers. There is a structured and logical method with clearly defined steps. Managers will be chosen for training.
2. Attitudes and knowledge-Different attitudes and knowledge of management growth will occur at various levels within the company and will affect the approach taken.
3. Different priorities and objectives-Different organizational groups and individuals can influence and form approaches to management growth. Each of them should have its own collection of goals and priorities.

CONCLUSION

Management Development program is the need of hour in any given organisation. New methods and techniques have to adopt by the organisation for optimum utilization of resources which also includes human resource. Designing individual MDP by keeping all the available resources in mind and finding different training needs by analysing the skill gaps is essential. While this process is a long term and time consuming one can expect results to be of same level. Management learning helps workers improve their skills which ultimately leads to an improvement in the productivity which effectiveness of workers. This increases their level of productivity; it effectively increases the level of output of the company. Two of the key goals of management growth are to provide workers with stress-free working environments so that the highest performance can be achieved by supplying managers with strong leadership skills that are willing to fulfil the organization's needs in the future.

BIBLIOGRAPHY

1. Drucker, Peter F. (1962), "The Economy's Dark Continent," Fortune, (April), p. 103, 265, 268, and 270
2. Dale, M. (1998). Developing management skills: Techniques for improving learning & performance. London: Kogan Page.
3. Fee, K. (2001).A guide to management development techniques: What to use when. London: Kogan Page
4. Henry, J. (2006). Creative management and development. London: Sage Publications
5. Learning and development at Pearson. (September 2014). Retrieved April 12th, 2015, from http://www.towerswatson.com/en/Insights/Newsletters/Europe/ HR-matters/2014/09/Learning- and-development-at-Pearson
6. Mailick, S., & Stumpf, S. A. (1998). Learning theory in the practice of management development: Evolution and applications. Westport, Conn: Quorum
7. Nakkiran, S., & Karthikeyan, M. (2007).Training techniques for management development. New Delhi: Deep & Deep Publications.
8. Samanta, R. K. (1993). Training methods for management and development. New Delhi, India: M D Publications PVT Ltd.
9. Understanding Management Development Techniques for Organization and Employee Growth: A Conceptual Study., G.D. Goenka University

Instructions for Authors

Essentials for Publishing in this Journal

1 Submitted articles should not have been previously published or be currently under consideration for publication elsewhere.

2 Conference papers may only be submitted if the paper has been completely re-written (taken to mean more than 50%) and the author has cleared any necessary permission with the copyright owner if it has been previously copyrighted.

3 All our articles are refereed through a double-blind process.

4 All authors must declare they have read and agreed to the content of the submitted article and must sign a declaration correspond to the originality of the article.

Submission Process

All articles for this journal must be submitted using our online submissions system. http://enrichedpub.com/ . Please use the Submit Your Article link in the Author Service area.

Manuscript Guidelines

The instructions to authors about the article preparation for publication in the Manuscripts are submitted online, through the e-Ur (Electronic editing) system, developed by **Enriched Publications Pvt. Ltd**. The article should contain the abstract with keywords, introduction, body, conclusion, references and the summary in English language (without heading and subheading enumeration). The article length should not exceed 16 pages of A4 paper format.

Title

The title should be informative. It is in both Journal's and author's best interest to use terms suitable. For indexing and word search. If there are no such terms in the title, the author is strongly advised to add a subtitle. The title should be given in English as well. The titles precede the abstract and the summary in an appropriate language.

Letterhead Title

The letterhead title is given at a top of each page for easier identification of article copies in an Electronic form in particular. It contains the author's surname and first name initial .article title, journal title and collation (year, volume, and issue, first and last page). The journal and article titles can be given in a shortened form.

Author's Name

Full name(s) of author(s) should be used. It is advisable to give the middle initial. Names are given in their original form.

Contact Details

The postal address or the e-mail address of the author (usually of the first one if there are more Authors) is given in the footnote at the bottom of the first page.

Type of Articles

Classification of articles is a duty of the editorial staff and is of special importance. Referees and the members of the editorial staff, or section editors, can propose a category, but the editor-in-chief has the sole responsibility for their classification. Journal articles are classified as follows:

Scientific articles:

1. Original scientific paper (giving the previously unpublished results of the author's own research based on management methods).

2. Survey paper (giving an original, detailed and critical view of a research problem or an area to which the author has made a contribution visible through his self-citation);

3. Short or preliminary communication (original management paper of full format but of a smaller extent or of a preliminary character);

4. Scientific critique or forum (discussion on a particular scientific topic, based exclusively on management argumentation) and commentaries. Exceptionally, in particular areas, a scientific paper in the Journal can be in a form of a monograph or a critical edition of scientific data (historical, archival, lexicographic, bibliographic, data survey, etc.) which were unknown or hardly accessible for scientific research.

Professional articles:

1. Professional paper (contribution offering experience useful for improvement of professional practice but not necessarily based on scientific methods);
2. Informative contribution (editorial, commentary, etc.);
3. Review (of a book, software, case study, scientific event, etc.)

Language

The article should be in English. The grammar and style of the article should be of good quality. The systematized text should be without abbreviations (except standard ones). All measurements must be in SI units. The sequence of formulae is denoted in Arabic numerals in parentheses on the right-hand side.

Abstract and Summary

An abstract is a concise informative presentation of the article content for fast and accurate Evaluation of its relevance. It is both in the Editorial Office's and the author's best interest for an abstract to contain terms often used for indexing and article search. The abstract describes the purpose of the study and the methods, outlines the findings and state the conclusions. A 100- to 250-Word abstract should be placed between the title and the keywords with the body text to follow. Besides an abstract are advised to have a summary in English, at the end of the article, after the Reference list. The summary should be structured and long up to 1/10 of the article length (it is more extensive than the abstract).

Keywords

Keywords are terms or phrases showing adequately the article content for indexing and search purposes. They should be allocated heaving in mind widely accepted international sources (index, dictionary or thesaurus), such as the Web of Science keyword list for science in general. The higher their usage frequency is the better. Up to 10 keywords immediately follow the abstract and the summary, in respective languages.

Acknowledgements

The name and the number of the project or programmed within which the article was realized is given in a separate note at the bottom of the first page together with the name of the institution which financially supported the project or programmed.

Tables and Illustrations

All the captions should be in the original language as well as in English, together with the texts in illustrations if possible. Tables are typed in the same style as the text and are denoted by numerals at the top. Photographs and drawings, placed appropriately in the text, should be clear, precise and suitable for reproduction. Drawings should be created in Word or Corel.

Citation in the Text

Citation in the text must be uniform. When citing references in the text, use the reference number set in square brackets from the Reference list at the end of the article.

Footnotes

Footnotes are given at the bottom of the page with the text they refer to. They can contain less relevant details, additional explanations or used sources (e.g. scientific material, manuals). They cannot replace the cited literature.
The article should be accompanied with a cover letter with the information about the author(s): surname, middle initial, first name, and citizen personal number, rank, title, e-mail address, and affiliation address, home address including municipality, phone number in the office and at home (or a mobile phone number). The cover letter should state the type of the article and tell which illustrations are original and which are not.

Notes: