



Volume 5

Issue 2

July-December 2013

Gavesana

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Dr. Rupal Chowdhary

ISSN No. : 0975-4547  
Regn. No. : 108534/2010

Gavesana

# Journal of Management

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The Gavesana Journal of Management is a bi-annual refereed journal of the VignanaJyothi Institute of Management. Its objective is to disseminate knowledge of contemporary issues related to management and development. The journal seeks to serve as a platform for intellectuals to share the rapid strides made in contemporary research. The Research Journal has been registered with the Registrar of Newspapers for India (RNI) vide No. 108534/2010 dated 1/3/2011.

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Owner's Name : Vignana Jyothi Institute of Management  
 Published by : Vignana Jyothi Institute of Management  
 Vignana Jyothi Nagar, Bachupally, Via Kuktpally,  
 Hyderabad – 50009, Andhra Pradesh.  
 Ph: 040-23044901/02  
 Email:director@vjim.edu.in  
 Website : vjim.edu.in

Editor : Dr. Kamal Ghosh Ray  
 Printer : Mr. P. Narendra  
 Printed at : Pragati Offset Pvt. Ltd.,  
 No.17, Red Hills, Hyderabad - 500004. Andhra Pradesh.  
 Phone : 040-23380000



# EDITORIAL

Financial architecture primarily aims at risk mitigation and return maximisation. However, if it is not scientifically designed, it results in the collapse of corporates and global economy. The financial architects tend to innovate without caring for intrinsic backing of the real assets. Owing to its fancy and ear-catching terminologies, the Board gets mesmerised, forgetting the efficacy and long term impact of the corporate financial performance and that becomes the beginning of corporate failure and bankruptcy.

Hence, it can be attributed to the failure of Corporate Governance mechanism. Recent global financial crisis is a clear evidence of this. Firstly, the board of directors and other senior managers perceived risk management as an operational activity rather than a part of strategic decision making. Secondly, they were highly dependent on credit rating agencies for risk assessment instead of having their own risk analysis techniques. Thirdly, there was no adequate knowledge about the valuation of complex derivative instruments and the associated possible negative consequences among the top management and other responsible authorities. It was almost impossible to understand the exposure in a Collateralised Debt Obligation (CDO) consisting of different tranches, without assessing the value of each tranche separately which was highly complicated. There was no sophisticated mechanism for stress testing and scenario analysis. Fourthly, there was hardly any evidence of the presence of Chief Risk Managers in any of the board meetings. Fifthly, the managers were incentivised for having taken large exposures to risks. Thus, there was a clear conflict between managerial incentives and the minority shareholder's interests leading to the failure of the US financial system, which in-turn impacted the real economies of the entire globe.

Hence, the new paradigm of corporate governance should emphasize on the necessity of the board to have sound knowledge about the nature of complex structured financial instruments and the possible perils associated with them before taking exposure.

Currently, research scholars, academicians and professionals are invited to contribute and share their research ideas in regard to how to improve the Corporate Governance practices to minimise the side effects of future financial architecture while leveraging the benefits of the same and thereby to meet the stakeholders' expectations.

**Dr. Kamal Ghosh Ray**  
**Editor**



# “Impact of Globalisation on Agricultural Exports” – A Case of India

Dr. Sangeeta Yadav \*

## Abstract

Signing of the Uruguay Round (General Agreement on Tariff and Trade, GATT 1994) along with the Agreement on Agriculture (AoA) has marked a new chapter in the history of multilateral trade negotiations, by bringing agriculture within the discipline of international trade. With developing countries enjoying a comparative advantage in agricultural production, it was believed that signing of AoA would promote international trade thereby facilitating trade as an engine of growth. However, world agricultural markets continue to remain distorted by high protectionist measures of European and North American countries. Developing countries find it difficult to achieve a level playing field because of poor infrastructure and technology amongst other factors. The research brings out the inconsistencies and asymmetries prevalent in the international agricultural trade by a detailed study of the trade performance of selected Indian agricultural commodities in context of trade liberalisation under WTO. For the study, a sample of top five agricultural exports of India was selected. These top five agro exports were selected on the basis of factors like overall volume of exports, consistency in market share and no monopolistic/oligopolistic market situation for India in the trade of that particular commodity. To estimate comparative advantage of India in these five crops, Revealed Comparative Advantage (RCA) index, (Balassa, 1965) for each of the sample commodity was computed for a total period from 1985 to 2007. The study period is divided into pre-reform period (1985 to 1994) and post reform period (1995 to 2007) to understand the impact of trade liberalisation on India's agro exports. The present study also suggests the strategic initiatives and implementation plan that India needs to follow for its agriculture exports; and discusses the issues that it needs to address to make Indian agriculture more competitive.

**Keywords:** Agriculture, World Trade Organisation, Developing countries, International trade, Revealed comparative advantage, Export competitiveness.

## Introduction

The signing of Agreement on Agriculture (AoA) in 1995 placed Indian agriculture within the discipline of international trade. Trade liberalisation as manifested under WTO was hoped to bring significant increase in world agriculture trade, thereby benefitting developing countries which enjoy comparative advantage. However, world agricultural markets continue to remain distorted by protectionist measures of Europe and North America. A lot depends upon the willingness of developed countries to reduce domestic support and export subsidies and provide market access to developing countries. The impact of such protectionist policies can be seen on consumers, taxpayers and efficient farmers. Developing countries like India face the challenge to become globally competitive in agricultural exports. Many Indian agricultural commodities enjoy a high comparative advantage in the global market. India's major agricultural exports include tea, coffee, rice, wheat, spices, sugar, cashew, oil meals, fresh fruits, fresh vegetables, meat and its preparations and marine products. The present study attempts to examine the likely impact of free and liberalized trade regime under the Agreement on Agriculture (AoA) on export competitiveness of Indian agro products. The research brings out the inconsistencies and asymmetries prevalent in the international agricultural trade by a detailed study of the trade performance

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\*Assistant Professor (Visiting Faculty) at Business Schools, Delhi. E-mail: sangeeta.yadav@gmail.com

of selected Indian agricultural commodities in context of trade liberalisation under WTO. The study uses a sample of five agro exports from India i.e. rice, wheat, sugar, coffee and tea to measure the impact of trade liberalisation on agro export competitiveness of a developing country like India.

## **WTO and its Agricultural Agenda**

Agreement on Agriculture was the first step towards integration of agriculture into the international trading system. It permitted the implementation period of a six-years for the developed nations and ten years for the developing nations beginning in the year 1995. The main objective of AoA is to establish a fair and market oriented agricultural trading system. It aims to bring progressive reduction in the agricultural support and protection and thereby correct distortions in international agricultural market. The main provisions of AoA deal with market access, export subsidies and domestic support. These three types of protection are subject to reduction commitments within a specific timetable.

**Market Access** – Market access under WTO comprises of four types: tariffs bound and applied tariff rates, tariff quotas and special safeguard measures. Provisions of market access have failed to materialise in practice and developed countries still remain inaccessible to imports from developing countries. AoA uses a simple average formula for tariff reduction which allows developed countries to reduce tariffs on less important items and to maintain high tariffs on sensitive products. This satisfies the WTO rules and at the same time hurt developing countries' trade interests (Pursell 1999).

**Domestic Support** – Domestic Support includes subsidies and other programmes. WTO classifies domestic support into measures, which are subject to reduction commitments (Amber box payments) and measures which are exempted from reduction commitments (Green Box measures). This has resulted in the “re-instrumentation” of domestic support programs by member countries, from the most trade restrictive measures towards the less trade restrictive ones. European Union and USA heavily subsidise their agricultural sector by making use of the exemptions under green box and blue box.

**Export Subsidies** – Export subsidies are considered the most trade distorting. A number of countries use subsidies to dispose off their surplus production in international markets. AoA prohibits export subsidies on agricultural products unless the subsidies are specified in a member's lists of commitments. Where they are listed, the agreement requires WTO members to cut both the amount of money they spend on export subsidies and the quantities of exports that receive subsidies. Taking averages for 1986-90 as the base level, developed countries agreed to cut the value of export subsidies by 36% over the six years starting in 1995 (24% over 10 years for developing countries). However, these export subsidies continue to distort world markets. The reduction in export subsidies is accompanied by an increasing domestic support, thus providing effective export subsidies (World Bank, 2003).

The developed countries provide nearly 90 percent of both domestic support and export subsidy to agriculture which has an adverse impact on the developing countries. In such a scenario, it is essential to adequately address the concerns of developing countries.

## **Agricultural Trade Liberalisation and Imperfect Nature of World Markets**

There remains much disillusionment with the pace of agricultural trade liberalization. Various studies have shown that developed nations have not opened their agricultural markets as was expected under Uruguay Round. World Trade and Development Report (2003) appealed for greater transparency in the decision making of WTO to check the arm twisting of poor countries by developed nations. Exporters of tropical product do not play an active role in the designing of the agricultural trade liberalization agenda. The most decisive factor for the development of the world markets for agricultural products depends on the



shift in the domestic agricultural policies of countries of EU, USA, Argentina and Australia which offer high level of agricultural subsidies (Wohlmeyer & Theodor Quendle, 2002).

According to Chadha et al (2001) URAA did little to liberalise trade in agriculture. According to Stiglitz (2001), the standard economic rationality is not allowed to work and importance is paid more to self interest. He suggests two basic principles to govern next set of trade negotiations: fairness and comprehensiveness. An FAO study (Alexandratos, 1995) considers that URAA is mainly a partial liberalization agreement. Even if complete implementation of the reduction commitments is done for agricultural products, the world market for agricultural products would remain distorted. Since the 1950's there has been a substantial growth in protectionism in the advanced industrialized nations and this accelerated in the 1980's as proved by other studies (Anderson and Hayami, 1986). WTO Annual report (1998) states that tariffication in agricultural and agro-industrial products has extremely high levels of duty in many instances. With such high levels of tariffs and subsidies there remains concern over the implementation of AoA (Human Development Report, 1997). In fact the protection to OECD agriculture actually rose from 32% in 1997 to 37% in 1998. The various loopholes present in the process of tariffication have given the freedom to many countries to bind tariffs at levels much above the prevailing averages (Srinivasan, 2002).

## **Review of Literature**

Several studies have linked trade liberalisation with increased welfare gains for the developing countries. According to Anderson et al (2003) and World Bank (2003) about two-thirds of the welfare gains come from agricultural trade liberalization rather than the manufacturing sector. Hertel and Martin (1999) in their study estimate that a 40 percent tariff reduction in agricultural sector would lead to a welfare gain of similar amount. The importance of the implementation of Doha Round for the developing countries has been discussed by a study by Ingco and Nash (2004). Global Economic Prospects Report (2004) released by the World Bank also brings out the same fact that even if reforms are implemented progressively over five years to 2010, the developing countries would gain US \$ 350 billion as additional income by 2015. According to Goldin and Mensbrugge (1996), agricultural liberalization yielded 85 per cent of total gains. Parikh et al (1995) concludes poor farmers would gain from liberalization and rich farmers would lose.

Many studies have predicted that signing of WTO and the resultant agricultural trade liberalization would result in welfare gains for India. Kumar, Sreelakshmi & Naidu (2004) in their study have looked at the prospect of Indian agriculture after signing of WTO. India would face new challenges in terms of AoA provisions and it is essential that market infrastructure is strengthened and budgetary allocations are increased to promote R&D. Gulati and Sharma (2001) have predicted that India would gain from trade liberalisation. There would be a rise in International prices of agricultural commodities leading to increased exports from India. The authors suggest to do away the various stringent measures like export quotas, consolidation and minimum export prices in order to gain in real terms from liberalization. Rao (2001) considers that WTO would ensure a level playing field to allow a free and fair play of considerations of comparative advantage and would bring benefits to India. Some studies have studied certain specific elements of WTO which can affect trade like the technical barriers to trade (TBT) and sanitary and phyto sanitary measures (SPS) which essentially affect the quality competitiveness of agricultural commodities of developing countries like India and its effect on food exports. The SPS can become a trade barrier when the domestic standards are lower than that for imports, standard conformity processes differ across countries and these processes of one country are not recognized by the other country. Ramesh Chand (1999) in his study has quantified the impact of globalization on producer surplus, consumer surplus and net social welfare for four crops i.e. rice, maize, chick pea and rapeseed-mustard. The study is different from earlier studies (Gulati et al, 1999; Gulati and Sharma, 1998), in the sense that

they were based on export competitiveness and none of them examined the impact of trade liberalisation on net social welfare of the country. The study concludes that trade liberalisation is a mixed bag and its impact would vary from commodity to commodity. According to Gulati & Sharma (1994), Bhalla & Singh (1996), Anderson & Tyres (1993) and Subramanian (1993), trade liberalization would bring welfare gains for Indian farmers. According to Shankar and Kalirajan (2001), trade liberalization would result in many benefits to Indian agriculture. Sankar is supported by Dattatreya (2001) who considers Uruguay round as a watershed in world trade and would boost agricultural exports of the developing countries.

Various other studies consider that trade liberalisation under WTO would not bring welfare gains to India. Ramesh Chand (2002) brings out the fact that implementation of AOA has not improved export prospects for Indian agriculture. A look at the export competitiveness of major crops shows a decline. Yerram and Varkki (2002) have done an analysis of export competitiveness of rice and cotton and discuss the future agenda to make Indian agriculture globally competitive. They consider that the AoA provides an opportunity to convert comparative advantage into a competitive advantage owing to the condition that Indian agriculture is provided adequate budgetary support to research and development, infrastructure and extension. Kannaiyan et al (2002) in their study about export trends of major crops of India, conclude that limited infrastructural facilities in rural areas, low agricultural productivity acts as major impediments. According to Varde (2001), gains of agricultural trade liberalization would be skewed towards the developed nations. Along with the traditional winners like USA, EU and Japan, other top gainers would be Australia, New Zealand, East and South East Asia. The losers would be Africa and other developing nations. According to Chand and Matthews (2001) post- WTO, exports of developing countries like India show a decline owing to drop in international prices. WTO provides a complex classification of domestic support and export subsidies which favour developed countries like EU, US, Canada and Japan. Bhatia (1994) in a study presents a disturbing picture for Indian exports. In such a scenario India needs to diversify its export portfolio. Brar and Gill (1996) have examined global competitiveness of Indian agriculture and conclude that it would be adversely affected under liberalized trade regime. Their study mainly focuses on Punjab Agriculture. The study has examined the competitiveness of some selected agricultural crops.

## **Research Methodology**

### **The Sample**

Portfolio of Indian agricultural export is very large and diverse in nature. Competitiveness and the environmental factors for each product are completely different. To select the commodities for this study, top ten agro export commodities of India over the past ten years were examined. The trends of various crops were analyzed and it was concluded that the commodities should be chosen on the basis of the factors like overall volume of exports, consistency in market share position, availability of data and no monopolistic market situation for India in the trade of that particular commodity. The top ten commodity data was weighted on the above parameters and following crops were selected for the analysis: rice, wheat, sugar, coffee and tea.

### **The Data Collection Method**

Since the nature of the study is of macro level, data collection was done from the secondary sources. Time series data for twenty two years from 1985 to 2007 for exports of sample agricultural commodities for India, other major exporting countries and world was collected from various issues of FAO Trade Yearbook a publication of statistics division of Food and Agriculture Organisation (FAO), Rome. The official website of FAO was also referred to. Export values of sample commodities were provided in the US Dollars. Other details regarding WTO measures were collected from WTO official website.

## Measurement of Competitive Performance of Sample crops

For measuring comparative advantage of Indian agricultural commodities, this study uses Export Performance Ratio (EPR) suggested by Balassa (1965). EPR is also known as Revealed Comparative Advantage (RCA) since it reveals comparative advantage by the observed pattern of trade flows. The concept of RCA (Balassa 1965, 1977, 1989) measures the relative trade performance of individual countries for particular commodities. The index is based on assumption that commodity pattern of trade reflects inter-country differences in relative costs as well as in non-price factors. The factors contributing to movements in RCA are economic: structural change, improved world demand and trade specialization. RCA Index indicates goods or groups of goods in which a country has “revealed” its comparative advantage relative to world on the basis of actual trade. The index measures the share of good ‘i’ in the exports of country ‘j’ relative to the share of good ‘i’ in the world's total exports. RCA is calculated by dividing a country's share in agricultural exports of a given commodity category by share in world exports of that agricultural commodity.

Where,

$RCA_{ij}$  = Revealed comparative advantage of the  $i_{th}$  country's,  $j_{th}$  industry,

$X_{ij}$  = Merchandise exports of the  $j_{th}$  industry by the  $i_{th}$  country,

$X_i$  = Total merchandise exports of the  $i_{th}$  country,

$X_{wj}$  = World merchandise exports of the  $j_{th}$  industry,

$X_w$  = Total merchandise world exports.

$RCA_{ij} > 1$  implies that country ‘j’ has a comparative advantage in the product ‘i’ relative to world. In other words, if a country's RCA for a particular good (or category of goods) is greater than 1, the country tends to export more of the good as a share of its total exports than other countries in the world on average. RCA values of higher than 1 would also imply that the developed countries and the countries matured in agricultural production have invested in advanced factors to support the Research and Development of domestic markets and strong farm-level presence across value chain and efficient distribution mechanisms.  $RCA_{ij} (< 1.0)$  exhibits relative disadvantage whereas RCA value nearing 1.0 exhibits a relative advantage. RCA is adjusted to make it symmetric and is called as 'Revealed Symmetric Comparative Advantage' (RSCA). The index is made symmetric by using the formula  $(RCA-1)/(RCA+1)$ .

## Empirical Results

For each commodity the RSCA values for the period 1985 to 2007 were calculated for India and the world's top exporter of that commodity. This helped in understanding the trend in comparative advantage of India and also allowed its comparison with the top exporter. The top exporter for a commodity was derived using the 2007 ranking as per the FAO data. As per 2007 ranking, world's top exporters for sample commodities rice, wheat, sugar, coffee and tea, are Thailand, USA, Brazil (both for sugar and coffee) and Kenya respectively.

### Export Competitiveness of Rice

RSCA values indicate that India enjoys comparative advantage in case of rice. By and large India has been able to maintain a reasonable level of export competitiveness in the analysis period. However, Indian rice exports showed varying levels of comparative advantage in different years of the study period (Figure 1). Since 1991, comparative advantage of Indian rice has shown an increase. The devaluation in June 1990-91 helped in increasing its competitiveness. But since 2001 competitiveness in rice declined, though it has improved slightly in the year 2004 but again declined marginally to 0.86 in 2007.

However what is surprising is the low comparative advantage of Thailand which is world's top exporter of rice. In 1985 Thailand had RSCA values of 0.79 which declined to 0.41 in 1996 and to as low as 0.20 in 2007. Thus it can be concluded that India enjoys higher comparative advantage than the world's top exporter Thailand. Such comparative advantage based exports could thus ensure not only India's eminence in the international market and help stabilize the balance of payment but also more importantly help the Indian farmer.

### **Export Competitiveness of Wheat**

Figure 2 shows that the RCA values have for most part of the analysis period remained less than unity and the RSCA values were negative indicating the lack of comparative advantage of wheat. But since the year 2000 the RSCA became positive indicating an increase in the export competitiveness of the crop. However RSCA index again showed a decline from 2004 to 2007. It is noteworthy that the index values for the top exporter of wheat in the world, USA also had negative values throughout the reference period. This certainly brings focus to the role of domestic support and export subsidies by USA.

In the global wheat trade of over 100 Mn tonnes, India has been only a marginal exporter even though till the mid 1990s, we were price competitive. The main reason has been a very high domestic consumption of wheat in the domestic market. Wheat has been a success story of green revolution in India and modern technology and inputs have played a major role in increasing the yield of wheat. Yet there was no significant surplus available for exports. Particularly, period 1997-99 has been relatively bad for India as far as its export competitiveness and overall exports are concerned. In the last few years of the analysis period India's export competitiveness of wheat again decreased considerably. This can primarily be attributed to the minimum support prices which artificially maintain the price of the commodity at a high level, making it highly unattractive for the export market and hence the erosion of overall competitiveness. Lack of adequate infrastructure and technology combined with operational inefficiencies of the Indian agriculture system has resulted in the erosion of Indian competitiveness in the wheat export market.

### **Export Competitiveness of Sugar**

After Brazil, India is world's second largest sugar producer. Sugar is India's second largest agro-processing industry and makes significant contributions to the employment and tax revenue of the economy. The results of the study as presented in Table 3 and Figure 3 depict that the RSCA values have shown high volatility, reaching low negative values at times and at others becoming positive. Sugar has not been competitive in the analysis period; it is only in 2006 and 2007 that comparative advantage of sugar has shown some improvement. In case of the top exporter of the world, Brazil, RSCA values have remained negative throughout the reference period, rising only marginally in 2006 and 2007.

Thus the analysis proves that India's competitiveness for sugar exports is less. One of the major reasons for this is that the prices paid to the farmers for sugarcane is very high compared to Statutory Minimum Price (SMP). Many a times, due to political compulsions, the state Governments and cooperative enterprises increase the level of sugarcane price to be paid to the farmers. This has very adverse impact on the competitiveness of the industry. If sugarcane price is paid as per SMP, the industry will be very competitive even with 30 % levy quota and import of sugar under OGL. Sugar faces the problem of uncertainty and fluctuations in production. One of the reasons for this uncertainty is the presence of adhoc export policies. The presence of this uncertainty in production makes it difficult for India to compete in the international market. Thus to maintain its competitiveness it is important to stabilize the production of sugar. Thus, as sugar industry is plagued with large number of restrictions, taxes and subsidies, it is essential to understand the implications of liberalization post WTO and how competitive Indian sugar industry is in the world market.



## **Export Competitiveness of Coffee**

In case of coffee exports India faces competition not only from Brazil which is the world's largest coffee producer, but also from Asian nations like Indonesia and Vietnam which are not only ahead of India in production but also in terms of competitiveness. The computed RSCA values for coffee as a commodity reflect that in the initial years of liberalization the comparative advantage was there but has been going down over the years. RSCA values for India were positive for all the years and indicated its comparative advantage in coffee exports. But, Indonesia and Vietnam performed better than India during the study period. Moreover, the comparative edge which India exhibited during the initial years of liberalization, deteriorated over the years, with the index gradually eroding from 0.35 in 1991 to 0.12 in 2007 (Figure 4).

## **Export Competitiveness of Tea**

The estimated RSCA indices for tea for India and top tea exporter in the world i.e. Kenya have been presented in Figure 5. For the period 1985-2007 India was found to have a comparative advantage since it had positive values of RSCA. But over the years, India's comparative advantage seemed to be deteriorating gradually. In 1985, the value of RSCA was 0.91 which fell to 0.71 in 2007, depicting a clear downward trend. The top tea exporter in the world, Kenya (as per 2007 ranking) in the same reference was far ahead with substantially higher values of the RSCA index. The dominance of Kenya was more obvious in the later years of economic liberalization. In 2007, the estimated RSCA value for Kenya was 0.95, which was higher than the initial value of 0.91 in 1985. The results have significant and wide-reaching implications for India as Kenya's dominance in the global market remains unchallenged and has direct impact on the Indian tea industry.

The reasons for this decline in tea exports can be attributed to a number of reasons. Increasing competition from other tea exporting countries like Sri Lanka, Kenya, China etc. has posed a serious threat to Indian tea exports. The rising domestic consumption of tea has reduced the surplus for exports. In the analysis period, the share of domestic consumption in percentage terms has increased from 68% to 80%, which is a very large increase. Another prohibiting factor has been the high rates of taxes prevailing on the income from tea cultivation prohibit the growth of production and exports. Thus it becomes important that in the face of competition from the other beverages like coffee and increasing domestic demand and increased competition from other tea exporters; due attention is paid to bring efficiency both in production and marketing of tea.

## **Conclusion & Recommendations**

Implementation of the new trade rules has turned out to be a more complex task than the traditional market access issues handled by the WTO. Several factors, including inadequate financial and technical resources, have constrained developing countries from becoming effective participants in the implementation process. A review of India's agricultural trade performance for the period 1985 to 2007 indicates a high degree of volatility in the exports. The years in which exports showed positive growth were the years when world agro exports were increasing. Basic commodities that are consumed widely (the ones studied in this research) cannot have a significant rise in the exports in the short and medium term unless there is a significant increase in production. This is because of their high domestic consumption levels. Government thus needs to be careful while drafting policies for their exports. Also, the liberalisation of these commodities would mean that the domestic prices would increase without the benefits of increased production or exports because of the high domestic demand. Thus trade liberalisation in the Indian context need to be selective. Liberalisation would definitely open new markets, but it may not provide the Indian farmers the benefits of prevailing high international prices for their produce. The thrust from a policy level should be to negotiate the tariff bindings so as to offset any cheap imports from the developed nations that will have an adverse effect on the domestic market.

The discussion about implementation of AoA commitments by the WTO members brings out the fact that there prevails high degree of protection in the agriculture sector. Developing countries neither have the benefit of increased market access nor of the increased prices for their agro exports. The study brings out the fact that India's agro trade has not benefitted from trade liberalisation as was expected. The supply response to trade liberalisation has been very low or negative in case of the commodities studied. And even if the response is positive for certain crops, there are constraints on the supply for exports because of increased domestic consumption, stagnant production, low average yields, poor infrastructure and high non-farm costs like market handling, local transport charges, transshipment charges, insurance costs etc. The competitive advantage that India had at the beginning of the talks in terms of low agricultural produce prices has diminished over the years. Trade liberalisation would mean opening of the domestic market for other nations which essentially means that if exports are going to benefit the domestic producer, imports would affect them adversely.

Traditionally India has followed a policy of exporting when there is a “surplus”. It is necessary that a long-term agricultural export strategy is formulated instead of the present adhocism in the export policies. It is necessary to provide a complete export orientation to the agricultural sector in tune with the requirements of the market.

- Suitable policies keeping in view the domestic needs, food security issues, price elasticity, research and development efforts and export competitiveness have to be framed.
- Government needs to ensure that the agricultural credit function works to the advantage of the farmers and the emphasis should be to reduce the cost of production at the farm level.
- Associated with the cost of production at the farm level is the additional burden that comes as a result of poor infrastructure. Government needs to ensure that the water and electricity entities should function properly along with the social services like education so that there is awareness and adoption of new techniques and the farmers can respond well to the market changes.
- Government can also help facilitate the development of other market intermediaries and infrastructure by private sector partnership to facilitate exports.
- Adopt latest production methods and use of modern techniques to enhance quality of the produce.
- Increase geographic reach - Indian exporters should start looking at beyond Middle East or South East Asia. They should increasingly start targeting the Europe and USA.
- Crops which enjoy competitiveness in the international market should be identified and incentives to promote them should be provided. The cropping pattern should be changed accordingly .
- Use of Bio-technology should be made to improve productivity through techniques of plant tissue culture, genetic manipulation to increase crop resistance towards pests and other stress factors. Efforts should be made to spread the benefits of the biotechnology to maximum number of farmers.

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## Statistical Results

**Table 1: RSCA Index for Rice for India and Thailand  
(World's Top Exporter, 2007)**

Year	INDIA - RCA	INDIA- RSCA	THAILAND - RCA	THAILAND - RSCA
1985	6.25	0.72	8.43	0.79
1986	5.76	0.70	6.48	0.73
1987	10.03	0.82	5.62	0.70
1988	9.02	0.80	6.62	0.74
1989	6.93	0.75	5.99	0.71
1990	8.35	0.79	4.30	0.62
1991	10.34	0.82	3.44	0.55
1992	10.10	0.82	3.28	0.53
1993	9.91	0.82	2.58	0.44
1994	9.34	0.81	2.45	0.42
1995	17.92	0.89	2.20	0.38
1996	11.30	0.84	2.41	0.41
1997	11.38	0.84	2.30	0.39
1998	16.03	0.88	1.94	0.32
1999	10.04	0.82	1.89	0.31
2000	10.11	0.82	1.65	0.25
2001	11.01	0.83	1.80	0.29
2002	17.54	0.89	1.71	0.26
2003	12.51	0.85	1.84	0.30
2004	16.96	0.89	2.06	0.35
2005	12.42	0.85	1.47	0.19
2006	10.94	0.83	1.42	0.17
2007	12.99	0.86	1.50	0.20

**Table 2: RSCA Index for Wheat for India and USA (World's Top Exporter, 2007)**

Year	INDIA - RCA	INDIA -RSCA	USA RCA	USA- RSCA
1985	0.29	-0.55	0.25	-0.60
1986	0.14	-0.76	0.26	-0.59
1987	0.26	-0.59	0.26	-0.58
1988	0.02	-0.97	0.28	-0.56
1989	0.01	-0.98	0.30	-0.54
1990	0.12	-0.79	0.20	-0.66
1991	0.49	-0.34	0.19	-0.69
1992	0.03	-0.95	0.20	-0.66
1993	0.00	-1.00	0.23	-0.63
1994	0.12	-0.79	0.22	-0.64
1995	0.54	-0.30	0.25	-0.61
1996	0.78	-0.12	0.24	-0.62
1997	0.00	-1.00	0.16	-0.73
1998	0.00	-1.00	0.16	-0.73
1999	0.00	-1.00	0.15	-0.74
2000	0.54	-0.30	0.13	-0.78
2001	1.60	0.23	0.13	-0.77
2002	1.90	0.31	0.15	-0.74
2003	2.60	0.44	0.18	-0.69
2004	1.44	0.18	0.20	-0.67
2005	0.52	-0.31	0.18	-0.69
2006	0.02	-0.95	0.14	-0.75
2007	0.00	-1.00	0.19	-0.68

**Table 3: RSCA Index for Sugar for India and Brazil (World's Top Exporter, 2007)**

Year	INDIA - RCA	INDIA-RSCA	BRAZIL- RCA	BRAZIL -RSCA
1985	0.53	-0.30	0.65	-0.21
1986	0.08	-0.86	0.78	-0.12
1987	0.32	-0.51	0.52	-0.32
1988	0.04	-0.93	0.38	-0.45
1989	0.09	-0.83	0.31	-0.53
1990	0.01	-0.98	0.40	-0.42
1991	0.62	-0.23	0.44	-0.38
1992	2.74	0.47	0.50	-0.33
1993	0.77	-0.13	0.44	-0.38
1994	0.35	-0.48	0.34	-0.49
1995	0.97	-0.02	0.68	-0.19
1996	1.79	0.28	0.67	-0.20
1997	0.41	-0.42	1.01	0.01
1998	0.01	-0.98	1.18	0.08
1999	0.02	-0.96	1.28	0.12

2000	0.65	-0.21	0.70	-0.18
2001	4.24	0.62	1.18	0.08
2002	4.53	0.64	1.26	0.12
2003	2.61	0.45	0.96	-0.02
2004	0.30	-0.54	1.07	0.03
2005	0.73	-0.16	0.98	-0.01
2006	3.01	0.50	1.05	0.02
2007	3.32	0.54	1.05	0.03

**Table 4: RSCA Index for Coffee for India and Brazil (World's Top Exporter, 2007)**

Year	INDIA - RCA	INDIA- RSCA	BRAZIL- RCA	BRAZIL-RSCA
1985	1.73	0.27	1.78	0.28
1986	1.61	0.23	1.41	0.17
1987	2.13	0.36	1.93	0.32
1988	2.54	0.43	1.71	0.26
1989	2.53	0.43	1.57	0.22
1990	1.90	0.31	1.64	0.24
1991	2.07	0.35	2.17	0.37
1992	2.52	0.43	1.81	0.29
1993	2.40	0.41	1.62	0.24
1994	3.16	0.52	1.84	0.29
1995	2.42	0.42	1.53	0.21
1996	2.36	0.41	1.61	0.23
1997	2.11	0.36	1.80	0.28
1998	2.34	0.40	1.67	0.25
1999	2.43	0.42	1.98	0.33
2000	1.72	0.26	1.38	0.16
2001	2.21	0.38	1.58	0.23
2002	2.25	0.38	1.72	0.27
2003	2.22	0.38	1.64	0.24
2004	1.91	0.31	1.55	0.22
2005	1.96	0.32	1.47	0.19
2006	1.82	0.29	1.39	0.16
2007	1.26	0.12	1.36	0.15

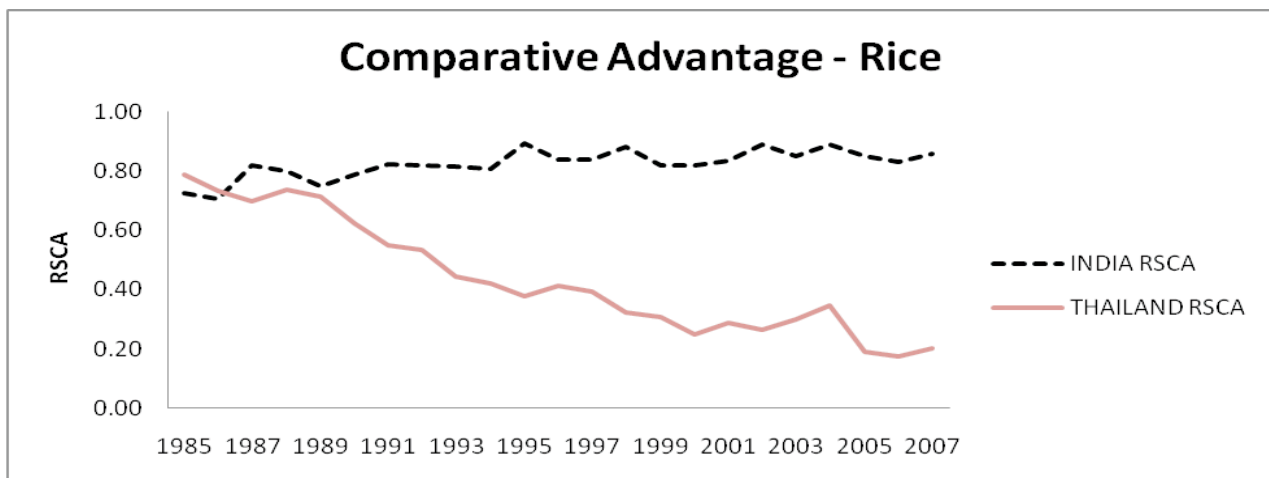
**Table 5: RSCA Index for Tea for India and Kenya (World's Top Exporter, 2007)**

Year	INDIA - RCA	INDIA- RSCA	KENYA RCA	KENYA -RSCA
1985	21.50	0.91	22.19	0.91
1986	21.25	0.91	21.24	0.91
1987	23.61	0.92	27.56	0.93
1988	25.22	0.92	27.99	0.93
1989	25.21	0.92	32.93	0.94
1990	22.68	0.92	29.67	0.93
1991	23.39	0.92	31.25	0.94

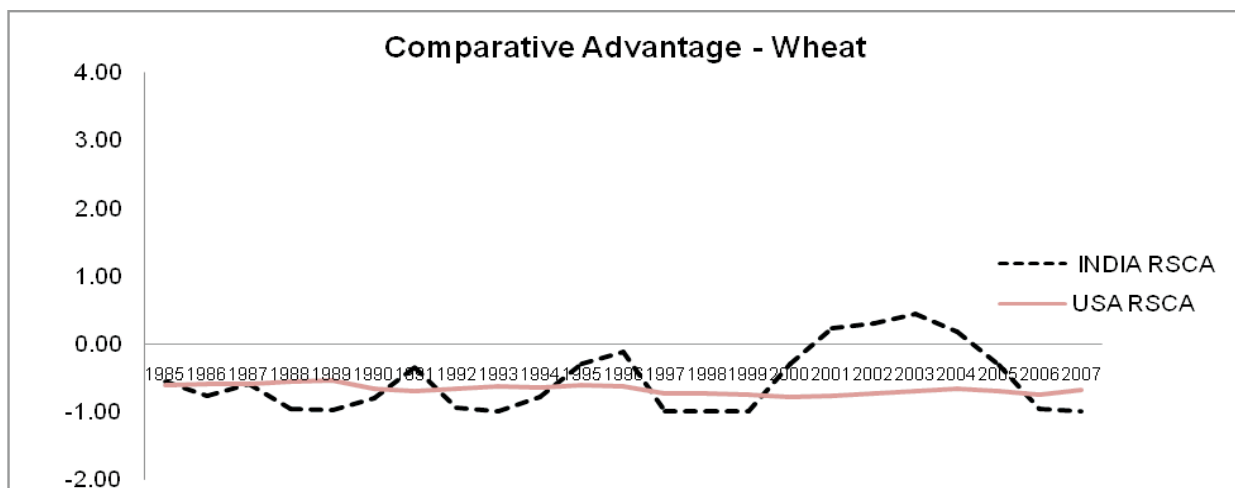
1991	23.39	0.92	31.25	0.94
1992	19.27	0.90	33.97	0.94
1993	14.47	0.87	38.42	0.95
1994	17.90	0.89	36.90	0.95
1995	12.71	0.85	37.28	0.95
1996	9.13	0.80	35.20	0.94
1997	13.51	0.86	30.78	0.94
1998	12.93	0.86	40.62	0.95
1999	13.09	0.86	39.17	0.95
2000	12.27	0.85	36.63	0.95
2001	10.31	0.82	35.09	0.94
2002	9.14	0.80	35.92	0.95
2003	9.15	0.80	35.59	0.95
2004	9.89	0.82	31.91	0.94
2005	7.55	0.77	31.44	0.94
2006	6.97	0.75	37.05	0.95
2007	6.00	0.71	36.68	0.95

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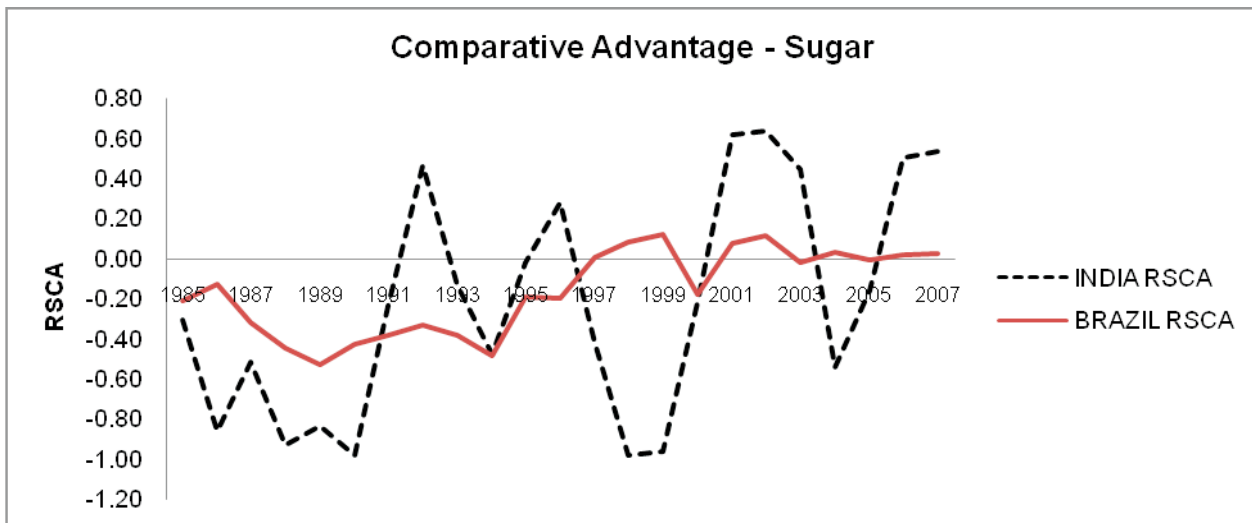
**Figure 1: RSCA Index for Rice for India and Thailand (World's Top Exporter, 2007)**



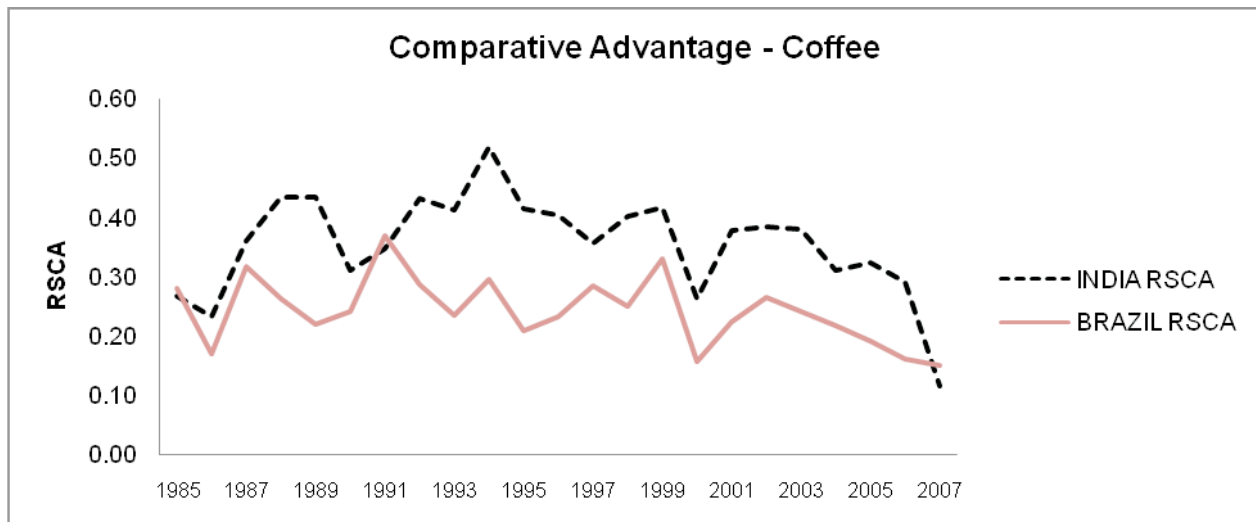
**Figure 2: RSCA Index for Wheat for India and USA (World's Top Exporter, 2007)**



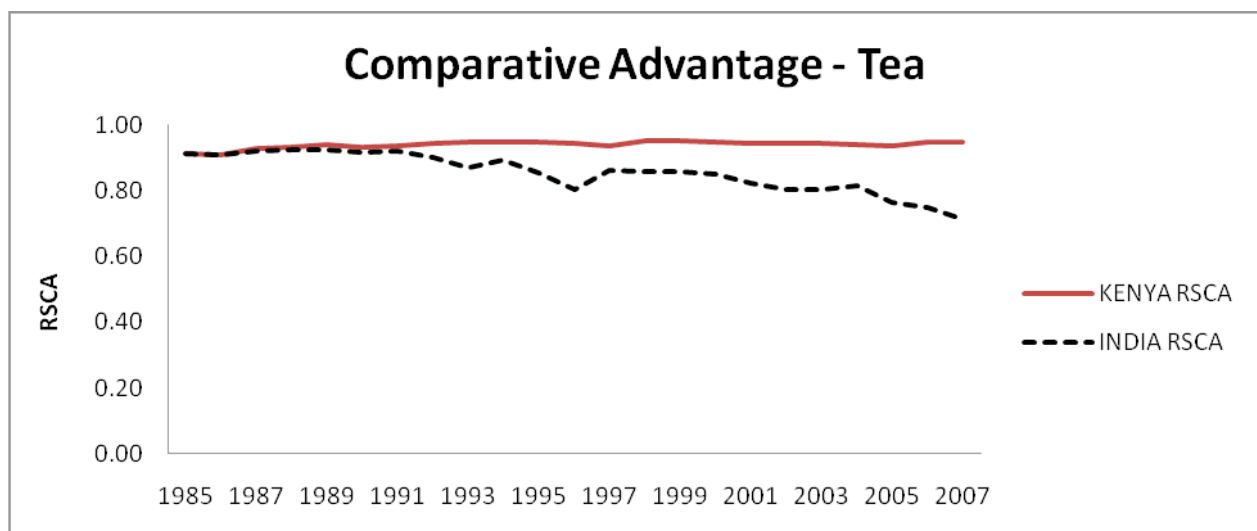
**Figure 3: RSCA Index for Sugar for India and Brazil (World's Top Exporter, 2007)**



**Figure 4: RSCA Index for Coffee for India and Brazil (World's Top Exporter, 2007)**



**Figure 5: RSCA Index for Tea for India and Kenya (World's Top Exporter, 2007)**



# Organisational Attractiveness and Job Attribute Preferences of Business Students

Ms. Vandana Madhavkumar\* and Dr. B. Sripirabaa\*\*

## Abstract

Graduate students are an important source of recruitment for employers looking to fill managerial and professional positions. It is therefore very important for firms to understand what job and organisational attributes attract these potential recruits to organisations. This awareness and understanding will enable firms to develop suitable recruitment strategies to attract maximum number of talent with the right skills to fill positions. A greater understanding of what factors influence the employment preferences of job applicants is an important and necessary prerequisite for development of both that of a recruitment strategy and employer branding.

The paper explores the perceived importance of job attributes to potential management student job applicants and the relationship between factors of job attributes and organisational attractiveness. The paper also aims at identifying perceptual differences (if any) regarding the gender, work experience and area of specialization among the respondents in the perceived importance levels of job attributes. 433 students in the final year of their course in Masters of Business Administration responded to the questionnaire. Results reported significant positive relationship between the factors of job attributes and organisational attractiveness. Regression analysis reported the job attributes - Compensation & benefits, Job security, Training & development, Opportunities for international travel, Flexible working conditions as strong predictors of Organisational attractiveness. Gender differences in the perceived importance level of job attributes were also indicated.

The study will be useful to Human Resources Managers and Practitioners, as it provides insights about the job attributes that the potential hires find attractive to develop suitable recruitment and employer branding strategies to attract and retain the right people.

**Keywords:** Organisational Attractiveness, Job Attributes, Employer Branding, Job Security, Compensation & Benefits.

## Introduction

Today, it is well understood that talented employees drive a firm's success and hence attracting and retaining the right people leads to competitive advantage for a firm. Employer branding is a concept that has gained a lot of interest since the 1990s after Ambler & Barrow's (1996) popular study on the subject. 'Employer branding' is the application of branding principles to HRM (Backhaus & Tikoo 2004). The employer brand puts forth an image showing the organization as a good place to work (Sullivan 2004). Employer brand of a firm differentiates it from competitors in the employment market and is a powerful tool for attracting, engaging and retaining the right people. Increasingly, firms are spending a substantial amount in developing their brand as a desirable place to work and using it to attract, manage and retain the talent. Organisational attractiveness & Employer branding are closely related concepts. Higher an organisation's brand equity, higher is its attractiveness as an employer (Berthen et al. 2005). Past studies

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\*Assistant Professor, GRG School of Management Studies, Peelamedu, Coimbatore - 641004  
E-mail: vandana@grgms.com

\*\*Associate Professor, GRG School of Management Studies, Peelamedu, Coimbatore - 641004  
E-mail: sripirabaa@grgms.com

have established that numerous personal, job-specific and organizational characteristics influence applicant perceptions of organizational attractiveness, as well as subsequent decisions to apply for or accept a job (Hannon 1996). Also, it has been confirmed that prospective employees deem certain characteristics of the work itself to be desirable (Turban, Eyring & Campion 1993). Research in the area has consistently identified the organisational characteristics like organizational size, stability, reliability, name recognition, future prospects and growth potential as University students' most frequently cited reasons for being attracted to or pursuing employment with a company.

Consequently, this study explored the job and organisational attributes that attracted MBA students to organisations in Coimbatore and aimed at identifying perceptual differences, if any, in the perceived importance level of job attributes with reference to gender and work experience.

## Theoretical Background

Attracting appropriate applicants is the first step in developing human capital in an organisation (Tuzuner & Yuksul 2009). It is of utmost importance that attention is given to the issue of effective applicant attraction as an appropriate match between the employer and employee which is critical to the welfare and productivity of individuals and organizations. Secondly, organizations spend a great deal of money in the recruitment process and therefore, without the right applicants, they cannot hope to develop the level of competitive advantage necessary to compete in a volatile economy (Backhaus & Tikoo 2004).

The concept of employer branding has undergone significant developments since Simon Barrow created the term "employer brand" as early as in 1990 (Thorne K 2004). Ambler & Barrow (1996) defined employer branding as 'the package of functional, economic & psychological benefits provided by employment, and identified with the employing company'. Employer attraction is the first step to employer branding and is part of the recruitment policy of a firm as it projects the firm as a desirable place to work in the minds of prospective applicants. Berthon et al. (2005, p.156) in their study defined Employer attractiveness or Organisational attractiveness as the "envisioned benefits that a potential employee sees in working for an organization". They suggested that the employer attractiveness construct may be considered as an antecedent of the concept of employer brand equity and operationalised the five dimensions of organisational attractiveness as Interest Value, Social Value, Economic Value, Application Value and Development Value. These assessed the extent to which individuals are attracted to an organization that provides these values.

The assertion of Schneider's (1987) Attraction- Selection - Attrition (ASA) model is that "people in any organization are unique in that they are the ones attracted to, chosen by, and who choose to remain with an organization". Individuals and organizations make decisions about one another based on their needs, expectations and preferences. In other words, for the best placement there should be person - organization fit. There is a substantial amount of research available exploring the relationship between job and organizational characteristics and organizational attractiveness (Hannon 1996; Moy & Lee 2002; Chapman et al. 2005; Terjesen et al. 2007; Gomes & Neves 2011; Syed 2011).

Previous research in the area of organisational attractiveness has confirmed that organizational attraction is influenced by applicants' perceptions of job or organizational attributes such as pay, opportunities for advancement, location, career programmes, or organizational structure (Cable & Graham 2000; Highhouse et al. 1999; Honeycutt & Rosen 1997; Lievens, Decaestecker, Coetsier & Geirnaert 2001; Lievens & Highhouse 2003; Turban & Keon 1993). These studies asked respondents to indicate their preferences for certain job attributes and concluded that some attributes were rated/ ranked highly. Turban et al. (1993) in their study investigated the job attributes preferred by college recruits and compared whether the attributes preferred in a job were the same attributes reported to influence the employment.



The job attributes studies of Turban et al. (1993) were based on the study of job attribute preferences of Jurgensen's (1978) and included job attributes like Pay, Benefits, Working Conditions, Hours of Work & Job Security among others. The results reported that different job attributes were important in the decisions to accept or reject a job. In their study, Nadler et al. (2010) predicted that greater flexibility would result in higher ratings of organizational attractiveness and results partially supported it. Quite a number of studies established that organisations perceived to offer higher pay levels were more attractive to job seekers (Lievens & Highhouse 2003; Barber & Roehling 1993; Cable & Judge 1994; Rynes et al. 1983).

Turban et al. (1993) also in their study established the relationship between pay and compensation and organisational attractiveness. Further, recruitment activities influenced firm attractiveness through the perceptions of attributes like compensation and pay, job security, challenging work, training and development (Turban 2001). Other studies too have investigated the relationship between pay, benefits and job security, and organisational attractiveness (Allen et al. 1979; Powell 1984; Porter et al. 2004; Chapman et al. 2005; Terjesen et al. 2007; Konrad et al. 2000; Grund 2009) and flexible work hours (Terjesen et al. 2007). Terjesen et al. (2007) also studied among other attributes that 'opportunity to work (live) abroad' is major attraction. Scholars have reported gender differences in job attribute preferences (Allen et al. 1979; Konrad 2000; Terjesen et al. 2007).

Hannon (1996) reported significant positive relationship between sales and profits of the organisations and organisational attractiveness. Hannon (1996) also reported variation in the level of relationship among the different applicant cohorts based on applicant disciplines like engineering, and liberal arts. Konrad et al.'s (2000) meta-analysis of US studies of job attribute preferences report significant sex differences consistent with gender roles and stereotypes, particularly the gender stereotype that interpersonal relationships are more important to women. According to the work by Williams & Best (1990) and Konrad et al. (2000) on the masculine roles and corresponding job attributes, men were likely to place more importance to salary and benefits, prestige, status and challenging job. Women were likely to be more inclined to choose flexible/good working hours, and not opportunities for travel.

Studies have pointed out that potential employees could be segmented into different clusters based on their attractiveness components, with each cluster having its own demographic characteristics (Albinger & Freeman 2000; Tuzner & Yuksel 2008; Grund 2009). Lievens, Hoye & Schreurs (2005) showed that gender, employer familiarity, perceptions of job and organisational attributes, and trait inferences explained potential applicant's attraction to military organisations. Job seekers perceptions are influenced by factors such as reputation variables, personal characteristics and academic background (Arachchige et al. 2011). Another set of studies in the area of organizational attraction have shown that job choice decisions may be determined by several factors, including job characteristics, organizational attributes, and applicant perceptions of organizational attractiveness (Barber & Roehling 1993; Highhouse et al. 2003; Ryan et al. 2005; Robertson et al. 2005; Van Hooft et al. 2006).

To test the assertion that some of these job attributes are related to organizational attractiveness, the present study empirically examined the relationship between six familiar and relatively stable job attributes (Job security, Challenging work, Opportunities for international travel, Flexible working conditions, Attractive overall compensation package, Career enhancing professional training and development) and a measure of organizational attractiveness.

The study assumes that perceived importance level of job and organizational attributes will play a significant role in Management graduates' attraction to organisations, as reflected in the following hypothesis.

**Hypothesis 1:** Perceived importance level of job attributes of organisations will be positively related with the perceived attractiveness of the organisation as an employer

**Hypothesis 2:** Perceived importance levels of the job attributes may vary according to respondents' gender.

**Hypothesis 3:** Perceived importance levels of the job attributes may vary according to respondents' work experience.

**Hypothesis 4:** Perceived importance levels of the job attributes may vary according to respondents' area of specialization.

## Data and Methodology

The study adopted survey method and was descriptive in nature. The study was conducted during April-September 2013 and used systematic random sampling as the sampling technique. Respondents were students of final year of the Masters in Business Administration (MBA) course from 20 randomly selected colleges of the 71 colleges offering the course in Coimbatore. The colleges were alphabetically arranged and from every third college, 20% of the students in their final year and actively seeking job after completion of the course were selected at random and asked to fill in the questionnaire. Of the 500 questionnaires distributed, 461 were returned, of which 433 were usable.

## Respondents

Of the total respondents, 45.7% of the student respondents were male and 54.3% female. Most of the students had no work experience (67%). Most of the respondents had Financial Management (45.7%) as their specialization. 35.9% of the respondents chose Human Resource management, 14% had marketing, 3.3% had Systems and the remaining 1.1% had Operations management as their specialization.

## Measures

The questionnaire consisted of four parts. The first part was related to information about the demographic characteristics of respondents like age, gender and work experience. The second part asked the respondents to rate the six job attributes – 1) Job security, 2) Higher job role and responsibility, 3) Opportunities for international travel, 4) Flexible working conditions, 5) Attractive overall compensation package and 6) Career enhancing professional training and development. Part 3 listed the top 25 companies to work for in India as per the Survey 'Best Companies to Work For, India 2012-13' conducted by Business Today and People Strong in association with naukri.com and asked the respondents to choose a company they would like to work for and which they perceived had the factors of job attributes according to the importance they attached to it. The fourth part of the questionnaire measured Organisational attractiveness.

## Factors of Job Attributes

The respondents rated the factors of Job attributes on a 7-point Likert scale (1 being 'not important' and 7 being 'extremely important') in relation to their importance as an attractor for employment and perception that the organisation they prefer to work offers these attributes in accordance with their perceived importance. Past researches have established Job Security as an important attribute essential to attract job aspirants to organisations (Powell 1984; Konrad et al. 2000; Porter et al. 2004; Chapman et al. 2005; Berthon et al. 2005; Grund 2009; Arachchige & Robertson 2011). The factor, Career enhancing professional training and development is a key characteristic of an organisation considered important when considering employment by job aspirants. Literature available overwhelmingly suggests that a key characteristic of an employer of choice is that it provides personal and career growth opportunities through training and development programmes. Scholars have reported training and development opportunities provided by organisations as an important attribute to be perceived as attractive (Highhouse et al. 1999; Brahnham 2000; Turban 2001; Berthon et al. 2005; Arachchige & Robertson 2011; Gomes & Neves 2011;

Alniacik & Alniacik 2012). Tulgan (2001) also noted in his research that people are preoccupied with growth opportunities. Compensation, benefits and pay is the other important attribute that is perceived important by job aspirants and many researchers have focused on its impact on job choice decisions and organisational attractiveness ( Barber & Roehling 1993; Rynes et al. 1983; Turban et al. 1993; Highhouse et al. 1999; Turban 2001; Aiman-Smith et al. 2001; Cable & Judge 1994; Konrad et al. 2000; Terjesen et al. 2007; Lievens & Highhouse 2003; Tuzuner & Yuksel 2009; Grund 2009; Gomes & Neves 2011; Schreurs & Syed 2011). Higher job role & responsibility is an important factor which job aspirants look for in an organisation. There are many researches supporting this (Konrad et al. 2000; Terjesen et al. 2007). The other two factors which have been considered important by applicants are Opportunities for international travel (Konrad et al. 2000; Terjesen et al. 2007; Tuzuner & Yuksel 2009) and Flexible working conditions (Highhouse et al.1999; Konrad et al. 2000; Terjesen et al. 2007; Tuzuner & Yuksel 2009; Gomes & Neves 2011).

## Organisational Attractiveness

Organisational Attractiveness was measured using a 5 items adopted by Highhouse et al. (2003) which was taken from past studies (Fisher et al. 1979; Turban & Keon 1993). These items were also used by Aiman-Smith et al. (2001) & Gomes & Neves (2011). Items include: “This would be a good company to work for”, “A job with this company is very appealing to me”. Respondents were asked to rate each item on a 7-point response scale (1 = Strongly disagree, 7 = Strongly agree). Reliability test was conducted and the Cronbach’s alpha for the scale was 0.81 which was above the prescribed 0.7 threshold for Cronbach’s  $\alpha$  (Nunnally & Bernstein 1994).

## Analyses and Results

Descriptive statistics, correlation and regression analysis were used to examine the relationship between the job attributes and organisational attractiveness and therefore to test Hypothesis 1. To test Hypotheses 2, 3 and 4 that the perceived importance levels of the job attributes may vary according to respondents’ gender, work experience and area of specialization, t-test and ANOVA were conducted.

Table 1 presents means, standard deviations and correlations. Results indicate that attraction to the organisations was positively correlated with the job attributes.

**Table 1: Mean, Standard Deviation & Correlations of the study variables**

S.No	Variables	Mean	Std. Deviation	1	2	3	4	5	6	7
1.	Job Security	5.85	1.231	1						
2.	Career Enhancing Professional Training & Development	5.45	1.199	.359**	1					
3.	Compensation & Benefits	5.66	1.320	.279**	.220*	1				
4.	High Job Responsibility	5.59	1.206	.142	.281**	.217*	1			

5.	Opportunities for International Travel	5.50	1.297	.101	.068	.156	.275**	1		
6.	Flexible Working Conditions	5.76	1.020	.294**	.205	.382**	.330**	.201	1	
7.	Organisational attractiveness	5.69	0.648	.579**	.589**	.570**	.368**	.335**	.447**	1

Note: N = 433

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

The results support our H<sub>1</sub>, that there will be a positive relationship between Organisational attractiveness and job attributes. Previous studies identify a positive relationship between job attributes and organisation's attraction (Turban et al., 1998). Correlation tests for the total attractiveness scores with the six job attributes in the study reveal a positive and significant relationship (all  $p < 0.001$ ).

### Regression Analysis

The extent of impact of the job attributes characteristics on organisational attractiveness was examined using multiple regression. Organisational Attractiveness was the dependent or criterion variable and the job attributes are the independent or predictor variables which when processed through a stepwise estimation resulted in a regression variate that best predicted the Organisational attractiveness. Multiple regression was performed for the sample as a whole.

Findings of Multiple regression report that Predictors: (Constant), Compensation & benefits, Job security, Training & development, Opportunities for working abroad and Flexible working conditions are predictors of Organisational attractiveness as revealed in model summary of Table 2. However, higher job role and responsibility did not have a significant impact on organisational attractiveness.

**Table 2: Regression Analysis - Model Summary**  
**Dependent Variable : Organisational attractiveness**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628 <sup>a</sup>	.395	.388	.50705
2	.760 <sup>b</sup>	.577	.568	.42620
3	.809 <sup>c</sup>	.655	.643	.38716
4	.837 <sup>d</sup>	.701	.687	.36267
5	.846 <sup>e</sup>	.717	.700	.35498

- a. Predictors: (Constant), Compensation & Benefits
- b. Predictors: (Constant), Compensation & Benefits, Job security
- c. Predictors: (Constant), Compensation & Benefits, Job security, Training & Development
- d. Predictors: (Constant), Compensation & Benefits, Job security, Training & Development, Opportunities for working abroad.
- e. Predictors: (Constant), Compensation & Benefits, Job security, Training & Development, Opportunities for working abroad, Flexible working conditions

The stepwise estimation for the full sample resulted in identifying the five predictor variables that explained organisational attractiveness to the extent of 71.7 % as shown in Table 2. Coefficient of determination ( $R^2$ ) describes the variability in Organisational attractiveness accounted for by the regression which is found statistically significant ( $p < .01$ ). This implies that the predicted variables have a significant impact on organisational attractiveness and hence they have significant explanatory power of the regression equation. These findings support  $H_1$ . Therefore, the attractiveness to an organisation can be improved by focusing on developing these job attributes. The unstandardized co-efficients obtained in Table 3 were used to derive the regression equation which may be used to estimate organisational attractiveness.

**Table 3: Coefficients<sup>a</sup> of Regression model**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
5	(Constant)	1.689	.278		6.073	.000
	Attractive compensation & Benefits (C&B)	.178	.032	.362	5.639	.000
	Job security (JS)	.164	.034	.311	4.884	.000
	Training & Development (T&D)	.166	.035	.307	4.784	.000
	Opportunities for relocation abroad (OA)	.084	.025	.197	3.347	.001
	Flexible working conditions (FWC)	.088	.040	.138	2.193	.031

<sup>a</sup> Dependent variable : Organisational attractiveness

**Regression variate:** Organisational attractiveness = 1.689 + 0.178 C&B + 0.164 JS + 0.166 T&D + 0.084 OA + .088 FWC

To test the hypotheses 2 and 3, t-test was applied. The results as revealed in Table 4 show significant difference between male and female respondents in their perceived importance level of job attributes – Flexible working conditions and High job role and responsibilities. No significant gender difference was observed in the perceived importance level of other job attributes like Job security, Training and Development, Compensation and Benefits. Therefore, H2 is partly supported.

**Table 4: Gender Based Differences**

	Gender	Mean	Std. Deviation	t	Sig (2-tailed)
Job security within the organisation	Male	5.86	1.095		
	Female	5.84	1.346	.066	.947
Career-enhancing Training & Development	Male	5.52	1.153		
	Female	5.38	1.244	.571	.569
Compensation & Benefits	Male	5.45	1.549		
	Female	5.84	1.076	-1.411	.167
High job role & responsibility	Male	5.26	1.326		
	Female	5.86	1.030	-2.433	.017
Opportunities for working abroad.	Male	5.07	1.488		
	Female	5.24	1.572	-.525	.601
Flexible working conditions	Male	5.43	1.151		
	Female	6.04	.807	-2.985	.004

Findings of the t-test to test H3 are shown in Table 4. Results indicate that respondents with work experience differ significantly on the perceived importance level of the job attribute – Flexible working conditions. Students without work experience rated flexible working conditions higher than those with work experience. The findings therefore partly support H3 that perceived importance levels of the job attributes may vary according to respondents' work experience.

Analysis of Variance (ANOVA) to test hypothesis 4 that respondent categorised on the basis of their area of specialization will differ in their perceive importance level of job attributes reported no significant differences. Hence, H<sub>4</sub> was not supported.

**Table 5: Work Experience based differences**

	Work Experience	Mean	Std. Deviation	t	Sig. (2 – tailed)
Job security within the organisation	No Work Exp	5.52	1.156	.809	.421
	With Work Exp	5.30	1.291		
Career-enhancing Training & Development	No Work Exp	6.00	1.101	1.723	.088
	With Work Exp	5.53	1.432		
Attractive Compensation & benefits	No Work Exp	5.71	1.165	.485	.629
	With Work Exp	5.57	1.612		
High level of responsibility	No Work Exp	5.61	1.272	1.204	.232
	With Work Exp	5.27	1.337		
Opportunities for working abroad.	No Work Exp	5.56	1.236	-.255	.799
	With Work Exp	5.63	1.159		
Flexible working conditions	No Work Exp	5.94	.866	2.422	.017
	With Work Exp	5.40	1.221		



## Discussion and Conclusion

The findings of the study have thrown light on the preferred job attributes of graduating business management students in Coimbatore. The six job attribute factors were found to be positively related to Organisational attractiveness. Job Security, Flexible working conditions and attractive compensation were rated higher in importance than the other factors. Except higher job role and responsibilities, all the other five job attribute factors were found to be predictors of Organisational attractiveness. The results of the 'Campus Track' survey by Neilson (2012, January 12), also mention salary package as one of the top five dimensions students considered when it comes to seeking employment. Career growth prospects & compensation and benefits figured high on the ratings by respondents in the Business Today and People Strong in association with naukri.com survey, 'Best companies to work for: India 2012-13'. Another study, 'Preferred Employer 2012' by online job portal FlikJobs.com and MyHiringClub.com report that Indian management students are looking at job security as one of the most important parameters while choosing their future employers and prefer to work in public sector firms over private ones due to secured employment environment and high future earnings.

Significant gender differences were found to exist in perceived importance ratings of flexible working conditions. Female respondents rated the factor 'work flexibility' higher than their male counterparts. Earlier researches exploring gender differences in job attribute preferences reported that women generally rated work schedule flexibility higher on organizational attractiveness (Nadler et al. 2010). In line with earlier work on gender self-schema, the results of the study suggest that women place greater importance on flexible working conditions. The other findings in the study do not support earlier work on gender differences in job attribute preferences. Male students were expected to identify more with the masculine stereotype for the following three attributes: "Compensation and benefits", "High job role and responsibilities" and "Opportunities for working abroad". In fact, none of these attributes revealed differences that were significantly more important for men. This suggests that new generation men and women are more similar with regards to these traditionally masculine stereotypes. Respondents with no work experience rated flexible working conditions higher than those with work experience indicating the work expectations of the fresh graduates. No significant differences were noted among the student segments based on their area of specialization.

These results can enable organizations to gain a meaningful understanding of how to strategically develop their employer brand both for the recruitment and retention of employees.

The research can be extended to other dimensions to include students of other professional courses and geographical location. Variables like employer reputation and image and recruitment image can be studied. Study on the impact of recruitment activities and employer brand development initiatives in attracting job aspirants can also be undertaken for deeper understanding of the factors that make an organisation employer of choice. Employer attributes that attract experienced employees and executives can also be studied. Employer's perspectives of employer attributes that attract employees can also be compared with employee perceptions.

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# Personal and Situational Factors that Influence Employee Engagement among Managerial Employees: An Exploratory Study

Dr. Baldev R. Sharma\* and Dr. Shalini Khandelwal\*\*

## Abstract

Both academicians and practitioners believe that engaged employees produce high quality output through their high quality and committed performance. The employee engagement construct is multilayered and multidimensional. It denotes passion, enthusiasm and willingness of a person to invest time and effort in the pursuance of his/her work goals. Both personal attributes of the employees and situational factors are found to influence employee engagement. The present study is a part of a series of studies on employee engagement in a variety of Indian organizations. The study on which this paper is based was carried out to ascertain the level of employee engagement and to identify the predictors thereof in a mobile service provider company. The research hypothesis being tested is “Employee engagement is a function of certain personal attributes of the employees and the climate of the organization within which they work.” The study uses the 70-item questionnaire developed to measure job engagement, organization engagement, work ethic, locus of control (10 items each) and organizational climate (30 items). Organizational climate was measured in terms of six dimensions (5 items each): job characteristics, interpersonal relations, objectivity, pay, benefits and career development. Data was analyzed using SPSS and statistical techniques of mean, standard deviation, correlation, regression, t-test and ANOVA. The findings indicate that the level of employee engagement in this company is quite high, the respondents are endowed with a high degree of positive work ethic and internal locus of control, but ratings for the organizational climate are somewhat moderate. With the help of multivariate analysis, it was possible to identify two critical predictors of engagement, namely, work ethic and career development.

**Keywords:** Employee Engagement, Job Engagement, Organization Engagement, Work Ethic, Organizational Climate, Locus of Control.

## Introduction

In the ever changing business scenario, it is being increasingly realized that organizations can gain and maintain competitive edge through people as creators of assets. It is precisely to that end that employee engagement assumes significance as a way of managing people in organizations because engaged employees are believed to deliver high quality/committed service and produce high quality results (Mohapatra & Sharma, 2010). An employee must be able to engage his cognitive, emotional and physical dimensions in his work. Engaged employees are believed to express themselves physically, cognitively and emotionally during role performances. Both practitioners and academics tend to agree that the consequences of employee engagement are positive (Saks, 2006). Because engaged

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\*Professor Emeritus, International Management Institute, B-10, Qutab Institutional Area, New Delhi – 110 016.

E-mail: baldevsharma@imi.edu

\*\*Faculty Member, IBS Gurgaon, IDPL Complex, Old Delhi Gurgaon Road, New Delhi.

E-mail: shalinik@ibsindia.org

The authors acknowledge the contribution of Shalini Kumari Singh, a PGDM student of IBS-Gurgaon, for her valuable assistance in the collection of data for this study.

employees are fully present, they give their all to their jobs and are willing to go the extra mile to achieve success (Kahn, 1990).

According to Rutledge (2006), the truly engaged employees are attracted to and inspired by their work. Engaged employees care about the future of the organization and are willing to invest the discretionary effort, exceeding duty's call, to see that the organization succeeds. Rashid, Asad & Ashraf (2011) reported that engaged employees contribute to the profitability of the organization as well as an improvement in the quality of its services. Harter, Schmidt & Hayes (2002) reported that engagement is positively related to customer satisfaction, loyalty, profitability, and productivity. It is believed that employee engagement predicts employee performance, organizational commitment as well as organization's financial performance (Bates, 2004). Employee engagement has been found to have a positive relationship with productivity, profitability, safety, employee retention and customer satisfaction (Buckingham & Coffman, 1999) and (Coffman & Gonzalez Molina, 2002).

The study aims at ascertaining the level of employee engagement and identifying the factors that influence engagement in a mobile service provider company. Primary data for the study was collected with the help of a structured questionnaire which was administered to a random sample of 52 managerial employees.

## **What is Employee Engagement?**

The focal point of many of the definitions of employee engagement is the job or the work assigned to a person and his physical, cognitive as well as emotional involvement in that job or work. However, several scholars have defined employee engagement with its primary focus on the organization instead of the job. Given below are some of the major attempts to define or describe employee engagement:

- Kahn (1990) was one of the first to conceptualize the employee engagement construct. He has defined it as “the harnessing of organization members’ selves to their work roles.” According to him, engagement refers to the employees bringing in or leaving out their personal selves during work role performance, while disengaged people uncouple themselves from work roles, as they withdraw and defend themselves.
- According to Maslach, Schaufeli & Leiter (2001), engagement is characterized by energy, involvement, and efficacy, the direct opposites of the three burnout dimensions, namely, exhaustion, cynicism, and inefficacy.
- Gallup Research Group defines employee engagement as the individual's involvement and satisfaction with as well as enthusiasm for work (Harter, Schmidt & Hayes, 2002).
- Schaufeli et al. (2002) have defined employee engagement as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption.
- Robinson, Perryman and Hayday (2004) define engagement as “a positive attitude held by an employee towards the organization and its values”. An engaged employee is aware of the business context and works with colleagues to improve performance within the job for the benefit of the organization.
- Frank, Finnegan & Taylor (2004) define engagement as the amount of discretionary effort exhibited by employees in their jobs.
- Lucey, Bateman and Hines (2005) have described the Gallup Engagement Index as a measure of how each individual employee connects with the organization.

- According to DDI (2005), engagement refers to the extent to which people value, enjoy and believe in what they do.
- According to Wellins and Concelman (2007), engagement means passion, commitment, and extra effort – the elusive force that motivates people to high performance.

The above definitions suggest that employee engagement means an employee's psychological identification with his job and the organization. We may, therefore, define employee engagement as the extent to which the employees are committed to the vision, mission and goals of the organization and actively involved with the work they do.

## **Relationship with Other Constructs**

Review of literature shows that employee engagement construct overlaps with some other well-known constructs such as job satisfaction, job involvement, organizational commitment and work motivation. The relationship between engagement and each of these constructs is briefly discussed below.

### **Engagement and Job Satisfaction/Involvement**

Harter, Schmidt & Hayes (2002) have defined engagement as an employee's satisfaction and involvement with the job as well as enthusiasm for work. However, Erickson has argued that while satisfaction connotes satiation, engagement connotes activation. In other words, although engagement is related to satisfaction it goes a step beyond job satisfaction. Engagement has been defined as a state of involvement that implies a positive and relatively complete state of engagement of core aspects of the self in the job (Brown, 1996). Job involvement, according to Kanungo (1982), is the result of cognitive judgment and is all about the need-satisfying ability of the job, whereas employee engagement entails the active use of emotions and behaviors, in addition to cognitions. Engagement can also be distinguished from the job involvement construct as in job involvement the focus is on work alone, whereas engagement is a broader concept because it focuses on employee's relationship with not only his work but the organization as well.

### **Engagement and Commitment**

There is a widespread agreement among the academics as well as practitioners that engaged employees are those who are emotionally connected to the organization. Fleming, Coffman and Harter (2005) have used the term "committed employees" as a synonym for "engaged employees." Wellins and Concelman (2007) consider employee engagement as an amalgam of commitment, loyalty, productivity and ownership. According to these authors, "to be engaged is to be actively committed". As organisational commitment involves a sense of belongingness, personal meaning, and being part of the family (Meyer & Allen, 1997), it can be inferred that affective commitment is one of the important facets of engagement, but not the same as engagement (Saks, 2006).

### **Engagement and Motivation**

Employee engagement has a lot in common with the existing of employee motivation (Sharma, Gitanjali and Sharma, 2010). According to Bernthal (2009) the concept of employee engagement has naturally evolved from the past research on high involvement, empowerment, job motivation, organizational commitment and trust. He argues that, in some ways, all of these concepts are variations of the same fundamental issues; namely, employee motivation and behavior.

Thus, employee engagement appears to be a new label for an amalgam of a number of existing constructs. Unlike other constructs that are focused only on an employee's work role, engagement covers both the job and the organisation of which he/she is a member. Saks (2006) has tried to resolve this



controversy by suggesting that employee engagement is a two-dimensional construct comprising of job engagement and organisation engagement. As Macey & Schneider (2008) have argued, employee engagement goes beyond job satisfaction, job involvement, and loyalty to the employer; rather, it is about passion, commitment, willingness to invest oneself, and to expand one's discretionary effort to help the employer succeed. Employee engagement, therefore, is not a theoretical precise and unambiguous construct but an all-embracing omnibus term with multiple meanings. Like culture, climate and work motivation, it is a multidimensional, multi-layered construct.

## **Predictors of Employee Engagement**

Predictors of employee engagement seem to depend on the unique environment/climate of each organization, which is shaped by different job demands and resources available to employees as well as the personality and demographic background of the employees. According to Luthans et al. (1987), there are different personal and organizational factors that influence employee engagement.

### **Personal Attributes**

As suggested by Bowditch & Buono (2001), personality of an individual acts as a key differentiator that influences engagement. According to them, our personality acts as a kind of perceptual filter or frame of reference which influences our view of the world. According to Robinson (2006), individual differences play a vital role in determining an employee's potential level of engagement. Kahn (1990) too argued that psychological differences may have an impact on an individual's ability to engage or disengage in their role performance. Robinson, Perryman & Hayday (2004) have argued that each individual is unique and individual differences play a significant role in determining the level of employee engagement. Maslach, Schaufeli & Leiter (2001) have reported that the person most likely to be engaged (even under less than ideal circumstances) is hardy, and has an internal locus of control, and is able to actively cope with whatever problems come his way.

The study of Kahn (1990) suggested that there are three antecedents of personal engagement such as psychological meaningfulness, psychological safety, and psychological availability. According to Singh & Bhattacharya (2007), people attach different meanings and values to their work such as (a) a means for expressing self, (b) a duty to fulfil one's pre-destined calling, or (c) a punishment, hardship or unpleasant obligation. Shrivastava & Dolke (1978) found locus of control, need strength, and need satisfaction as important variables that influenced employee's organisational identification. In a study of managerial employees of a public sector power corporation, Sharma & Ningthoujam (2014) found "work ethic," "locus of control" and "interpersonal relationships" as the predictors of job engagement, whereas "work ethic" and "interpersonal relationships" influenced organisation engagement.

Apart from personality traits, some demographic background factors have also been found to influence employee engagement. Johnson (2004) has found that American women find themselves more satisfied and engaged in their jobs than their male counterparts. Mohapatra & Sharma (2010) reported in their study that both age and experience were positively related with employee engagement. Some studies have found that the longer an employee stays with an organization, the less engaged he is (Ferguson, 2007; Truss et al., 2006). Sharma & Ningthoujam (2014), in their study of a sample of managerial employees, found a weak but statistically significant relationship between engagement and age as well as level of education. However, the observed relationship was found to be curvilinear. The employees in the middle age group were found to be more engaged than their younger or older counterparts. Likewise, graduates were found to be more engaged than those who were either undergraduates or post-graduates. They found no significant association between engagement and either gender or occupational status. The study of Sharma & Raina (2010) did not find any association between background factors such as age, experience, gender, and level of education and employee engagement.

## **Situational Factors**

According to Erickson (2005), the antecedents of employee engagement are located in the conditions under which people work. Schaufeli, Bakker & Van Rhenen (2009) found that job resources such as support, autonomy, opportunities to learn and feedback predict engagement. James, Mckechnie & Swanberg (2011) have reported that supervisory support, recognition, employee satisfaction with the schedule, job clarity, and career development emerged as the predictors of employee engagement. Mohapatra and Sharma (2010), who used organisational commitment as a measure of employee engagement, found “objectivity”, “pay” and “job content” as the predictors of organisation engagement. Garg and Kumar (2012) reported in their study that well-defined career opportunities to employees, fair pay, benefits, and perception that organization offered good value to the customers positively influenced employee engagement.

Chaudhary, Rangnekar & Barua (2012) found in their study that perceived human resource climate of the organization is positively correlated with engagement measured in terms of vigour, dedication, and absorption. Pati and Kumar (2010) also found that perceived organizational support was significantly correlated with employee engagement among a sample of 124 software programmers. In a study of bank employees in Pakistan, Rashid, Asad & Ashraf (2011) reported a significant relationship between employee engagement and decision making, performance reward system, and employee involvement. In another study (Sharma, Gitanjali & Sharma, 2010), the following four factors were found to be the critical drivers of employee engagement; (a) compensation and benefits, (b) performance management, (c) job content and (d) learning and development.

Saks (2006) studied a sample of 102 employees working in a variety of jobs and organisations and found that only organisational support was the critical predictor of organisation engagement whereas the critical predictors of job engagement were organisational support and job characteristics. A study by Andrewa & Sofian (2012) revealed that employee development measures undertaken by the organisation were related to job engagement whereas interpersonal relationships with fellow workers influenced both job engagement as well as organisation engagement. Sharma and Raina (2010) revealed the importance of “objectivity” and “recognition” as the critical determinants of organizational commitment, whereas “career opportunity” and “pay” were found important for job involvement. In yet another study by Sharma and Raina (2013) of a global media organization, it was found that “job content” and “benefits” influenced both job engagement and organizational engagement, whereas “objectivity” influenced only organizational engagement.

Several studies carried out in the West have also found organizational climate to be positively and significantly related to work engagement (Hakanen, Bakker & Schaufeli, 2006; Dollard & Bakker, 2010; Halbesleben, 2010). May, Gilson & Harter (2004) found employee engagement to be positively related to (a) meaningfulness, (b) safety, (c) availability, (d) co-workers and (e) supervision. Schaufeli, Bakker & Van Rhenen (2009) have reported that job resources such as (a) social support, (b) autonomy, (c) learning opportunities and (d) feedback are the predictors of work engagement among telecom managers. Chen & Chen (2008), in their study on three of Taiwan’s state owned enterprises, revealed that work design had a significant influence on employees’ commitment to the organization.

## **Summing Up**

On the basis of the literature review, it can be said that there are different sets of factors that influence employee engagement. According to Xanthopoulou et al. (2009), job resources as well as personal resources are the most important predictors of work engagement. Some of them are personal attributes of employees while others are situational/environmental variables. In other words, the level of employee

engagement is not influenced by any one factor, as diverse factors play a significant role in influencing employee engagement. Moreover, the importance of factors may vary in different organizations. Mohapatra and Sharma (2010), in their study on employee engagement among managerial employees, concluded that employee engagement is influenced by both personal as well as situational factors. Past researchers have focused primarily on the role of situational factors and have neglected the role of personal attributes of the employee. The few studies that have examined the role of personal factors are focused mostly on demographic variables such as gender, marital status, age, work experience, education and so on. The role of attitudes, values or personality is rarely studied as a predictor of employee engagement.

## Measures of Employee Engagement

There is no agreement among researchers in terms of the way employee engagement is measured.

- The Gallup researchers use a 12-item questionnaire which is called the Gallup Workplace Audit (GWA). Five of these items measure job characteristics, another five are about supervision or leadership, while the remaining two items are about fellow workers. The 12-item measure of GWA is called Employee Engagement Index (Crabtree, 2005; Lucey, Bateman & Hines, 2005).
- Schaufeli et al. (2002) have developed a 17-item, three-dimensional measure of employee engagement. The dimensions are called vigour, dedication and absorption and are all focused on the work role and do not cover the organisational role.
- McDade and McKenzie (2002) have advocated the use of a measure of employee engagement that includes three components: (a) job satisfaction, (b) advocacy and (c) desire to stay.
- May, Gilson and Harter (2004) used a 13-item composite measure of employee engagement which seeks to ascertain the cognitive, emotional and physical involvement of a person with the job assigned to him.
- Robinson, Perryman and Hayday (2004), who are greatly influenced by Hewitt's conceptualization, have developed a 12-item composite scale to measure employee engagement. More than half of the items used in this scale seek to measure the attitude of an employee towards the organization and its values.
- Gubman (2004) has advocated that a measure of employee engagement must involve measuring the psychological person as well so as to identify his passion for work. He has explained passion for work through the formula:  $\text{Passion} = W3$  (What you do  $\times$  Where you do it  $\times$  Who you are)
- Saks (2006) has treated employee engagement as a two-dimensional construct and has called the dimensions as (a) job engagement and (b) organization engagement. He has developed two separate questionnaires to measure the said two dimensions of employee engagement; a 5-item job engagement instrument and a 6-item organization engagement questionnaire. Andrewa & Sofian (2012) too have used the said two-dimensional model to study employee engagement.
- Hewitt Associates have developed a 3-S model of employee engagement according to which an engaged employee says good things about the organization, stays with the organization and strives to work hard beyond the call of duty. They use a six-item measure of engagement that taps the said three dimensions.

In the study on which this paper is based, we have measured employee engagement in terms of its two dimensions, namely, job engagement and organization engagement. The choice of these two dimensions is in line with the conceptualization of the construct by Saks (2006). However, instead of



using his questionnaire, we have developed our own 10-item measure to study each dimension of engagement.

## Data and Methodology

The present study was carried out in the corporate office of a mobile service provider company located in the National Capital Region (Delhi). It is a joint venture company with three-fourth of its equity held by a foreign communications giant. The company started its operations in 1999 and soon emerged as the market leader in one of the regions of India. In 2005, the company began its expansion plans and has now set its sight on becoming a pan India operator.

The sample consists of predominantly male respondents as out of the total sample of 52 there are only 5 females. The typical respondent is 31 years old, holding a postgraduate degree or diploma, and has an average working experience of eight years. Detailed breakdown of these figures is shown in Table 1:

**Table 1**

S.No	Background Variable	Frequency	Percent
<b>1</b>	<b>Gender</b>		
	Male	47	90.38%
	Female	5	9.62%
	<b>Total</b>	<b>52</b>	<b>100.00%</b>
<b>2</b>	<b>Age</b>		
	20-29 years	21	40.38%
	30-32 years	16	30.77%
	33-48 years	15	28.85%
	<b>Total</b>	<b>52</b>	<b>100.00%</b>
<b>3</b>	<b>Experience</b>		
	Up to 5 years	18	34.62%
	6-8 years	15	28.85%
	9-23 years	19	36.54%
	<b>Total</b>	<b>52</b>	<b>100.00%</b>

## The Questionnaire

The present study being part of a series of studies on employee engagement in a variety of Indian organizations, it uses the same 70-item questionnaire. These studies are aimed at ascertaining the level of employee engagement within each organization and to identify the predictors thereof. The broad hypothesis that will guide our search for the predictors of engagement can be stated as follows:

“Employee engagement is a function of certain personal attributes of the employees and the climate of the organization within which they work.”

## The Measures

Employee engagement was measured in terms of its two manifestations, namely, job engagement and organization engagement, each with the help of 10 statements. Likewise, two measures of personal attributes, namely, work ethic and locus of control, were also measured with the help of 10 items each. Finally, organizational climate was measured in terms of its following six dimensions:

- (1) Job Characteristics (5 items)
- (2) Interpersonal Relations (5 items)
- (3) Objectivity (5 items)
- (4) Pay (5 items)
- (5) Benefits (5 items)
- (6) Career Development (5 items)

The reliability of the 10 multi-item variables was examined by calculating for each of them (a) inter-correlation matrix, (b) item-to-total correlation and (c) Cronbach Alpha. In the case of nine out of 10 variables, the reliability coefficient (alpha) was found to meet the required limit of acceptability (equal to or higher than .60). But in one case (work ethic) the 10-item scale indicated a very low level of reliability (.348). However, subsequent analysis revealed that deletion of one of the items raised the value of alpha from .348 to .643. It was, therefore, decided to drop the said item and to use the 9-item measure of work ethic.

For two other variables (objectivity & benefits), even though the reliability coefficients were found to be quite high, the dropping of one of the items in each case further improved their level of reliability. In these two cases, the said items were deleted and the revised measures of objectivity and benefits consisted of four items instead of five in each case. The deletion of three items mentioned above reduced the total number of questionnaire items from 70 to 67. Further details of reliability analysis are given below:

**Table 2**

Sl. No.	Variable	No. of Items	Average Item-to-Total Correlation <sup>1</sup>	Cronbach Alpha
1.	Job Engagement	10	.488	.81
2.	Organization Engagement	10	.559	.85
3.	Work Ethic	9	.240	.64
4.	Locus of Control	10	.352	.69
5.	Job Characteristics	5	.536	.76
6.	Interpersonal Relations	5	.642	.81
7.	Objectivity	4	.564	.78
8.	Pay	5	.624	.83
9.	Benefits	4	.483	.71
10.	Career Development	5	.642	.84

<sup>1</sup> The item-to-total correlation is the corrected correlation, which is calculated after deleting the item from the total.

## The Results

Table 3 presents the mean score, standard deviation and some other descriptive statistics for each of the 10 selected variables. The variables have been classified into three groups and, within each group; these are listed in a descending order in terms of their mean scores converted into percentages. The level of employee engagement in this company is found to be fairly high (equal to or higher than 60%). Between the two manifestations of engagement, job engagement has scored higher than organization engagement.

**Table 3: Mean Score, Standard Deviation and Some Other Descriptive Statistics for the Selected Variables (N=52)**

S. No.	Variable	No. of Items	Score Range	Alpha	$\bar{X}$ Score	Std. Dev.	$\bar{X}$ Score as %
<b>Employee Engagement</b>							
1.	Job Engagement	10	0 – 30	.81	19.67	4.69	65.58%
2.	Organization Engagement	10	0 – 30	.85	18.04	5.19	60.13%
<b>Personal Attributes</b>							
3.	Work Ethic	9	0 – 27	.64	18.81	3.48	69.66%
4.	Internal Locus of Control	10	0 – 30	.69	18.81	3.90	62.69%
<b>Organizational Climate</b>							
5.	Job Characteristics	5	0 – 15	.76	9.23	2.95	61.54%
6.	Interpersonal Relations	5	0 – 15	.81	8.63	2.80	57.56%
7.	Objectivity	4	0 – 12	.78	6.85	2.40	57.05%
8.	Pay	5	0 – 15	.83	7.98	2.82	53.21%
9.	Benefits	4	0 – 12	.71	6.27	2.11	52.24%
10.	Career Development	5	0 – 15	.84	7.83	3.09	52.18%

Note: As the score range of all 10 variables is not the same, it is not possible to compare the mean scores across the variables. Therefore, each mean score has been converted into a percentage by dividing the mean score by the upper limit of its score range and multiplying the product by 100.

In terms of personal attributes, the respondents are found to be endowed with a positive work ethic as well as internal locus of control. Insofar as organizational climate is concerned, except for the variable job characteristics, which is rated fairly high (61.54%), the remaining five dimensions offer scope for improvement. The three lowest-rated dimensions are (a) pay, (b) benefits and (c) career development, which should be a matter of concern to the organization.

The second objective of this study being to identify the predictors of employee engagement, we calculated the 10 x 10 inter-correlation matrices for the selected variables. As shown in Table 4, organization engagement is positively and significantly correlated with each of the eight independent variables. This, however, is not the case with job engagement which is significantly correlated with only five out of the eight variables.

**Table 4: Inter-correlation Matrix for the Selected Variables (N=52)**

Sl. No.	Variable	1 JE	2 OE	3 WE	4 LOC	5 JC	6 IPR	7 OBJ	8 PAY	9 BEN	10 CD
1.	Job Engagement	1.00	.813 <sup>***</sup>	.763 <sup>***</sup>	.639 <sup>***</sup>	.570 <sup>***</sup>	.098 <sup>ns</sup>	.346 <sup>*</sup>	.140 <sup>ns</sup>	.203 <sup>ns</sup>	.490 <sup>***</sup>
2.	Organization Engagement	.813 <sup>***</sup>	1.00	.800 <sup>***</sup>	.741 <sup>***</sup>	.647 <sup>***</sup>	.325 <sup>*</sup>	.532 <sup>***</sup>	.460 <sup>***</sup>	.460 <sup>***</sup>	.691 <sup>***</sup>
3.	Work Ethic	.763 <sup>***</sup>	.800 <sup>***</sup>	1.00	.788 <sup>***</sup>	.563 <sup>***</sup>	.164 <sup>ns</sup>	.438 <sup>***</sup>	.299 <sup>*</sup>	.355 <sup>**</sup>	.425 <sup>**</sup>
4.	Locus of Control	.639 <sup>***</sup>	.741 <sup>***</sup>	.788 <sup>***</sup>	1.00	.619 <sup>***</sup>	.367 <sup>**</sup>	.570 <sup>***</sup>	.388 <sup>**</sup>	.426 <sup>**</sup>	.541 <sup>***</sup>
5.	Job Characteristics	.570 <sup>***</sup>	.647 <sup>***</sup>	.563 <sup>***</sup>	.619 <sup>***</sup>	1.00	.516 <sup>**</sup>	.669 <sup>***</sup>	.394 <sup>**</sup>	.381 <sup>**</sup>	.716 <sup>**</sup>
6.	Interpersonal Relations	.098 <sup>ns</sup>	.325 <sup>*</sup>	.164 <sup>ns</sup>	.367 <sup>**</sup>	.516 <sup>***</sup>	1.00	.658 <sup>***</sup>	.413 <sup>**</sup>	.293 <sup>*</sup>	.494 <sup>***</sup>
7.	Objectivity	.346 <sup>*</sup>	.532 <sup>***</sup>	.438 <sup>***</sup>	.570 <sup>***</sup>	.669 <sup>***</sup>	.658 <sup>***</sup>	1.00	.684 <sup>***</sup>	.469 <sup>***</sup>	.641 <sup>***</sup>
8.	Pay	.140 <sup>ns</sup>	.460 <sup>***</sup>	.299 <sup>*</sup>	.388 <sup>**</sup>	.394 <sup>**</sup>	.413 <sup>**</sup>	.684 <sup>***</sup>	1.00	.729 <sup>***</sup>	.508 <sup>***</sup>
9.	Benefits	.203 <sup>ns</sup>	.460 <sup>***</sup>	.355 <sup>**</sup>	.426 <sup>**</sup>	.381 <sup>**</sup>	.293 <sup>*</sup>	.469 <sup>***</sup>	.729 <sup>***</sup>	1.00	.478 <sup>***</sup>
10.	Career Development	.490 <sup>***</sup>	.691 <sup>***</sup>	.425 <sup>**</sup>	.541 <sup>***</sup>	.716 <sup>***</sup>	.494 <sup>***</sup>	.641 <sup>***</sup>	.508 <sup>***</sup>	.478 <sup>***</sup>	1.00

\*\*\* P<.001

\*\* P<.01

\*P<.05

ns = not significant

Work ethic is found to have the highest correlation with both dimensions of employee engagement, closely followed by locus of control, job characteristics and career development, in that order. These four variables can be viewed as the potential predictors of engagement. As, however, these four variables are highly correlated among themselves, it is unsafe to assume that, as a group, these are the most critical determinants of employee engagement. It is to handle precisely this type of situations that multivariate analysis is called for.

To identify the critical predictors' of engagement, we carried out stepwise multiple regressions, separately for job engagement and organization engagement as the dependent variables. The results of these two runs of regression analysis are presented in Tables 5 and 6. Out of the two personal attributes and six dimensions of organizational climate shown in Table 3, the following two have emerged as the critical predictors of both forms of employee engagement: (1) work ethic and (2) career development.

**Table 5: The Critical Predictors of Job Engagement (N=52)**

Sl. No.	Predictor	Zero-Order Correlation (A)	Std. Beta Coefficient (B)	Individual Contribution (A x B)
1.	Work Ethic	.763 <sup>***</sup>	.677 <sup>***</sup>	51.65%
2.	Career Development	.490 <sup>***</sup>	.203 <sup>*</sup>	9.95%
<b>Total (R<sup>2</sup>)</b>				<b>61.60%</b>
<b>R<sup>2</sup> = .616;</b>		<b>Adjusted R<sup>2</sup> =.600;</b>		<b>F<sub>2,49</sub> = 39.270 (P&lt;.001)</b>

\*\*\* P<.001

\*P<.05

**Table 6: The Critical Predictors of Organizational Engagement (N=52)**

Sl. No.	Predictor	Zero-Order Correlation (A)	Std. Beta Coefficient (B)	Individual Contribution (A x B)
1.	Work Ethic	.800 <sup>***</sup>	.618 <sup>***</sup>	49.44%
2.	Career Development	.691 <sup>***</sup>	.428 <sup>***</sup>	29.57%
<b>Total (R<sup>2</sup>)</b>				<b>79.01%</b>
<b>R<sup>2</sup> = .791;      Adjusted R<sup>2</sup> = .782;      F<sub>2,49</sub> = 92.738 (P&lt;.001)</b>				

\*\*\* P<.001

The observed relationship between the two predictors and employee engagement reported in Tables 5 and 6 is indeed quite robust. The variance explained by these two predictors is 61.60% for job engagement and 79.01% for organization engagement. Between the two, the contribution of work ethic in influencing engagement is much higher than that of career development. In other words, even though employee engagement is found to be influenced by both personal and situational variables, the former plays a more dominant role in this particular organization.

**The Role of Background Factors**

In terms of personal attributes of the respondents, we have data on three background variables, namely, gender, age and level of education. Insofar as gender is concerned, since there are only five females in the sample no statistical analysis could be done to examine the role of gender in influencing employee engagement. Both age and level of education were found to be significantly related to employee engagement, as shown in Table 7.

**Table 7: Association between Background Factors and Employee Engagement (N=52)**

Background Variable	N	Job Engagement		Organization Engagement	
		$\bar{X}$ Score	SD	$\bar{X}$ Score	SD
<b>Age Group</b>					
20-29	21	17.95	5.239	15.81	4.739
30-32	16	19.94	3.660	18.38	4.145
33-48	15	21.80	4.161	20.80	5.647
<b>Total:</b>	<b>52</b>	<b>19.67</b>	<b>4.693</b>	<b>18.04</b>	<b>5.190</b>
		F-Ratio = 3.238 d.f.= 2,49 (P<.05)		F-Ratio = 4.685 d.f. = 2,49 (P<.05)	
Education					
Undergraduate + Graduates	21	17.57	4.388	16.95	5.162
Postgraduates	31	21.10	4.472	18.77	5.162
<b>Total</b>	<b>52</b>	<b>19.67</b>	<b>4.693</b>	<b>18.04</b>	<b>5.190</b>
		t-value = -2.835 d.f.= 50 (P<.01)		t-value = -1.249 d.f. = 50 (not significant)	

The results of analysis of variance (F-test) show that age of an employee is positively related to both job engagement and organization engagement. Likewise, the level of job engagement of postgraduate employees is significantly higher than that of graduates/undergraduates. Although a similar trend was found for organization engagement, the observed difference was found to be non-significant.

## Discussion and Conclusion

The 70-item questionnaire used to collect data for 10 variables selected for this study turned out to be a fairly reliable instrument. We had to drop data for only three items and that too, as already explained, to enhance the reliability of some of the variables. The results show that the level of engagement of the managerial employees is quite high. In terms of their personal attributes, the managerial employees of this organization are endowed with a fairly high degree of positive work ethic and internal locus of control.

Insofar as HRM policies and practices are concerned, the nature of work assigned to the employees is perceived positively, whereas the remaining five dimensions of climate are given somewhat moderate ratings. While there is a scope for further improvement of various HRM policies and practices, the one that calls for particular attention of the management is “career development” which is the lowest rated variable in this study. Along-with work ethic, career development is the critical predictor for employee



engagement. Hence, any improvement in terms of enhanced scope for career development is likely to further improve the level of employee engagement.

The fact that a personal attribute (work ethic) and a situational factor (career development) have emerged through multivariate analysis as the critical predictors of employee engagement fully supports the broad hypothesis on which this study is based. Well-defined career opportunities for the employees have been found to influence employee engagement in some of the earlier studies (Garg & Kumar, 2012; Sharma & Raina, 2013). Work ethic, the other critical predictor of employee engagement in the present study, was also found to be an important predictor of engagement in at least two earlier studies (Sharma & Ningthoujam, 2014; Sharma & Agrawal, n.d.)

Insofar as demographic background is concerned, the finding of a positive relationship between age and employee engagement is consistent with similar findings reported by Mohapatra & Sharma (2010) as well as Sharma & Ningthoujam (2014). The positive relationship between level of education and job engagement is also in line with a similar finding reported by Sharma & Ningthoujam (2014). It may, however, be pointed out that the association between engagement and either age or education has not been found in all previous studies. In fact, as already reported, there are studies that report either no relationship, a negative relationship, or a curvilinear relationship between age and employee engagement. Further research is called for to pinpoint the situations under which age has such varying influence on engagement.

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# Service Sector and its impact on Economy: Special Reference to Tourism Sector in India

Sazzad Parwez\*

## Abstract

In India, the services sector accounts for more than 60 % of the real gross domestic product. The sector wise analysis of Foreign Direct Investment (FDI) inflow in India reveals that maximum FDI has taken place in the service sector including the telecommunication, information technology, travel and many others. The study explores the various factors that led to the growth of tourism sector which is one of the significant contributors to the Indian services industry. Tourism is a major driver of economic growth globally. India's tourism industry is experiencing a period of strong growth, driven by the burgeoning Indian middle class and growth in high spending foreign tourists. For a developing country like India which is on the path of modern economic growth through structural transformation of the economy, tourism is an important tool. The present study focuses on the various aspects like global tourism industry, India's contribution to global tourism, foreign tourist arrivals in the country and contribution of different states to the tourism sector in terms of both domestic and foreign tourist arrivals. The methodology of the present study relied on the web-based research, review of printed literature and visit to the selected sites to tourism practice. The paper highlights the contribution of tourism sector to both Indian economy and social development.

**Keywords:** Indian Tourism, Service Sector, Economic Growth, Social Development, Foreign Tourist Arrivals

## Service Sector in India: Introduction

After reforms in 1990s, Indian economy has been relatively open economy, despite the capital account not being fully open. The current account, as measured by the sum of current receipts and current payments, amounted to about 53 per cent of GDP in 2007-08, up from about 19% of GDP in 1991. Similarly, on the capital account, the sum of gross capital inflows and outflows increased from 12% of GDP in 1990-91 to around 64% in 2007-08. With this degree of openness, developments in international markets are bound to affect the Indian economy and policy makers have to be vigilant in order to minimize the impact of adverse international developments on the domestic economy. India has shown a considerable resilience to the global economic crisis by maintaining one of the highest growth rates. It recorded a growth rate of 6.7% in 2008–09, which was only 2.1 percentage points lower than its average growth of the last five years. One of the main drivers of India's growth during the global economic crisis has been the services sector, which accounted for around 88% of the growth rate of the real gross domestic product (GDP) in 2008–09. The services sector grew at a rate of 9.3%, even as agriculture and industry recorded a steep decline in their growth rates. India's services-led-growth is even more intriguing considering the laggard growth of the global services sector, which has remained far behind the global manufacturing sector and is showing few signs of recovery.

To demystify the relatively resilient growth of the Indian services sector in the face of the global economic crisis, it is important to look closely at the changing structure of the Indian economy and examine its dependence on the export of services. The contribution of the services sector to Indian GDP was 64.5% in

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\*Research Scholar, Centre for Studies in Economics and Planning, School of Social Sciences, Central University of Gujarat, Sector – 30, Gandhinagar, Gujarat (India). Email: sazzad.parwez@gmail.com

the year 2008-09 as against to around 49% in 1990-91. Of this, the export of services comprised of around 16% of the services GDP and was less than 10% of the total GDP. The relatively limited impact of the recent turmoil in financial markets of the advanced economies on the Indian financial markets, and more generally the Indian economy, needs to be assessed in this context. Whereas the Indian current account has been opened fully, though gradually, over the 1990s, a more calibrated approach has been followed to the opening of the capital account and to opening up of the financial sector. This approach is consistent with the weight of the available empirical evidence with regard to the benefits that may be gained from capital account liberalization for acceleration of economic growth, particularly in emerging market economies. The evidences suggest that the greatest gains are obtained from the opening to foreign direct investment, followed by portfolio equity investment. The benefits emanating from external debt flows have been found to be more questionable until greater domestic financial market development has taken place (Henry, 2007) and (Prasad, Rajan & Subramanian, 2007). Accordingly, in India, while encouraging foreign investment flows, especially direct investment inflows, a more cautious, nuanced approach has been adopted in regard to debt flows. Debt flows in the form of external commercial borrowings are subject to ceilings and some end-use restrictions, which are modulated from time to time taking into account evolving macroeconomic and monetary conditions. Similarly, portfolio investment in government securities and corporate bonds are also subject to macro ceilings, which are also modulated from time to time. Thus, prudential policies have attempted to prevent excessive recourse to foreign borrowings and dollarization of the economy. In regard to capital outflows, the policy framework has been progressively liberalized to enable the non-financial corporate sector to invest abroad and to acquire companies in the overseas market. Resident individuals are also permitted subject to reasonable limits.

### **Services Sector**

The analysis in the previous section shows that the global economic crisis has adversely affected the growth rate of the exports of almost all services. Despite this, the growth rate of most of the services has remained positive leading to an increase in the contribution of the services sector to the total GDP from 63% in 2007–08 to 65% in 2008–09. One of the probable reasons for this growth in the sector's contribution despite the decline in exports was growing domestic demand, which accounted for 77.6% of the services sector's growth. Hallmarks of the robust growth of the Indian economy in 2003–08 have been robust domestic demand and a low share of external demand. This has provided the economy an in-built resilience to external demand shocks, especially in the services sector. The contribution of private consumption to GDP growth increased from 46.3% in 2005–06 to 53.8% in 2007–08. Government consumption contributed a much smaller part to the domestic demand, which increased from 7.1% in 2005–06 to 8.0% in 2007–08. However, in 2008–09, due to the movement of the global economic crisis into real sector growth, the contribution of private consumption to GDP growth fell drastically to 27%. This decline was cushioned by a substantial 32.5% increase in the contribution of government consumption to aggregate growth. In 2008–09, the contribution of domestic demand to aggregate growth of GDP, therefore, increased from 44.5% in 2007–08 to 59.5% in 2008–09; while external demand, as seen by the net export of goods and services as a percentage of GDP, decreased from –4.6% in 2007-08 to –6.05 in 2008-09. Thus, even in the face of a drastic fall in external demand, the fall in GDP growth was moderated.

The resilient growth of India's services sector and the sector's increasing contribution to growth during the global economic crisis can be explained to a large extent by the increasing domestic demand for services. However, the mere presence of demand is not sufficient for a sector to grow. Also of importance are the supply-side factors that allow the expansion of output to meet the existing demand. Productivity growth is an important factor that enables sectors to grow steadily and increase their share in the total GDP. Using firm-level data, an attempt has been made to estimate productivity growth in services firms in India in



three sectors: retail/wholesale trade, software services, and banking services. It must be noted, however, that a very limited amount of literature exists that estimates productivity growth in services through the identification and measurement of the outputs and inputs of services sectors, and the literature that does exist is generally beset with conceptual problems.

### **World Tourism Scenario and India's Status in the World Tourism**

Tourism is acknowledged as a high growth industry globally with over 700 million tourist arrivals internationally, the sector accounts for more than US \$ 500 billion by way of receipt. Besides, the sector possesses immense income, employment and foreign exchange generation potential, thereby, providing a multiplier effect to the economy. The tourism sector has the ability to generate high levels of economic output with relatively lesser levels of the capital investment.

The potential and benefits of the tourism sector become more relevant especially for developing economies like India, where capital availability is scarce and need for economic and employment generation activity is high. With a mere 0.4% share of international tourist arrivals and a large volume of domestic travelers – mainly in the religion/ pilgrimage segment – the sector still accounts for 5.6% of GDP while providing direct employment to 20 million people. However, compared to global averages, the industry has not scaled up to its full potential. Geographically smaller countries have managed successfully to generate much higher levels of revenue from this industry. This is borne out by the fact that globally, the industry contributes approximately 11.6% to the GDP. International tourism recovered strongly in 2010 from the blow it suffered due to the global financial crisis and economic recession. International tourist arrivals worldwide registered a positive growth of 6.6% during the year 2010 as compared to negative growth of 3.8% during 2009.

The international tourist arrivals during 2008, 2009 and 2010 were 917 million, 882 million and 940 million respectively. France maintained the top position in terms of arrivals in 2010, followed by USA, China, Spain, Italy, UK, Turkey, Germany, Malaysia and Mexico. These top 10 countries accounted for 44.42% share of international tourist arrivals in 2010. As regards the regions, the highest tourist arrivals were in Europe, which attracted 476.6 million tourists in 2010, with a positive growth of 3.3% over 2009, followed by Asia & the Pacific with 203.8 million tourists with 12.7% growth, Americas with 149.8 million tourists with growth of 6.4%, Middle East with 60.3 million tourists with growth of 14.1% and Africa with 49.4 million tourists with growth of 7.3%. In fact, in all these regions, positive growth was registered during the year 2010 over 2009.

### **Tourism in India**

Republic of India is a country in South Asia. It is the seventh-largest country by area, the second-most populous country with over 1.2 billion people, and the most populous democracy in the world. Surrounded by the Indian Ocean on the south, the Arabian Sea on the south-west, and the Bay of Bengal on the south-east, it shares land borders with Pakistan to the west, China, Nepal, and Bhutan to the north-east; and Burma and Bangladesh to the east. In the Indian Ocean, India is in the vicinity of Sri Lanka and the Maldives with this India's Andaman and Nicobar Islands share a maritime border with Thailand and Indonesia. According to World Bank, the Indian economy is the world's tenth-largest by nominal GDP and third-largest by purchasing power parity (PPP). With the introduction of market-based economic reforms in 1991, India became one of the red hot economies in the world; it is considered as a newly industrialized country. India is a federal constitutional republic governed under a parliamentary system consisting of 28 states and 7 union territories. India is a pluralistic, multilingual, and multiethnic society. It is also home to a diversity of wildlife in a variety of protected habitats. Indian tourism is the largest service industry, showing a contribution of 6.23% to the national GDP and 8.78% of the total employment in India. In 2010,



total Foreign Tourist Arrivals (FTA) in India were 5.78 million and India generated about 200 billion US dollars in 2008 and that is expected to increase to US\$375.5 billion by 2018 at a 9.4% annual growth rate. The majority of foreign tourists come from the USA and the UK. Kerala, Tamil Nadu, Delhi, Uttar Pradesh and Rajasthan are the top five states to receive inbound tourists. Domestic tourism in the same year was 740 million. Andhra Pradesh, Uttar Pradesh, Tamil Nadu and Maharashtra received the big share of these visitors. Ministry of Tourism is the nodal agency to formulate national policies and programmes for the development and promotion of tourism. In the process, the Ministry consults and collaborates with other stakeholders in the sector including various Central Ministries/Agencies, the State Governments, Union Territories and the representatives of the private sector. Concerted efforts are being made to promote new forms of tourism such as rural, cruise, medical and eco-tourism. The Ministry of Tourism also maintains the Incredible India campaign.

In 2011, total Foreign Tourist Arrivals (FTA) in India were 6.18 million and Foreign Exchange Earnings stood at US\$ 16.691 billion (Global rank-17) up 17.6% from previous year figure of US\$ 14.193 billion (5.58 million FTAs in 2010). India's Foreign Exchange earnings grew by an astonishing 14.1% (CAGR) during 2001-10 out-pacing global average of 7.7%. Owing to steady decade-long growth, India's share in world Foreign exchange earnings has gone up from 0.64% in 2002 to about 1.72% in 2011. According to World Travel and Tourism Council, India will be a tourism hot-spot from 2009 to 2018, having the highest 10-year growth potential. The Travel & Tourism Competitiveness Report (2007) ranked tourism in India sixth in terms of price competitiveness and 39<sup>th</sup> in terms of safety and security. Despite short and medium-term setbacks, such as shortage of hotel rooms, tourism revenues are expected to surge by 42% from 2007 to 2017. India's rich history and its cultural and geographical diversity make its international tourism appeal large and diverse. It presents heritage and cultural tourism along with medical, business and sports tourism. India has one of the largest and fastest growing medical tourism sectors. The compilation of domestic tourism statistics is undertaken by the Statistical Cells in the Departments of Tourism of State Governments/Union Territory (UT) Administrations. These statistics are based on the monthly returns collected from hotels and other accommodation establishments. The information is collected by using specific formats, and aggregate centre-wise statistics sent to the Market Research Division of the Union Ministry of Tourism. Most of the States/UTs have been furnishing information on domestic and foreign tourist visits to the States, as also number of nights spent by them on monthly basis. The data obtained from the State Tourism Surveys have been appropriately used to estimate domestic and foreign tourist visits to the States.

## **Empirical Analysis of Tourism Sector in India**

### **State/Union Territory-Wise Domestic and Foreign Tourist Visits**

In the year 2000, despite domestic tourism experienced good growth rate, performance of the foreign tourism was slower. Stable Indian economy and the increasing purchasing capacity of the people were the main contributors to better domestic performance. At the same time, the world market was going through the economic slowdown due to rise in the prices of the petroleum products. In 2002, it was observed that there was a marginal decline in the number of domestic tourists and a huge downward movement of foreign tourists in the country. It was mainly due to internal security problems and also the global security issues which forced people to content themselves rather than moving around in and out of the country. And in year 2004, there was a good number of domestic and foreign people visiting different places in the country. In 2008, the economic slowdown due to the collapse of the banking system in America adversely affected economy of all most every country in the world and India was not an exception. However, India was relatively insulated from vulnerability, compared to other countries. But, the Indian tourism sector experienced a decrease in the number of both the foreign and domestic tourists. In the year 2010, it

increased due to improvement in the world economy as well as the Indian economy and at the same time stable atmosphere could create an environment of both domestic and foreign tourist movement.

A comparison of domestic and foreign tourist visits between the years 2009 and 2010 was made (Table 1). The percentage growth of domestic and foreign tourist arrivals in States / UTs of India are categorized in the different belts. We have divided the country into six regions to understand the movement of both domestic and foreign tourism during the year 2009-2010. Northern region of the nation includes Chandigarh (-1%, 3.6%), Delhi (53.5%,-3.3%), Haryana (7.9%,-22.4%), Himachal Pradesh (16.6%, 13.2%), Jammu and Kashmir (8%, -11.7%), Punjab (97.1%, 24.2%), Rajasthan (-0.1%, 19.1%), Uttar Pradesh (7.4%, 8.1%) and Uttarakhand (37.7%, 19.5%). From the data, it is not difficult to understand that the most of the domestic and foreign tourist movement is centralized around Delhi and states like Jammu and Kashmir which are supposed to be tourist hubs are not doing so good as they should because of internal security problems.

**Table 1: State/UT-Wise Domestic and Foreign Tourist Visits, 2009- 2010**

Sl. No	State	2009		2010		% Growth (2010/09)	
		Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
1	Andaman & Nicobar Islands	142,042	13,684	180,781	14,615	27.3	6.8
2	Andhra Pradesh	157,489,927	795,173	155,789,584	322,825	-1.1	-59.4
3	Arunachal Pradesh	195,147	3,945	227,857	3,395	16.8	-13.9
4	Assam	3,850,521	14,942	4,050,924	15,157	5.2	1.4
5	Bihar	15,784,679	423,042	18,491,804	635,722	17.2	50.3
6	Chandigarh	914,742	37,967	905,450	39,333	-1.0	3.6
7	Chhattisgarh	511,561	1,277	566,298	1,586	10.7	24.2
8	Dadra & Nagar Haveli	506,625	7,109	495,575	1,698	-2.2	-76.1
9	Daman & Diu	563,461	5,748	774,166	5,139	37.4	-10.6
10	Delhi	8,834,047	1,958,272	13,558,353	1,893,650	53.5	-3.3
11	Goa	2,127,063	376,640	2,201,752	441,053	3.5	17.1
12	Gujarat	15,909,931	102,747	18,861,296	130,739	18.6	27.2
13	Haryana	6,408,423	137,094	6,915,269	106,433	7.9	-22.4
14	Himachal Pradesh	11,036,572	400,583	12,873,986	453,616	16.6	13.2
15	Jammu & Kashmir	9,234,862	54,475	9,973,189	48,099	8.0	-11.7
16	Jharkhand	7,610,160	13,872	6,885,273	15,695	-9.5	13.1
17	Karnataka	32,701,647	326,944	38,202,077	380,995	16.8	16.5
18	Kerala	7,789,378	548,737	8,595,075	659,265	10.3	20.1
19	Lakshadweep	6,553	4,309	7,705	1,512	17.6	-64.9
20	Madhya Pradesh	23,106,206	200,819	38,079,595	250,430	64.8	24.7
21	Maharashtra	30,628,394	2,426,362	48,465,492	5,083,126	58.2	109.5
22	Manipur	124,229	337	114,062	389	-8.2	15.4
23	Meghalaya	591,398	4,522	65,275	4,177	10.4	-7.6
24	Mizoram	56,651	513	57,292	731	1.1	42.5

25	Nagaland	20,953	1,423	21,094	1,132	0.7	-20.4
26	Odisha	6,891,510	45,684	7,591,615	50,432	10.2	10.4
27	Pondicherry	851,192	54,039	835,872	50,964	-1.8	-5.7
28	Punjab	5,369,995	110,404	10,583,509	137,122	97.1	24.2
29	Rajasthan	25,558,691	1,073,414	25,543,877	1,278,523	-0.1	19.1
30	Sikkim	615,628	17,730	700,011	20,757	13.7	17.1
31	Tamil Nadu	115,755,800	2,369,050	111,637,104	2,804,687	-3.6	18.4
32	Tripura	317,541	4,246	342,273	5,212	7.8	22.8
33	Uttar Pradesh	134,831,852	1,550,309	144,754,977	1,675,123	7.4	8.1
34	Uttrakhand	21,934,567	106,470	30,206,030	127,258	37.7	19.5
35	West Bengal	20,528,534	1,180,418	21,072,324	1,192,187	2.6	1.0
	<b>Total</b>	<b>668,800,482</b>	<b>14,372,300</b>	<b>740,214,297</b>	<b>17,852,777</b>	<b>10.7</b>	<b>24.2</b>

**Source:** State / Union Territory Tourism Departments. GOI, India

And states like Punjab, Haryana are not a huge attraction for both domestic and foreign tourists due to lack of heritage places and other tourist attractions. The state like Himachal Pradesh is doing well due to its natural beauty and location. Shimla, Nainital and Kullu Manali in the state are good tourist attraction destinations for especially domestic tourists and the same thing applies to the state like Uttrakhand which is also constitute of natural beauty. Uttar Pradesh is also doing decently well because of the presence of the spiritual cities, as Banaras and Allahabad are huge attractions for both domestic and foreign tourists who are looking for the sublime life and the peace. In the northern region, Rajasthan is the biggest tourist attraction specially for the foreigners and the presence of historical monuments and forts is a main attraction for domestic tourists. Jaipur (which is known as a pink city), Jodhpur and Udaipur are also big tourist attractions and the other traditional and cultural aspects of Rajasthan are motivating factors for the foreign tourists. These nine states alone constitute 33.6% of total domestic tourist arrivals and 33.2% of total foreign tourist arrivals.

The eastern region of the nation includes Bihar (17.2%, 50.3%), Jharkhand (-9.5%, 13.1%), Orissa (10.2%, 10.4%), and West Bengal (2.6%, 1%). As all these numbers suggest that Bihar is doing pretty well in terms of the foreign tourists due to the presence of spiritual cities like Boddh Gaya, Nalanda etc. attracting mainly from countries with large amount of Buddhist population like China, Japan and etc. And the same case is with Orissa which has spiritual cities like Puri and Cuttack attracting large number of the domestic as well as the foreign tourists. As it can be observed, Jharkhand has a negative growth rate of domestic tourists which is mainly due to problem of the internal security. West Bengal does attract a good number of both domestic and the foreign tourists as evident from the stable growth rates. The biggest attraction especially for the foreign tourists is the cultural and heritage aspect of the capital of West Bengal; Kolkata. Because of that the rise in number of tourists in West Bengal is constant. These four states constitute only 7.3% of total domestic tourist arrivals and 10.6% of total foreign tourist arrivals.

The western region of the country constitutes Goa (3.5%, 17.1%), Gujarat (18.6%, 27.2%), and Maharashtra (58.2%, 109.5%). As observed, the states like Maharashtra, Gujarat and Goa are doing very well in terms of both domestic and foreign tourists. Goa is doing pretty well in terms of tourist arrivals especially from the foreign countries mainly due to presence of the beaches, forts and the cultural diversification of the state. The numbers in context of Gujarat suggest that the economic development and the rise of the number of both domestic tourists have a positive relation and the rising numbers are because of cosmopolitan city like Ahmadabad and the presence of spiritual city like Dwarka, Somnath and famous

temple known as Akshardham. One also needs to consider that a large number of Gujaratis also stay abroad and the Indians from these countries as well as the foreigners visit India in large numbers. Maharashtra is doing best of the lot in the western region as is evident from the numbers and it is mainly due to presence of global cities like Mumbai and Pune. Mumbai being the financial capital and also the business hub of the country attracts large number of the foreign tourists. Nasik in Maharashtra also attracts a good number of domestic and foreign tourists due to Kumbh Mela. The heritage and historical places like Ajanta and Ellora also attract foreign tourists in large number. These three states constitute only 10.6 % of total domestic tourist arrivals and 9.3% of total foreign tourist arrivals.

Central region of the nation constitutes only two states i.e. Chhattisgarh (10.7%, 24.2%) and Madhya Pradesh (64.8%, 24.7%). As the numbers in context of Madhya Pradesh do suggest that there is a stable rise in number of both domestic and the foreign tourists. It is mainly due to the historical cities like Bhopal, Gwalior etc. with large number of famous monuments and forts. Even though Chhattisgarh is experiencing a rise in both domestic and foreign tourists, it is still small in terms of the contribution towards a tourism sector in specific and the economy in general. It is mainly due to the problem of internal security and lack of historical heritage and spiritual tourist destinations. Both comprise only 5.2% of total domestic tourist arrivals and 1.4% of total foreign tourist arrivals.

The southern region of India has 5 states comprising of Andhra Pradesh (-1.1%, -59.4%), Karnataka (16.8%, 16.5%), Kerala (10.3%, 20.1%), Pondicherry (-1.8%, -5.7%), and Tamil Nadu (-3.6%, 18.4%). Andhra Pradesh has the rising number of domestic tourists and stable number of the foreign tourists. Mainly people are coming to Andhra Pradesh through railways and airlines. Hyderabad also has international airport so it facilitates the foreign tourists. The main attraction for the tourists is Charminar, Golconda fort and other historical and heritage monuments. Hyderabad is also a hub of information technology in India which attracts lots of domestic and foreign people for business as well as other purposes. Spiritual city, Tirupati in Andhra Pradesh attracts huge number of Indians and foreign tourists, who are looking for the blessings of Lord Balaji. We do have a very modern and developing state like Karnataka in the southern region of the country. It is doing well mainly due to presence of a global information technology city like Bangalore and historical places like Mysore. Many people visit Bangalore mainly due to presence of the information technology and its cosmopolitan culture. Kerala's attraction is the presence of the natural beauty and large number of rivers. Kerala is famous for its spirituality and meditation. Tamil Nadu is doing quite decently in terms of the foreign tourist arrivals but not doing well in terms of domestic tourists and thus the same is the case with the neighboring state Pondicherry even though it constitutes of heritage and historical places. It is also not exposed to the media and there is not much awareness regarding tourist destinations. These five states constitute 42.5% of total domestic tourist arrivals and 8.2% of total foreign tourist arrivals.

Finally, the north eastern region constitutes 8 states; these are Arunachal Pradesh (16.8%, -13.9%), Assam (5.2%, 1.4%), Manipur (-8.2%, 15.4%), Meghalaya (10.4%, -7.6%), Mizoram (1.1%, 42.5%), Nagaland (0.7%, -20.4%), Sikkim (13.7%, 17.1%), and Tripura (7.8%, 22.8%). There is a similarity among all north east region states as they are constituent of natural beauty in terms of mountains and rivers. But internal security problems are hindrance for the growth in tourism. These eight states constitute only 0.7% of total domestic tourist arrivals and 0.2% of total foreign tourist arrivals.

The state which registered the highest growth percentage of domestic tourist visits in 2010 over the preceding year 2009 was Punjab with nearly 97.1% growth rate. The state which registered negative growth rate (-9.7%) was Jharkhand. On the other hand, in case of foreign tourist arrivals the highest growth was experienced by Maharashtra with more than 100% over the previous year and the lowest was by Lakshadweep which was negative at -64.9%.

## International Tourist Arrivals in World and India

International inbound tourists (overnight visitors) are the number of tourists who travel to a country other than that in which they have their usual residence, but outside their usual environment, for a period not exceeding 12 months and whose main purpose in visiting is other than an activity remunerated from within the country visited. As data on number of tourists is not available, the number of visitors, which includes tourists, same-day visitors, cruise passengers, and crew members, is shown instead. The data on inbound tourists refer to the number of arrivals, not to the number of people traveling. Thus, a person who makes several trips to a country during a given period is counted each time as a new arrival. Tourist's arrivals are affected by wide range of factors. In a competitive environment, operators have no other choice but to produce the diversified product based on consumer demand. Factors influencing tourism products may be external to the tourism industry or internal. External factors are related to environment, economy and society in which the industry operates, the change with relation to culture and environment, demographic structure, and globalization influencing the taste of tourist. Similarly, changes in contemporary technology, economic environment, political scenario, and regulations have a far reaching effect on industry. Change in tastes and preferences, sustainability approach, ethical issues, technological change, health safety and security issues, quality issues and the competition in the market of tourism industry are the internal factors which influence the tourist arrivals in the particular country or region.

**Table 2: International Tourist Arrivals in World and India, 2000-2010**

Year	World		India		Percentage Share of India (%)	Rank of India
	Number (in million)	% Change	Number (in million)	% Change		
2000	683.3	7.8	2.65	6.7	0.39	50 <sup>th</sup>
2002	703.2	2.9	2.38	-6.0	0.34	54 <sup>st</sup>
2004	762.0	10.3	3.46	26.8	0.45	44 <sup>th</sup>
2006	846.0	5.3	4.45	13.5	0.53	44 <sup>th</sup>
2008	917.0	2.6	5.28	4.0	0.58	42 <sup>nd</sup>
2010	940.0*	6.6	5.78	11.8	0.61	40 <sup>th</sup>

**Source:** World Tourism Organization and Bureau of Immigration, India (2010-11)

A comparison of international tourism arrivals between world and India was made (Table 2). In the year 2000 the number of tourist arrivals globally was 683.3 million and in the year 2002, it has increased little bit by 2.9% to 703.2 million indicating that the improvement in the condition of the world economy was very slow at that time. But in the year 2004, there was an increase in the number of tourists by 10.3% compared to the previous year and the main reason behind this was the economic rise of the global consumer. In the year 2006, it again went down due to the security problems both internally and globally. In the year 2000, there were 2.65 million tourists who arrived in India and in the year 2002 it went down to 2.38 million due to the same reasons. However, after that situation improved in a faster way. The number of tourists increased to 3.46 million and the percentage increase was 26.8, suggesting an improvement over the previous years. However, the economic slowdown all over the world has a negative impact on tourism as evident from the number of tourists in the year 2008 which was just 5.28 million with the marginal growth rate of just 4%. Now, the situation is better due to improved security measures. In the year 2010, the percentage increase is 11.8% which is a very positive sign for Indian tourism sector. In year 2010, India



ranked 40<sup>th</sup> in the world as against to 54<sup>th</sup> position in the year 2002.

### Foreign Tourists in India

According to Bureau of Immigration 2010-2011 the total number of foreign tourist arrivals in India was 5,775,692 and it increased by 11.8% over the preceding year.

**Table 3: Foreign Tourist Arrivals (FTAs) in India, 2000-2010**

Year	FTAs in India (million)	Annual Growth (%)
2000	2.64	6.7
2002	1.67	-6.0
2004	3.45	26.8
2006	4.44	13.5
2008	5.28	4.0
2010	5.77	11.8

**Source:** Bureau of Immigration, Govt. of India (2010)

The trend in the growth rate of Foreign Tourist Arrivals (FTAs) in India from the year 2000 to 2010 was observed (Table 3). The FTAs continued to grow from 2.64 million in 2000, to 3.45 million in 2004, 4.44 million in 2006, to reach 5.77 million in 2010. The main reasons behind it were more economic development, much better media exposure at international stage and the improvement in the image of India abroad due to some policy changes and reforms implemented by the government. During the year 2010, India registered a positive growth of 11.8 % over 2009, which is more than UNWTO's projected growth rate of 5% to 6% for the world in 2010. The compound annual growth rate (CAGR) in FTAs in India during 2001 to 2010 was 9.6 % and is mainly due to increasing GDP growth rate of the country and its image as one of the super powers in the world. The growth in FTAs in India during the eighties & nineties did not follow any consistent pattern mainly due to fragile economy, lack of the accessibility and the information regarding the country. It may be clarified that distribution of FTAs in 2010 has been worked out as 5.77 million, which is higher than the total FTAs as per the unit level data furnished by Bureau of Immigration (BOI).

### Top 15 Source Countries for FTAs in India

An analysis of top 15 source countries for FTAs in Indian during the year 2010 (Table 4) suggests that top 15 countries contribute to 71.86% of the total foreign tourist arrivals in India and it also contributes to the economy.



**Table 4: Top 15 Source Countries for FTAs in India During 2010**

Country	FTAs	Rank	% Share
USA	931,292	1	16.12
UK	759,494	2	13.15
Bangladesh	431,962	3	7.48
Sri Lanka	266,515	4	4.61
Canada	242,372	5	4.20
Germany	227,720	6	3.94
France	225,232	7	3.90
Malaysia	179,077	8	3.10
Australia	169,647	9	2.94
Japan	168,019	10	2.91
Russian Fed.	122,048	11	2.11
China	119,530	12	2.07
Singapore	107,487	13	1.86
Nepal	104,374	14	1.81
Rep. of Korea	95,587	15	1.65
Total of top 15 countries	4,150,356		71.86
Others	1,625,336		28.14
Grand Total	5,775,692		100.00

**Source:** Bureau of Immigration, India (2010)

One can see that USA with 931,292 FTAs and UK with 759,494 FTAs are topping the chart for obvious reasons such as these countries have the large number of Indian's living in those countries and also the native people of these countries are quite attracted towards the heritage and culture in India. And it is followed by a country like Bangladesh (431,962) and Sri Lanka (266,515) which belongs to Indian sub-continent and the main reason behind the presence of these countries in the top FTA are economic and social reasons such as migration due to lack of job opportunities in their countries. People from those countries come to India more for the business reason than any other reason. And then it is followed by the European countries like Germany (227,720) and France (225,232) which constitute a good amount of foreign tourist arrivals and these tourists come to India to explore the culture and the heritage. And there is large number of tourists visiting from country such as China (119,530), Japan (168,019), Malaysia (179,077) and the main reason behind it is the presence of the Buddhist tourist place in the country such as Bodh Gaya. As a whole it is understood that people from these countries visit India as tourists for various reasons like exploring the culture, employment or migration.

## Conclusion

UNWTO has defined tourism as "Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes." It is very much true because in the modern era our world tourism is working like that it is being applicable and implemented in every country of the world in the same way with only little bit of variation. The present study made a state wise comparison of growth rates in domestic and foreign tourist visits in the year 2010 over 2009. An analysis of international tourist arrivals in the world and India between 2000 and 2010 was also done. An attempt was made to analyze top 15 source countries for FTAs in India during 2010. The observed variation of the tourist footfall within a country is mainly due to the presence of different tourist attractions and accessibility for the tourist to that particular place and how they are impacting the local economy. We have also tried to explore some of the new forms of tourism which is making us sustainable mark on the economy, society and country.

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# Employability Skills among Graduates: An Exploratory Study

Maria Monica\*

## Abstract

In today's world, one of the most important things to survive is to find an employment. Generally, people enter into employment as young adults, to be specific 'Graduates'. For a graduate to enter and find a good employment according to their satisfaction and dream, primarily they need to be employable. In order to be employable, these graduates and young adults are supposed to possess varied skills. Therefore, this study is an analysis of different types of employability skills a graduate is supposed to have.

In this study, we also discuss what 'Employability' is. It indicates how much one's Employability skills are important. An exploration on four major skills: Self Efficacy (belief in self), Team Effectiveness (ability to work in a team effectively), Stress Tolerance (attitude during times of stress) and Emotional Management (ability to manage emotions in any kind of situation) has been done in this study. These skills specially play a very important role among the other skills. Employers, especially those in the Human Resources team, are in fact looking for graduates who are very inventive, quick witted and compliant and who, as well as their degree, possess a range of skills which can be used in a wide variety of Questions like what kind of skills does an Employer look for in an Employee while entering employment. The study mainly aims at finding the answer for why are Occupational Self-Efficacy, Team Effectiveness, Stress Tolerance and Emotional Management skills so important in an Employee.

**Keywords:** Employability Skills, Self Efficacy, Team Effectiveness, Emotional Management and Stress Tolerance

## Introduction

In the highly competitive business world of today, one of the most important things to survive is to earn a livelihood by finding an employment or to be an employer and provide employment. To find an employment, first of all, a person has to be employable. In order to be employable, the person needs to have a variety of skills that would make him employable. They can be a range of inborn skills that they possess from birth, which can also be called as Talent, or, they can be a range of academic skills that are learnt during schooling and University studies until the person becomes a graduate. Now, once a person becomes a Graduate, he/she starts looking for employment with skills that are inborn and are learnt from schooling and University. They do not possess skills that encompass experience, while most of the employers, most of the time look for experienced candidates. Ben Mitchell et al, (2008) say that the term 'Employability' is often related or rather closely associated to the term 'Job readiness'. Employers mainly look for skills like language skills, analytical skills, ability to work under shift timings, ability to work under pressure, ability to stay confident, communication skills, ability to control emotions, ability to work in teams, etc,. However, Graduates have a different understanding of what Employers expect from them. In simple terms, Employability skills are those skills that make a person employable and retain that employment for a long time in their career life. These skills are more developed and give us a better understanding of the job that helps us go to higher positions only after they gain some experience. So, every graduate today, has to give a lot of importance to skills that Employers focus on rather than focus on developing their own skills.

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\*Student, MSc, International Human Resource Management, ESC Rennes School of Business, Rennes, France  
E-mail: maria.monica822@gmail.com

The aim of this study is to discuss employability skills, their importance and the skill requirements for graduates from a graduate recruiter's point of view. It also aims at studying the relationship between the skills that employers are expected to have and the job criteria and to study the importance of employability skills among graduates and as well to know what kind of skills are required particularly from graduates entering employment. So, we are studying about what the basic and the main skills are, that a Graduate is supposed to have in order to perform well in his/her job. Mostly, multi-skilled graduates are highly sought after these days.

## Literature Review

### Employability Skills

Various people have worked and are still working in the area "Employability skills among graduates", since, in the current world, employers are still finding it difficult to recruit and hire the right employees in the right kind of job and also its mere importance in the career lives of graduates. A lot of research work is done and is still being done in order to find what skills make an employee perfectly employable, although finding the perfect kind of skills to make a perfect employee fit into the job perfectly cannot be predicted or cannot be fixed.

The term "Employability skills" has been defined by different authors and researchers in different ways. So far, Yorke's (2006) definition of the term has been widely used, which simply says: "Employability skills are a set of achievements - skills, understandings and personal attributes - that make graduates more likely to gain employment and be successful in their chosen occupations, which benefits themselves, the workforce, the community and the economy". His definition of Employability gave an idea that employees should not only be chosen based on their qualifications but also based on their skills that will profit and be of use to the employee himself/herself, to his/her immediate surroundings and to the society as well. Verhaar and Smulders (1999) term 'employability' as "the latest buzz-word". It is due to the most important and latest term that has been creating confusion among graduates. Employers expect different kinds of skills from a graduate and a graduate's perspective is different from that of an employer's.

Harvey (2002) in his report 'Employability and Diversity' says "Employability has many definitions but they break down into two broad groups. The first relate to the ability of the student to get (and retain and develop in) a job after graduation. The other set is concerned with enhancing the students attributes (skills, knowledge, attitudes and abilities) and ultimately with empowering the student as a critical life-long learner" (Hillage and Pollard, 1998).

## Research Methodology

### Research Questions:

- Why are Employability skills important in a Graduate entering employment □
- How important are Occupational Self Efficacy, Team Effectiveness, Stress Tolerance and Emotion Management skills in a Graduate □
- Will these four major skills make a Graduate entering employment employable □
- If they are important, do Graduates in today's generation possess these skills □

### Hypothesis:

**Hypothesis 1:** Exploring one's Employability skills based on one's Occupational self-efficacy, belief in Team Efficacy and Stress Tolerance and Emotion Management.

**Hypothesis 2:** The levels of these skills present in today’s Graduates are relatively high or low, only very few are at the average levels of possessing these skills.

**Hypothesis 3:** Occupational Self Efficacy, Team Effectiveness, Stress Tolerance, Emotion Management are four common skills that are the most sought after in Graduates entering employment.

**Method:**

A survey was conducted on graduates, some pursuing their Bachelors and some of them pursuing their Masters. Standardized questionnaires circulated consisted of questions related to one’s Self Efficacy, Team Effectiveness, Stress Tolerance and Emotion Management and graduates were asked to rate the questions on what they think about themselves, about people’s attitudes and their working under opposition or pressure.

- Materials:**
1. Occupational Self-Efficacy scale
  2. Team effectiveness scale
  3. Stress attitude scale
  4. Emotion Management Scale

**Discussion**

**Employability Skills**

Each country in the world gives the term ‘Employability skills’ a different name and a different description. There are different names and terms used to describe ‘Employability skills’ in different countries given as in Exhibit 1.

**Exhibit 1: Employability skills**

<b>United Kingdom</b>	Core skills, key skills, common skills
<b>New Zealand</b>	Essential skills
<b>Australia</b>	Key competencies, employability skills
<b>Canada</b>	Employability skills
<b>United States</b>	Basic skills, necessary skills, workplace know-how
<b>Singapore</b>	Critical enabling skills
<b>France</b>	Transferable skills
<b>Germany</b>	Key qualifications
<b>Switzerland</b>	Trans-disciplinary goals
<b>Denmark</b>	Process independent qualifications

According to an article by the University of Liverpool <sup>1</sup>, it is absolutely essential for graduates to have a degree for most careers and jobs, but until and unless graduates bond their degree with relevant skills, it will not be useful. Thus, Employability skills are very important. It is not easy to find a job and build a career with a degree alone.

The Scottish Government has proved that Employability skills are very important in a way by making the development of skills essential to help their children towards becoming successful learners, confident individuals, responsible citizens and effective contributors according to Effie Maclellan and



Rebecca Soden (2004). Because of the importance of developing employability skills and becoming better employees in future, the Government trains them from childhood to graduation.

According to Greatbach and Lewis (2007)<sup>2</sup>, employability skills are important because the labor market is intensely competitive, and employers in private, public and the third sector are looking for people who are flexible, take the initiative and have the ability to undertake a variety of tasks in different environments. Also, the need for people who are well able to learn are sought for, because of the advancement in technology. The world of career and employment is not the same as it was a decade back and a few decades ago. Everything has been changing from time to time because change is permanent. R. Smith (1987) states that employability skills help integrate the intellectual and the manual; the mind and the hand. They can be seen as abilities that not only “help us earn our living and fashion things to our liking, but also are an important dimension of a well-constituted relationship between human beings and their world”.

Employability skills give people not only the means with which to make a living but also the wherewithal to live a meaningful life. With all these ideas of different people we learn that Employability skills are in great need in graduates and employers are looking for graduates who’re well learnt in employability skills that make them employable and fit into their job role and position.

To maximize productivity, employers choose graduates who have the perfect kind of skills for a particular job. The importance of Employability skills is the area of interest for many people in the world because of the importance of finding an employment and to build a career life. In order to be employable, a person needs to possess employability skills. Some people find an employment even if they don’t possess proper skills, but they won’t be employable in a job position of their choice.

Every graduate needs to know the importance of Employability skills because that would actually be the next part of their career life. If they are willing and wishing to give up on their career lives and get into a job that only meets the requirement of their livelihood, if the focus is only on earning, there is no use of building a career. But if the focus of graduates is on both earning and building a proper career, giving quality time to enhance their employability skills is absolutely mandatory. Graduates’ minds can change easily depending on factors of age, mindset and trend. Before they enter graduation, their minds are on studying a particular subject and find an employment in that particular field. But, as they grow and learn about the different demands and needs of the market and the scenario, and thus, their minds tend to change according to the demand and the need of the hour. But, what they have been enhancing are the skills that their subject offers.

Thus, Employability skills are supposed to be given more importance to, while completing graduation. These skills make lives meaningful, develop knowledge, shape careers, maximize productivity of companies and organizations and primarily and solely make a graduate employable in all situations.

### **Rate of Unemployment among Graduates due to lack of skills:**

EconPort<sup>3</sup> states that there are three kinds of unemployment. They are structural, frictional and cyclical types of Unemployment. Structural unemployment relates to the situation where there is a mismatch of jobs and workers because of lack of skills. The series ‘Youth employment crisis’ (2013) in the Youth unemployment: it’s not age that matters but lack of skills, states that the low skills comprise the bulk of the unemployed in the European countries. According to Kimberly Amadeo (2013), in the ‘Current U.S Unemployment Rate Statistics’, the unemployment rate is a lagging indicator because employers resist hiring new workers until they are absolutely sure that the economy will stay strong. Considering the statistics in the U.S for the past two years 2012 and 2011, we see that at the end of December 2012, the

number of unemployed remained at 12.2 million (7.8%). For the economy to stay strong the U.S had not been hiring new people, pondering about what could make them not hire new employees, we can assume many factors. Indeed, in the 'Readers Respond' from the article: Current U.S Unemployment Rate statistics by Kimberly Amadeo, for the question of what causes unemployment, the various answers like increase in rate of growth of population, corruption, Government instability, lack of acquisition of skills for the job, etc. are observed.

Looking at the reasons for high unemployment of young people (16 to 25) in the UK, the first reason is lack of qualifications, which can also be described as skills, where young people lacked the necessary skills and training to impress employers, according to Tejvan Pettinger (2012) in Reasons for Youth Employment, an article on a look at the economics reasons for high youth unemployment in the UK between 2004 - 2011. Thus, lack of skills and many other factors have been a cause of unemployment in different countries, as stated by Awour Ponge (2013). Why does this happen? Is it because of the mismatch between Employers' perspective of Employability skills in graduates and graduates' perspective entering employment? Let us have a look through different literature studies that have found that indeed there is a mismatch between skills expected in graduates by employers and what graduates suppose to be the right ones.

### **Employers' expectation of Employability skills from graduates entering employment**

Different employers look for different skills in graduates entering employment. Many researchers have been able to identify and tell us of what skills employers look for in a graduate entering employment. Harvey et al (2002) stated that, most employers look for graduates who are proactive, can use higher level skills including 'analysis, critique, synthesis and multi layered communication to facilitate innovative teamwork in catalyzing the transformation of their organization'. Will Archer and Jess Davison (2008) have come up with a summary of what are the specific skills that employers look for – They state that:

1. 86% of employers felt good communication skills to be important, yet many employers are dissatisfied that graduates can express themselves effectively.
2. 'Soft' skills such as team working are also vital and even more important than most 'hard' skills
3. Numeracy and literacy skills are considered essential by 70% of employers.
4. 65% of international employers indicate that having overseas professional work experience makes graduates more employable.

Williams and Owen (1997) state that the most perceived graduate qualities are the ability to learn, intelligence, ideas and imagination and communication skills. Billing (2003) also puts in a thought that employers want employees who are "effective communicators, problem solvers and critical thinkers, and can work well within a team". Coopers and Lybrand (1998) describe the term 'employability skills' in terms of four key areas, the skills that employers would look for:

- 1) Traditional intellectual skills – e.g. critical evaluation, logical argument;
- 2) Key skills – communication, IT, etc
- 3) Personal attributes – motivation, self-reliance
- 4) Knowledge of organizations and how they work.

### **Graduates' perspective of employability skills**

Graduates entering employment face problems such as not being able to know which kind of skills to enhance or are to be learnt and acquired. Primarily, the most important challenge they would face, is to

know if they are fit to be employed by an employer for any kind of job. If they are employable, they are believed to possess the right kind of skills, but it does not end there. Entry level graduates would have not acquired the skills necessary for the job and possess skills required accurately for the job and are not prepared for the demands of industry careers (Peddle, 2000). Today's world of work and generation requires new skills such as negotiating, networking, problem solving, and skills to manage process rather than functional skills (Harvey, Moon, & Geall, 1997). Finding a good job after graduation is not the end of the story, as 'to be employed is to be at risk, to be employable is to be secure' (Hawkins, 1999). The National Children's Bureau (2012) had come up with a list of soft skills that graduates think would be applicable to a range of jobs as given in Table 1.

**Table 1: Soft skills that would be applicable to a range of jobs**

Skill	Attribute/Definition
Self confidence	Belief in oneself or one's own abilities
Self esteem	A positive or negative orientation toward oneself; an overall evaluation of one's worth or value
Motivation	Interest/ engagement, effort and persistence / work ethic
Self-efficacy	Belief in one's ability to succeed in a particular situation
Social/ interpersonal skills	Ability to interact appropriately with other people, without undue conflict or discomfort
Communication skills	Ability to convey information effectively so that it is received and understood; appropriate verbal/ nonverbal communication with colleagues, managers and customers/others
Teamwork	Ability to work cooperatively with others
Assertiveness	Ability to confidently express views or needs without either aggression/ dominance / undue submissiveness towards others
Self-control	Ability to control own emotions and behaviour, particularly in difficult situations or under stress
Reliability	Attendance, time-keeping, consistent standards
Positive attitude	Keen to work, learn, accept feedback and take responsibility
Presentation	Consistently clean, tidy and appropriately dressed, with a polite and professional manner
Planning	Ability to plan tasks and monitor progress
Problem-solving	Ability to identify problems and devise solutions
Prioritising	Ability to identify and focus on priority tasks

Source : Rachel Blades, Becky Fauth and Jen Gibb (2012), Measuring Employability Skills, National Children's Bureau.

Because of this mismatch between employers' and graduates' expectations, many young graduates today are unemployed. This study will stress on the importance of Employability skills such as Occupational Self Efficacy which has determinants such as self confidence, positive attitude, command etc; Team effectiveness which has determinants like dependability, cooperation etc; skills including levels of stress tolerance and emotion management. These are some of the skills that employers are looking for overall in a graduate. This research study will tell us if graduates possess these skills in high or average or low levels.

**Occupational Self Efficacy:** Self-efficacy is a term used in psychology, approximately analogous to a person's confidence in their own proficiency. According to Albert Bandura (1995, p.2), self-efficacy is "the belief in one's capabilities to organize and execute the courses of action required to manage prospective situations". Bandura described these beliefs and proficiency as criterion of how people think cognitively, behave physically, and feel. Self Efficacy is determined by six different factors. The Webster's dictionary defines each of them as:

1. Confidence: The state of mind characterized by one's reliance on himself, or his circumstances; a feeling of self- sufficiency
2. Command: To order with authority; to lay injunction upon
3. Adaptability: The ability to change or be changed to fit changed circumstances
4. Personal Effectiveness: The quality of being able to bring about an effect
5. Positive Attitude: A quality or state characterized by certainty or acceptance
6. Independence : The state or quality of being independent; freedom from dependence

**Team Effectiveness:** Team Effectiveness is defined globally to apply to a variety of work teams, consistent with current thinking (Good- man, Ravlin, & Argote, 1986). Team effectiveness depends on people taking up different responsibilities in a group while working. If there is no proper coordination, cooperation and decision making on who does what in the group, the success of the team is uncertain. (Eric Sundstrom, Kenneth E De Meuse, David Futrell -1990).

Team Effectiveness is determined by three different factors. The Webster's dictionary refers to each of them as:

1. Dependability: The trait of being dependable or reliable
2. Cooperation: The act of cooperating, or of operating together to one end
3. Sharing: Using or enjoying something jointly with others

**Stress Tolerance:** Stress Tolerance is basically to be able to work well even under pressure and/or even while facing opposition. It is rather the ability to maintain effective performance under pressure or adversity. Stress can be caused by various factors such as work overload, work under load, family problems, health problems, problems with peers, work time pressures, burn out, etc,. The level of Stress Tolerance is measured by measuring the Stress Attitude in Graduates.

**Emotion Management:** Peter Totterdell (2002) states that ‘Emotion management’ refers to the ways in which people influence their own feelings and expressions and the ways in which they influence other people’s feelings. Emotion Management is the management of emotions or rather can be the controlling of emotions in all kinds of situations. Graduates entering employment generally will not be able to control their emotions since they would be young. Most of the graduates lack experience and thus would not know how to control their emotions and deal with the situation. The first thing any young person would do when confronted with a situation that hurts them, is to get angry easily or if they are too sensitive, they would become depressed. Considering a situation where an employer shouts at a new graduate who had just entered employment, the employee might become depressed or talk back if he/she is short tempered. But, people who’re experienced tend to calm down and think about what has gone wrong. In fact in real life situations, young people are always high at emotions, be it joy or sorrow or anger or any kind of emotion. Thus, emotion management in Graduates depends on the background of their growth, education, physical traits and social factors to be precise.

## Findings

Based on the scores the following results have been obtained which are shown in the tables. The observations from the above study show the level of Employability skills in graduates. We will discuss about each factor related to each skill in detail (refer to the Appendices given below)

**Occupational Self Efficacy:** Most of the Graduates have a high level of Self Efficacy. They have a strong sense of self belief that they can do all the work effectively. About 37 (61%) of them have a high level, 3 (5%) have normal level and 19 (31%) have low level of Occupational Self Efficacy.

- **Confidence:** Most Graduates have a high level of Confidence. 53 (87%) of them have high level of Confidence 8 (13%) have a normal level of confidence
- **Command:** Most Graduates have a high level of Command 52 (85%) have high level and 9 (15%) of them have normal level
- **Adaptability:** About 55 (90%) have a high level and 6 (10%) have normal level of Adaptability
- **Personal Effectiveness:** 55 (90%) have high level and 6 (10%) have normal level of Personal Effectiveness
- **Positive Attitude:** 50 (82%) have high level and 11(18%) have normal level of Positive Attitude
- **Independence:** 46 (75%) have a high level, 13 (22%) have normal level and 2 (3%) have low level of the quality of being independent

**Team Effectiveness:** Most of the Graduates have a low level of Team Effectiveness. They don’t have a strong belief in working as a team that will produce more and better results in the work that they do. About 24 (39%) have a high level, 5 (8%) come under the normal range and 32 (52%) low.

- **Dependability:** 28 (46%) have normal level of the quality of dependability and 33 (54%) have low level.



- **Cooperation:** 24 (39%) have high level and 37 (61%) have low of Cooperativeness
- **Sharing:** 55 (90%) have normal level and 6 (10%) have low level of the quality of sharing

**Stress Tolerance:** Most of the Graduates have a high level of Stress Tolerance and working against pressure and opposition.

**Stress Levels:** 27 (44%) have high level, 12 (20%) have normal level and 22 (36%) have low level of tolerance towards Stress.

**Emotion Management:** Most of the Graduates have a high ability to manage their emotions and have no problem in expressing their emotion being under stability. 32 (52%) have high level, 5 (9%) have normal level and 24 (39%) have low level of emotion management skills.

### **Recommendations and Practical Implications**

- Occupational Self Efficacy, Team Effectiveness, Stress Tolerance and Emotion Management along with their determinants are important skills that graduates need to focus on before entering employment.
- Since Employability skills are very important, every graduate has to enhance their skills from the beginning of their graduation studies itself so that they will be ready for their career and be employable by the end of their studies.
- This Exploratory study on Employability skills among Graduates helps Graduate Recruiters to choose graduates who have the skills that will make them work effectively and efficiently.
- It also helps graduates enhance their employability skills and gives them the knowledge of what kind of skills they need to have and develop before entering employment.

### **Conclusion**

Hence, Employability skills of graduates have been explored based on their Occupational self-efficacy, belief in Team Efficacy, Stress Tolerance and Emotion Management by means of this study. The levels of these skills present in today's Graduates are relatively high or low, only very few are at the average levels of possessing these skills. Occupational Self Efficacy, Team Effectiveness, Stress Tolerance, Emotion Management are four common skills that are the most sought after in Graduates entering employment. In fact, Graduates have been enhancing these skills in themselves as they see the need for these skills rising to a high level in different companies including Government organizations. Earlier, in India, Government organizations did not need employees to possess skills other than their qualifications, where MNCs needed candidates who possessed skills including good and moderate qualifications. But today, both Government organizations and MNCs look for candidates who possess these skills as well.



## APPENDICES

## Appendix I: Occupational Self Efficacy

Student no	Age	Gen	Confidence	Command	Adaptability	Personal Effectiveness	Positive Attitude	Independence	Total
1	21	F	16	13	12	16	11	8	76
2	23	M	20	15	14	20	12	10	91
3	24	F	14	11	10	18	9	10	72
4	23	M	13	9	10	15	11	8	66
5	20	M	13	11	11	18	7	6	68
6	21	F	17	14	12	16	14	8	81
7	23	F	17	11	8	19	10	7	72
8	21	M	18	12	11	20	14	9	84
9	24	M	18	12	12	20	11	8	81
10	22	F	12	12	17	12	12	9	80
11	23	M	13	12	12	14	10	7	68
12	20	F	16	10	11	16	11	8	72
13	19	F	18	10	10	18	10	10	76
14	22	F	16	12	13	16	13	8	78
15	22	M	13	12	12	16	12	7	72
16	22	M	15	9	10	14	10	6	64
17	22	F	16	12	11	18	9	7	73
18	23	M	11	9	14	19	11	10	74
19	22	M	14	12	11	19	12	8	76
20	21	F	15	14	6	16	10	7	68
21	22	M	15	10	12	17	11	6	71
22	23	M	15	12	11	16	10	8	72
23	23	M	11	10	10	13	9	5	53
24	22	F	16	10	11	9	11	9	66
25	25	F	18	12	12	16	11	7	76
26	22	M	18	12	14	17	15	9	85
27	21	F	11	13	11	14	9	6	64
28	21	F	14	9	10	16	12	3	64
29	21	M	15	11	12	14	12	8	72
30	23	M	14	10	12	11	9	5	61
31	20	F	16	10	10	17	12	7	72
32	20	F	15	11	10	19	12	9	76
33	26	M	11	10	10	14	10	7	62
34	22	F	15	8	12	14	11	7	47
35	22	M	14	14	14	17	15	9	83
36	20	M	17	9	10	15	10	8	69
37	19	F	10	10	12	15	11	2	60
38	21	M	12	8	9	13	9	6	57
39	21	M	15	13	12	14	10	8	72

**Appendix I: Occupational Self Efficacy (contd...)**

40	19	M	15	9	11	15	10	7	67
41	21	M	18	13	12	17	13	8	81
42	21	F	13	11	11	14	9	7	65
43	22	M	14	10	12	15	9	6	66
44	21	F	12	12	10	13	11	7	65
45	22	M	17	9	12	16	10	6	70
46	21	F	13	11	10	14	12	7	67
47	19	M	16	10	12	18	11	8	75
48	21	M	18	13	9	17	10	9	76
49	20	M	14	11	9	15	8	7	64
50	23	M	15	11	10	19	10	9	74
51	22	M	16	13	12	16	12	9	78
52	22	M	13	14	14	17	10	4	72
53	24	M	16	11	12	15	11	5	70
54	22	M	14	12	12	11	10	7	66
55	22	M	14	10	13	16	11	7	71
56	22	M	17	12	10	15	10	6	70
57	22	M	16	15	18	11	11	4	75
58	23	M	15	12	12	14	12	8	73
59	20	F	15	11	9	13	9	8	65
60	21	M	18	13	10	20	15	10	86
61	18	F	15	12	11	17	10	7	69

**Appendix II: Team Effectiveness**

S.No	Age	Gen	Dependability	Cooperation	Sharing	Total
1	21	F	18	36	3	57
2	23	M	24	28	3	55
3	24	F	24	22	2	48
4	23	M	18	27	2	45
5	20	M	22	28	2	52
6	21	F	22	32	3	57
7	23	F	22	32	3	51
8	21	M	18	29	3	50
9	24	M	27	36	2	65
10	22	F	18	31	2	51
11	23	M	16	33	3	52
12	20	F	21	28	2	51
13	19	F	16	27	3	46
14	22	F	24	34	3	61
15	22	M	17	31	3	51
16	22	M	13	30	4	47
17	22	F	16	24	3	43
18	23	M	19	30	3	52
19	22	M	23	34	4	61
20	21	F	16	33	2	51
21	22	M	24	32	2	58
22	23	M	17	29	3	49
23	23	M	24	22	3	49
24	22	F	23	22	2	47
25	25	F	13	19	1	33
26	22	M	20	28	1	49
27	21	F	18	24	3	45
28	21	F	21	27	3	51
29	21	M	21	28	2	51
30	23	M	21	32	3	56
31	20	F	17	30	2	49
32	20	F	23	34	4	61
33	26	M	20	37	1	58
34	22	F	18	26	3	47
35	22	M	26	40	3	69
36	20	M	18	29	2	49
37	19	F	23	33	3	59
38	21	M	22	32	4	58
39	21	M	18	22	2	42

**Appendix II: Team Effectiveness (contd...)**

40	19	M	15	30	2	47
41	21	M	21	33	3	57
42	21	F	21	31	4	57
43	22	M	22	29	1	52
44	21	F	23	32	3	58
45	22	M	20	25	3	48
46	21	F	23	28	1	52
47	19	M	22	27	2	51
48	21	M	24	32	4	60
49	20	M	25	26	2	53
50	23	M	18	28	3	43
51	22	M	17	27	2	46
52	22	M	27	34	3	64
53	24	M	22	36	2	60
54	22	M	23	36	4	63
55	22	M	23	32	4	59
56	22	M	16	23	3	42
57	22	M	22	24	2	48
58	23	M	23	32	2	57
59	20	F	20	26	3	49
60	21	M	25	38	3	68
61	18	F	17	31	1	49

**Appendix III: Stress Attitude**

S.No	Age	Gen	Stress Attitude
1	21	F	7
2	23	M	15
3	24	F	13
4	23	M	14
5	20	M	13
6	21	F	5
7	23	F	9
8	21	M	13
9	24	M	10
10	22	F	14
11	23	M	15
12	20	F	16
13	19	F	14
14	22	F	15
15	22	M	8
16	22	M	17
17	22	F	8
18	23	M	12
19	22	M	14
20	21	F	11
21	22	M	18
22	23	M	15
23	23	M	12
24	22	F	12
25	25	F	18
26	22	M	15
27	21	F	13
28	21	F	12
29	21	M	13
30	23	M	9

31	20	F	16
32	20	F	13
33	26	M	8
34	22	F	15
35	22	M	13
36	20	M	13
37	19	F	12
38	21	M	12
39	21	M	12
40	19	M	15
41	21	M	13
42	21	F	10
43	22	M	12
44	21	F	15
45	22	M	12
46	21	F	13
47	19	M	13
48	21	M	13
49	20	M	17
50	23	M	15
51	22	M	10
52	22	M	20
53	24	M	17
54	22	M	13
55	22	M	14
56	22	M	13
57	22	M	16
58	23	M	16
59	20	F	10
60	21	M	11
61	18	F	13

### Appendix IV: Emotion Management

S.No	Age	Gender	Emotion Management
1	21	F	109
2	23	M	148
3	24	F	76
4	23	M	81
5	20	M	66
6	21	F	72
7	23	F	79
8	21	M	113
9	24	M	152
10	22	F	138
11	23	M	93
12	20	F	120
13	19	F	96
14	22	F	83
15	22	M	52
16	22	M	80
17	22	F	64
18	23	M	118
19	22	M	81
20	21	F	67
21	22	M	83
22	23	M	121
23	23	M	113
24	22	F	90
25	25	F	142
26	22	M	92
27	21	F	79
28	21	F	64
29	21	M	71
30	23	M	72
31	20	F	122

32	20	F	139
33	26	M	76
34	22	F	80
35	22	M	99
36	20	M	63
37	19	F	81
38	21	M	72
39	21	M	111
40	19	M	138
41	21	M	125
42	21	F	129
43	22	M	143
44	21	F	80
45	22	M	53
46	21	F	66
47	19	M	135
48	21	M	112
49	20	M	157
50	23	M	70
51	22	M	75
52	22	M	81
53	24	M	98
54	22	M	101
55	22	M	63
56	22	M	87
57	22	M	81
58	23	M	54
59	20	F	78
60	21	M	85
61	18	F	109



### Appendix V: Average of Levels of Occupational Self Efficacy, Team Effectiveness, Stress Tolerance and Emotion Management in Graduates

S.No	Age	Gen	OSE			Team Effectiveness			Stress Attitude			E.M		
			High	Avg	Low	High	Avg	Low	High	Avg	Low	High	Avg	Low
1	21	F	76			57					7	109		
2	23	M	91			55			15			148		
3	24	F	72					48		13				76
4	23	M			66			45	14				81	
5	20	M		68			52			13				66
6	21	F	81			57					5			72
7	23	F	72					51			9			79
8	21	M	84					50		13		113		
9	24	M	81			65			10		10	152		
10	22	F	80					51	14			138		
11	23	M		68			52		15			93		
12	20	F	72					51	16			120		
13	19	F	76					46	14			96		
14	22	F	78			61			15			83		
15	22	M	72					51			8			52
16	22	M			64			47	17					80
17	22	F	73					43			8			64
18	23	M	74				52				12	118		
19	22	M	76			61			14				81	
20	21	F		68				51			11			67
21	22	M	71			58			18			83		
22	23	M	72					49	15			121		
23	23	M			53			49			12	113		
24	22	F			66			47			12	90		
25	25	F	76					33	18			142		
26	22	M	85					49	15			92		
27	21	F			64			45		13				79
28	21	F			64			51			12			64
29	21	M	72					51		13				71
30	23	M			61	56					9			72
31	20	F	72					49	16			122		
32	20	F	76			61			13			139		
33	26	M			62	58					8			76
34	22	F			47			47	15					80
35	22	M	83			69				13		99		
36	20	M	69					49		13				63
37	19	F			60	59					12		81	
38	21	M			57	58					12			72
39	21	M	72					42			12	111		

40	19	M			67			47	15			138		
41	21	M	81			57				13		125		
42	21	F			65	57					10	129		
43	22	M			66		52				12	143		
44	21	F			65	58			15					80
45	22	M	70					48			12			53
46	21	F			67		52			13				66
47	19	M	75					51		13		135		
48	21	M	76			60				13		112		
49	20	M			64	53			17			157		
50	23	M	74					43	15					70
51	22	M	78					46			10			75
52	22	M	72			64			20				81	
53	24	M	70			60			17			98		
54	22	M			66	63				13		101		
55	22	M	71			59			14					63
56	22	M	70					42	13			87		
57	22	M	75					48	16				81	
58	23	M	73			57			16					54
59	20	F			65			49	10		10			78
60	21	M	86			68					11	85		
61	18	F	69					49	13			109		

**Appendix VI: Total Average of Occupational Self Efficacy, Team Effectiveness and Stress Attitude of Graduates**

	High	average	Low
O.S.E	75.54	68	62.5789
T.E	59.63	52	47.4375
S.A	15	13	10.18
E.M	115.7	81	69.67

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### **Additional Web Resources**

[http://psychology.about.com/od/theoriesofpersonality/a/self\\_efficacy.htm](http://psychology.about.com/od/theoriesofpersonality/a/self_efficacy.htm)

<http://www.theguardian.com/commentisfree/2013/jul/01/youth-unemployment-not-age-lack-of-skills>

<http://www.econport.org/content/handbook/Unemployment/Types.html>

<http://useconomy.about.com/u/ua/economicindicators/unemployment-survive.htm>

<http://www.newman.ac.uk/careers/520/employability>

<http://useconomy.about.com/od/economicindicators/a/unemploy-curren.htm>

<http://www.ukessays.com/essays/employment/employability.php>

<http://employabilityskills.training.com.au/>

### **End Notes**

1. <http://www.liv.ac.uk/careers/students/employability>

2. <http://www.ukessays.com/essays/employment/theory-of-employability.php>

3. [www.econport.org](http://www.econport.org)

# A Study on the Relationship between Role Stress and Role Efficacy with reference to Banking Sector Executives

B. Srilakshmi\* and Chandra Sekhar S.F\*\*

## Abstract

Banking sector is the back bone of any economy and also one of the most dynamic sectors. The turbulence in the sector has posed many challenges to its managers and employees. One of the key challenges is the ability to handle the stress. This paper attempts to understand the stress levels of employees across different banks and across different levels in the bank. We also attempted to understand the relationship between role stress and role efficacy. Primary data was collected from 66 banking employees. Organisation Roll Stress (ORS) scale is administered to measure the role stress levels and Role efficacy scale developed by Pareek is administered to measure the perceived role efficacy levels of banking employees. F-test is conducted to understand the variation in the stress levels across different banks and across different levels in the bank. Karl Pearson correlation was used to understand the relation between role stress and role efficacy. It was found that Private sector employees are experiencing comparatively higher level of stress than public sector and cooperative bank employees. When we observe different levels in the bank, it was found that middle level employees are experiencing comparatively higher level of stress. It was observed that role stress has a negative relationship with role efficacy. The implications of these observations are studied in this paper.

**Keywords:** Role Stress, Role Efficacy, Banking Sector, Managerial Jobs, Bank Performance

## Introduction

Globalization, changes occurred in terms of science and technologies, automation on one hand are posing new challenges to the organization. Recent global economic recession has fuelled the situation. Organizations started realizing that their employees provide them with the competitive advantages which can make them stand in such difficult situations. This realization has come up with an improved focus on management of human resources which have been considered as the driving force behind the survival and success of any organization. However, in this era of uncertainty, complexity and change, an important issue worth attention for such organizations has been the workplace stress which is increasingly becoming a critical problem for employees, employers and the society at large.

Stress is inevitable in human life (Pestonjee, 1999, pp15-34). Stress can have serious consequences for both health and work performance. Behavioral responses to physical and psychological stress affect organizations negatively. Employees under stress grow unhappy with their pay, work, coworkers and have less organizational commitment and exhibit greater degree of absenteeism, turn over and production inefficiencies.

The perception of the effects of stress on an individual has changed. Stress is not always dysfunctional in nature, and, if positive, can prove one of the most important factors in improving productivity within an organization (Spielberger, 1980). If not positive, stress can create a number of physical and psychological disorders among employees, and can be responsible for frustration, haste, and job dissatisfaction. As a result, the lack of work may cause complacency within the organization. Stress is,

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\* Lecturer in HRM at Loyola academy Degree and PG College, Old Alwal, Secunderabad 500014.

\*\*Dr. Chandra Sekhar S.F, Professor and Chairperson - HR & Research Area, Siva Sivani Institute of Management, NH 7, Kompally, Secunderabad, 500014.

therefore, multidimensional, and its results depend on whether employees perceive it as a problem or a solution. Understanding stress, preventing it, and managing it effectively are extremely important for promoting human well being (Srivastava, 1995) and enhancing individual and organizational effectiveness.

## **Role Stress and Role Efficacy**

Voluminous research carried out to examine the antecedents and consequences of Stress in an organizational set up (Cooper and Cartwright, 1994; Quick et al., 1997; Spielberger and Reheiser, 1994; Spielberger et al., 2002), has clearly established that job-related stress has an adverse impact on productivity, absenteeism, worker turnover and employee health.

The term “stress” was first used by Selye (1936) in the literature on life sciences, describing stress as “the force, pressure, or strain exerted upon a material object or person which resists these forces and attempt to maintain its original state.” Stress can also be defined as an adverse reaction that people experience when external demands exceed their internal capabilities (Waters & Ussery, 2007).

Stress is the result of a mismatch between persons and his/her environment and the perceived inability to cope with the constraints or demands encountered (Harrison, 1976). Stress is caused by internal and external demands that upset the balance of an individual and affect his/her physical and psychological wellbeing (Lazarus and Cohen 1977).

‘Organizational role’ is a position in an organization which is defined by the expectations of the significant people there in. Role occupant performs certain functions to fulfill his/her role expectations. The concept of organizational role and occupation thereof has inherent potential for stress (Pareek, 1993, pp.3-20; 2002, pp.477-491). Stress resulting from occupation of an organisational role is known as organisational role stress.

The output of a role depends on three factors. Firstly, it is the expectation of the society the person is in. Second is his perception about the role and thirdly it is the competency of the person to handle the role. The effectiveness of the outcome depends on the amalgamation of the role holders’ competencies and the expectations of the stake holders of the role. Role efficacy is the potential effectiveness of an individual occupying a particular role in the organisation (Pareek, 2010).

The dynamic changes happening in the financial sector are posing many challenges to the managers in banking sector. Some of them are ability to work with limited resources, accepting mobility and coping with the stress levels. Moreover, the concept of globalization has affected both the public and private banking sectors. A research conducted by Fayyaz and Farooq (2007) suggested that there are concerns over the impact of stress on the banking employees and productivity. The rapid growth in information technology and communication has caused awareness of the global economy in the minds of the people. Therefore, it is very important to understand the role stress among the banking employees to better management and have only positive effect of stress.

## **Role stress and role efficacy relationship**

Research has proven that a person experiencing high levels of role efficacy experience less levels of role stress (Sen, 1982; Surti, 1983). It was also found that people having low burn out scores were high on role efficacy scores. A high role efficacy seems to develop a kind of resistance in the individual to cope with various types of stress (Das, 1984).

In line with the evidence in the past, role efficacy was negatively related with job anxiety and job related stress (Sharma & Sharma, 1983). More specifically, burnout was found to have a significantly negative



correlation with role linking. Inter-role linkages and helping relationships act as buffers preventing burnout phenomenon to occur with its usual intensity. Stress proneness variable related negatively with Integration, Pro-activity, Super-ordination, Influence and overall Efficacy scores, thereby suggesting that low stress proneness contributes to role development and one's being efficacious on the job, whereas high stress proneness does not go well with the role efficacy. Increased role efficacy results in lower experience of stress or stress proneness. Stress proneness and role efficacy have emerged to be inversely related (Sayeed, 1985). Pandey (1995) also examined the role efficacy-role stress relationship and found that role efficacy pertinently reduces stress among employees.

Singh et al (1996) has conducted a study on business organisational practices and their effects on stress. They concluded that a clearly communicated organisational practice will decrease the role stress.

Srivastava (1991) surveyed 300 employees of the Life Insurance Corporation and reported that there is a significant positive correlation between various dimensions of role stress and symptoms of mental ill health.

Chaudhary (1990) did a study to find out the relationship between role stress and job satisfaction. It was observed that role erosion and resource inadequacy act as dominant stressors while role ambiguity and role expectation conflict are remote contributors to role stress.

Margolis et al. (1974) found that the perceived role stress adversely affects health, job satisfaction, and role effectiveness of the member organizations.

Pandey (1995) also examined the role efficacy-role stress relationship and found that role efficacy pertinently reduces stress among employees.

Role stress was found to be emanating from lower role efficacy and have negative impact on the employee job performance (Fried et al. 1998; Kahn & Byosiene, 1992).

The above study demonstrates that stress has negative relation with all the predictors of employee effectiveness in the organization. Therefore, it is very important to understand the underlying factor to effectively manage it.

## **Purpose of the Study**

Banking sector has undergone structural changes in the past decade due to the competition from the private sector banks, globalization and liberalization, introduction of new technologies. Therefore it is very important for us to understand the causes and its effects of stress to manage it.

Thus, this study has three fold purposes. Firstly, it attempts to understand the variation in stress perceived by the employees across different types of banks. Secondly, it aims at assessing the level of stress perceived by the employees across different levels in the bank under consideration. Thirdly, it examines the relationships between role stress and role efficacy perceived by the employees of the banks.

## **Objectives and Hypothesis**

In view of the above purpose, this study has the following objectives.

- 1) To study the variation in role stress across different categories of bank.
- 2) To study the variation in stress across different levels of bank.
- 3) To study the effect of role stress on role efficacy of bank executives.

Therefore, the following hypotheses are formulated.

- H<sub>01</sub>: There is no significant variation in role stress experienced by the bank employees across different categories of bank
- H<sub>02</sub>: There is no significant variation in role stress experienced by the bank employees across different levels of bank.
- H<sub>03</sub>: There is no effect of role stress on the role efficacy of the bank employee.

## **Research Methodology**

Using descriptive research design, this study attempts to describe the levels of stress and role efficacy of the employees in select banks. Therefore, the primary data was collected from seven private sector banks in the twin cities of Hyderabad and Secunderabad. Using simple random sampling technique, 20 employees from each of these seven banks were identified and to whom the structured questionnaires were administered. However, after repeated reminders, only 66 of them have returned duly filled-in questionnaires.

The structured questionnaire included three parts. Part A included profile of the employees. Part B included a standardized scale to measure Organisation Role Stress (ORS) scale developed by Pareek (1983) and was administered to measure ten role dimensions of role stress. It has a five point scale indicating how true a particular statement is for the role occupant. The respondent is asked to assign '0' to a statement if he never or scarcely feels role stress, '1' to a statement if he occasionally feels so and '4' if he very frequently feels. Hence the score of each role stress may range between 0 and 20 and the total ORS score may vary between 0 and 200. The ratings of the respondents on specified five items as given role wise in the answer sheet, are added to obtain scores for the 10 role stress dimensions.

Part C includes Role efficacy scale developed by Pareek (1986). This scale has ten dimensions which are measured using two statements. Each statement has three per weighted alternative. The respondent will choose the one which will describe their role the most. The scoring pattern is +2, +1, -1. Details of the Scales are presented in table 1.

**Table 1: Scale Details**

S.No	Scale Dimension	Conceptualization	Items	Alpha
1	Inter role distance (IRD)	Conflict between organizational and non organizational roles	5	.70
2	Role stagnation (RS)	The feeling of being “stuck” in the same role	5	.72
3	Role expectation conflict (REC)	Conflicting expectations and demands between different role senders	5	.76
4	Role erosion (RE)	The feeling that functions that should belong to the respondent’s role are being transformed/performed or shared by others	5	.71
5	Role overload (RO)	The feeling that more is expected from the role than the respondent can cope with	5	.77
6	Role isolation (RI)	Lack of linkages between the respondent’s role and that of other roles in the organization	5	.76
7	Personal inadequacy (PI)	Inadequate knowledge, skills, or preparation for a respondent to be effective in a particular role	5	.65
8	Self-role distance (SRD)	Conflict between the respondent’s values/self-concepts and the requirements of his or her organizational role	5	.71
9	Role ambiguity (RA)	Lack of clarity about others’ expectations of the respondent’s role, or lack of feedback on how others perceive the respondent’s performance	5	.71
10	Resource inadequacy (RIn)	Non availability of resources needed for effective role performance	5	.65
	<b>Role efficacy</b>			
1	Centrality	Role occupant’s perception on degree of significance of his role	2	.68
2	Integration	Role occupant’s perception on how integrated he feels with his role	2	.67
3	Pro-activity	Role occupant’s perception on extent of opportunity in the role for proactive or reactive behavior.	2	.52
4	Creativity	Role occupant’s perception of extent creative work to be done in the job.	2	.56
5	Linkage	Role occupant’s perception on interdependency with other roles.	2	.51
6	Helping relationship	Role occupant’s perception on extent of opportunities for help giving and help seeking	2	.53
7	Super-ordination	Role occupant’s perception on extent of opportunity to work for larger entities / super-ordinate goals	2	.52
8	Influence	Role occupant’s perception of being able to exercise influence on others in his/her role	2	.53
9	Growth	Role occupant’s perception of opportunities to grow in his or her role.	2	.53
10	Confrontation	Role occupant’s perception of extent to opportunities to confront with problem and find solution.	2	.51

Means and SDs were computed to understand the levels of roles stress and efficacy of the employees. In order to know the significance of the mean variation according to type of bank and levels of management, F-tests were employed. Lastly, to assess the relationships between role stress and role efficacy, Karl Pearson’s correlation coefficient was carried out.

## **Results and Discussions**

In the view of the objective and the Hypothesis, the stress levels of the employees have been analyzed. Results in this regard are presented in the following section. In order to rank various stressors, we calculated their mean values and standard deviations followed by those of the total ORS scale.

### **Role Stress and Type of banking**

It was hypothesized that “there is no significant variation in role stress experienced by the bank employees across different levels of bank”.

To study the variation in stress levels across different categories of banks, F-test was used. The data was collected from three categories of banks 1) Private 2)Public and 3) Cooperative. To test first hypothesis, means, SDs and F-test were conducted. Results in this regard are presented below.

**Table 2: Stress by Type of Banks**

Role Stress	Bank Type	N	Mean	SD	F-value	d.f	Sig.
Inter-role distance (IRD)	Public	20	5.45	1.52	6.65	2, 66	0.002
	Private	40	7.33	2.17			
	Cooperative	6	6.00	1.46			
Role stagnation (RS)	Public	20	5.55	1.62	5.41	2, 66	0.007
	Private	40	6.48	1.52			
	Cooperative	6	4.33	2.67			
Role expectation conflict (REC)	Public	20	4.00	3.24	3.350	2, 66	.041
	Private	40	5.05	3.41			
	Cooperative	6	1.50	1.38			
Role erosion (RE)	Public	20	5.00	1.04	4.180	2, 66	0.020
	Private	40	5.53	0.63			
	Cooperative	6	5.00	1.03			
Role overload (RO)	Public	20	4.20	2.40	7.529	2, 66	.001
	Private	40	6.83	3.43			
	Cooperative	6	3.00	1.79			
Role isolation (RI)	Public	20	4.45	2.42	3.400	2, 66	0.040
	Private	40	5.30	2.48			
	Cooperative	6	2.67	1.86			
Personal inadequacy (PI)	Public	20	4.95	1.95	5.316	2, 66	0.007
	Private	40	5.60	2.57			
	Cooperative	6	2.50	1.17			
self-role distance (SRD)	Public	20	4.40	1.68	5.724	2, 66	0.005
	Private	2	5.70	2.48			
	Cooperative	6	2.83	1.33			
Role ambiguity (RA)	Public	20	3.05	2.59	5.156	2, 66	.008
	Private	40	4.28	3.24			
	Cooperative	6	.33	0.52			
Resource inadequacy (Ri)	Public	20	3.55	2.42	3.778	2, 66	.028
	Private	40	4.80	3.65			
	Cooperative	6	1.17	1.60			

It is evident from the table 3 that on all the dimensions of role stress, the private bank employees scored higher mean scores than their counterparts in public and cooperative banks indicating that the role stress is more in private sector banks than others. Surprisingly, the employees in cooperative banks perceived very less amount of role stress than their counterparts in public sector banks.

Interestingly, the mean variation in stress across all the employees of various types of banks viz. dimensions like inter role distance, role stagnation, role erosion, role isolation, personal inadequacy, self-role distance, role expectation conflicts, role over load, role ambiguity, and resource inadequacy reached

statistical levels of significance as evident from the F-values presented in the table. Thus the null hypothesis, “There is no significant variation in role stress experienced by the bank employees across different categories of bank” stands rejected and the alternative hypothesis is accepted.

**Role Stress and levels of functioning**

It was hypothesized that “There is no variance in role stress experienced by the bank employee according to their levels of functioning”.

To study variation in stress levels across different categories of banks F-test was used. the employees are segregated into three common hierarchal levels namely i) Senior ii) Middle iii) Jjunior level. To test first hypothesis, means, SDs and F-test was conducted. Results in this regard are presented in table 3.

**Table 3: Role Stress by Levels of Management**

		N	Mean	Std. Deviation	F-value	d.f	Sig.
Inter-role distance (IRD)	Senior	10	6.80	2.66	5.316	2, 66	0.007
	Middle	30	7.53	2.14			
	Junior	26	5.54	2.30			
Role stagnation (RS)	Senior	10	6.20	1.85	761	2, 66	0.029
	Middle	30	6.50	1.65			
	Junior	26	5.35	1.91			
Role expectation conflict (REC)	Senior	10	5.20	1.58	3.445	2, 66	0.038
	Middle	30	4.60	1.64			
	Junior	26	3.88	1.97			
Role erosion (RE)	Senior	10	4.10	1.91	5.887	2, 66	0.005
	Middle	30	5.20	1.16			
	Junior	26	5.92	1.56			
Role overload (RO)	Senior	10	5.10	1.21	4.405	2, 66	0.016
	Middle	30	6.20	1.86			
	Junior	26	5.31	1.70			
Role Isolation (RI)	Senior	10	3.90	2.00	4.075	2, 66	0.022
	Middle	30	5.23	1.21			
	Junior	26	4.65	1.14			
Personal Inadequacy (PI)	Senior	10	3.60	3.41	4.787	2, 66	.012
	Middle	30	6.43	3.46			
	Junior	26	4.19	2.74			
Self-role distance (SRD)	Senior	10	3.80	1.53	4.834	2, 66	0.011
	Middle	30	5.67	1.57			
	Junior	26	4.81	1.95			
Role ambiguity (RA)	Senior	10	1.40	1.78	2.990	2, 66	.057
	Middle	30	3.90	3.17			
	Junior	26	3.96	3.18			
Resource inadequacy (Rin)	Senior	10	2.70	2.45	3.227	2, 66	.046
	Middle	30	5.17	3.82			
	Junior	26	3.38	2.65			



It is evident from the table 3 that on Inter-Role Distance, Role Stagnation, middle level managers perceived them more, followed by senior level of managers. Interestingly, the juniors are found less experiencing. This may be due to the fact that role stagnation is normally high in senior and middle levels whereas, in junior levels, more roles are assigned to the employees.

On Role expectation conflict, seniors are experiencing more than the middle and the junior level of managers. In other words, the role conflicts are more among senior and middle managers than among junior managers.

As regards, Role erosion, Role Ambiguity, junior managers are perceived more than the middle managers and senior managers. This fact is also corroborated with earlier fact that juniors are assigned more roles as a result they experience more ambiguity and erosion of their roles.

Most interesting thing to note on Role Overload, Role Isolation, Personal Inadequacy, Self-Role Distance, and Resource Inadequacy is that the middle level managers are experiencing more than the junior and senior levels of management. This further means that middle level managers experience more stress than any other levels of managers; this may be due to the fact that middle level managers are always the bridge level which receives instructions from the top and overseeing the lower levels as a result, they are more sandwiched between two levels than the others.

Interestingly, on all the dimensions of role stress, the mean variations have reached statistical levels of significance, indicating that the null hypothesis stands rejected and the alternative hypothesis is accepted.

### **Relationships between Role stress and efficacy**

Previous research has claims that role stress influences role efficacy of the employees in diverse workplaces. Therefore, it was hypothesized that “There is no effect of role stress experienced by the bank employee on their role efficacy”. Thus, the relationship of role stress and role efficacy is assessed with the help of correlation. The results are shown in table 4.

**Table 4: Relationships between Role Stress and Role Efficacy**

S.No	Variables	N	R
1	Role stagnation and Centrality	66	-.248*
2	Role stagnation and Growth	66	-.290*
3	Role expectation conflicts and Centrality	66	-.258*
4	Role expectation conflict and Growth	66	-.259*
5	Role erosion (RE) and confrontation	66	-.420**
6	Role overload (RO) and Integration	66	-.340**
7	Role overload (RO) and Pro-activity	66	-.306*
8	Role overload (RO) and linkage	66	-.301*
9	Role overload (RO) and Growth	66	-.401**
10	Role isolation (RI) and superordination	66	-.275*
11	Personal inadequacy (PI) and Confrontation	66	-.245*
12	Selfrole distance (SRD) and Integration	66	-.371**
13	Selfrole distance (SRD) and Pro-activity	66	-.288*
14	Selfrole distance (SRD) and helping relation	66	-.245*
15	Selfrole distance (SRD) and influence	66	-.274*
16	Selfrole distance (SRD) and Growth	66	-.325**
17	Selfrole distance (SRD) and Confrontation	66	-.368**
18	Role Ambiguity (RA) and Centrality	66	-.249*
19	Role Ambiguity (RA) and Integration	66	-.330**
20	Role Ambiguity (RA) and Pro-activity	66	-.339**
21	Role Ambiguity (RA) and helping relations	66	-.279*
22	Role Ambiguity (RA) and Growth	66	-.403**
23	Role Ambiguity (RA) and Confrontation	66	-.320**
24	Resource inadequacy (Rin) and Integration	66	-.312*
25	Resource inadequacy (Rin) and Pro-activity	66	-.277*
26	Resource inadequacy (Rin) and helping relations	66	-.250*
27	Resource inadequacy (Rin) and growth	66	-.255*

It is clear from the table that all the dimensions of role stress yielded a negative and significant correlation with role efficacy indicating that as the role stress increases, role efficacy of the employees' decreases significantly.

To be more specific, Self role distance yields a highly significant negative relation with role integrity, growth, confrontation and has a significant negative relation with pro-activity, helping relations, influence. Role ambiguity yields highly significant negative relation with integrity, pro-activity, growth, confrontation and has a significant negative relation with centrality and helping relations. Similarly, Resource inadequacy yielded significant negative relation with integration, proactivity, helper and

growth. Thus, the null hypothesis stands rejected and the alternative hypothesis is accepted. In other words, role stress among bank managers has a very severe effect on their efficiency. Therefore, this study addresses the need for redesigning the roles of the bank managers for reducing stress and consequently increasing their efficiency.

In view of the results presented in the preceding sections of this research, there is a need to draw implications for helping bank managers. There is a need to follow the job descriptions statements while evolving the roles of the managers. The RBI regulations pertaining to the management of people specifies the definition of job and responsibilities of the managers. There is a need to periodically orient employees of all levels to have a reinforced understanding of their role expectations. This may also be part of regular coaching and mentoring activities of the superiors during which they may initiate conversations with the subordinates for establishing better clarity of their roles. As employees from private banks are experiencing more role stress, there is a need for mentoring scheme in such banks and the employees are periodically provided with an opportunity to discuss their role related issues with their mentors and consequently mentors may provide anonymous inputs to the HR managers for revisiting the role design for all the managers. Similarly, there is also need for developing training programs for helping them cope up with role stress as it influences their role efficiency. Thus, training modules may include coping mechanisms and role efficiency. This way, bank managers will develop competences to manage their roles stress which will have reduced effect on their overall performance which in turn improves customer satisfaction in the long run.

## Conclusion

Understanding the role stress and role efficacy of the bank managers is the need of the hour as the sector is very growth oriented and dynamic across the world. Eventually, the banks are operating in extremely competitive business environment. The managers of such banks are expected to evolve new business opportunities that have redefined the traditional role of banks in the society. As a result, managers are increasingly experiencing stress and effects of stress on their jobs and health. Encouraged by such phenomenon, this study addressed the role stress and role efficacy of bank managers from select banks in the twin cities of Hyderabad and Secunderabad. All the null hypotheses were rejected indicating that the role stress levels are varying across all the types of banks as well as across different levels of management within the bank. And lastly, role stress has a significant negative effect on role efficacy. Implications for helping managers cope up with role stress and increase their overall performance have been drawn.

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# A study of the Prevalence of Common Mental Disorders in the Employees of BPOs

Nalini Bikkina\*

## Abstract

A remarkable change in the Indian services industry had been brought forth post the liberalization era in the form of Business Process Outsourcing. Even if the industry grows at a breakneck pace over of 50 per cent per annum in terms of job creation, absorbing thousands of young and barely-educated workers from all over the country, it is witnessing social, ergonomic and psychological problems on an unprecedented scale. Performance and work related strains are resulting in pressures being placed upon individuals that require them to cope with circumstances over which they have no direct control. As a consequence, it is probable that several of the psychological and emotional problems manifest themselves in a category of problems called Common Mental Disorders. The objectives of the present study therefore are to ascertain the prevalence of common mental disorders among the sample of BPO Executives and to examine the association between socio-demographic factors and common mental disorders in the employees of BPOs. The study utilized the General Health Questionnaire-28 to ascertain the prevalence of Common Mental Disorders. Analysis was done using SPSS and presented in terms of prevalence of caseness using Chi-square test, t and F tests to examine the association between socio-demographic factors and Common Mental Disorders. The prevalence of Common Mental Disorders in the sample was found to be 70.8%. Age, education and marital status were found to be significantly associated with psychological symptoms, thus strengthening the case of the need for provision of Employee Assistance Programmes in these entities.

**Keywords:** Common Mental Disorders, Prevalence, Socio-demographic factors, and Caseness.

## Introduction

Business Process Outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria. Business Process Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry (Sharma, 2004).

NASSCOM reported a faster than ever growth in the BPO industry in India. An industry which was created to a large extent by the early moves of GE under the leadership of Jack Welch now sees globally listed firms like GENPACT, WNS and EXL clocking a few billion dollars in value and leading a pack of small, medium and large firms whose employment may well overtake that of the much older IT services industry in the not so distant future (Natarajan, 2009).

Even as the industry grows at a breakneck pace of over 50 per cent per annum in terms of job creation, absorbing thousands of young, twelve-plus-two educated workers from all over the country; it is spawning social and ergonomic problems on an unprecedented scale. Stories abound of young BPO workers losing control over their lives and straying into drugs, crime, unfettered promiscuity, and eventual depression and severe suicidal tendencies. Workplace related psychological issues have been pervasive. However, what makes the BPO's case so alarming is the unique nature of the industry. Never before have young workers run an entire industry almost on their own; never before has an entire generation of young,

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\* Assistant Professor, Centre for Research in Public Policy, GITAM Institute of Management, GITAM University. Email: nalini@gitam.in



white-collar workers worked only in the night, often away from their small-town families; and never before has any industry pulled so many youngsters into a world of relative affluence like BPO has.

More often, fresh graduates were recruited with salaries, comparatively higher than in any other industry for a non-professional degree. As attrition began and started to rise, under-graduates too were recruited. This resulted in a sudden transition from being a student to being employed with relatively higher purchasing power.

### **Excessive consumerism**

One obvious consequence was an excessive onset of consumerism. Moreover, credit cards were issued to the employees, which resulted in buying sprees beyond one's capacity to repay. Spending was mostly in terms of acquisition of electronic goods, mobile phones, clothes and accessories, fast food, and entertainment, an especially forced and artificial acculturation to the "pub" culture.

### **Identity crisis**

In a bid to sound like the customers they serve, the call centre agents often assume a fake persona and put on a fake accent. As it turns out, switching between their real person and the fake persona isn't that simple. The association is not just with a temporary new identity, but somewhere it begins to seem that the real persona is less worthy.

The picture is further complicated by the nature of the job, which is monotonous, repetitive and heavily target-oriented. Often, the workers get only short breaks and must deal with indifferent or abusive customers. More importantly, there is little career progression. Not everyone who joins a call centre ends up becoming a team leader or moving into top management roles.

The nature of workplace engagement is also unique. Most of the BPO workers ride to and from work together, work just a few feet away from each other, and sometimes also share apartments if they are staying away from their families. Because of all that, their personal and professional lives tend to fuse since they spend so much time together and, of course, this leads to problems at the workplace.

### **Negative attitudes towards one's culture & language**

There are the complex issues of identity construction, as Indians navigate the tensions between their culture and the requirements of service provision for western customers, including practices such as locational masking, adopting pseudonyms and accent neutralization, which may result in racist abuse (d'Cruz and Noronha, 2006; Mirchandani, 2004a;b; McMilan, 2006; Poster, 2007). Some amount of culture importing occurs in these contexts. Employees adopt screen names, accented English and prefer patterns of dressing which are different from their erstwhile comfort zones. A corporate impacted multiple personality seems to manifest at the work place.

### **Truncated education**

In India of previous decades, children of educated parents preferred to study. Education has always occupied prime status in the Indian home for boy and girl alike in urban areas, and certainly for the boy child in semi-urban clusters. Today, things seem to be different. Youngsters with 18-19 years of age aspire to get a BPO job. Truncating education at the Pre-university level is an option today. The BPO provides an option to earn good money at a young age, even without the degrees in hand. The BPO enterprise is a specialist skill of low value. Till the business flows in, this would seem viable and promising. If and when the inflow of business stops, there will be an employment nightmare of sorts.

## **Promiscuity**

The majority of BPO workers are young and relatively inexperienced; and when they suddenly find money and a lot of freedom - not to mention peer pressure - they often may not be able to handle issues in a rational fashion. Added to it is the situation of night-time work, the ennui of a boring job and the proximity of the two sexes in a permissive environment. In this context, sexual promiscuity is fast becoming a norm. The problem tends to be worse in the case of young workers who have come from smaller towns. They live in an unreal world that often borders on the undesirable or unhealthy.

## **Work related stress and other psychological concerns**

It has been widely reported that the very nature of work at BPOs has resulted in employee burnout and other stress-related disorders. The problem was compounded in countries such as India, where employees had to work in night shifts as these BPOs catered to overseas clients. Working continuously in such shifts and handling stressful transactions with clients led to mental and physical exhaustion. In addition to workplace stress, the personal habits and undisciplined lifestyle of some employees further compounded their problems.

Since the outsourcing industry caters primarily to customers outside India, there's the issue of time zones. Most of the BPO workers work at night and sleep during the day. Such a routine tends to upset the natural bio-rhythm. They get sick, irritable and depressed. Because these people are living away from their homes and work night shifts, when chances of being 'found out' are low, they experience a disinhibition effect, which means the normal inhibitions that prevent people from doing something that is not socially acceptable no longer operate.

A combination of factors including monotonous but stressful work, and good starting salary at an early age pushed some employees toward high risk behavior such as alcoholism, substance abuse and promiscuity. There were also reports of BPO employees getting involved in crimes.

The problem was exacerbated as a high percentage of BPO employees hailed from small towns and stayed away from their families. Some of them wanted to take full advantage of the new found independence, while others succumbed to peer pressure involving drinking, doing drugs and indulging in other high risk behaviors considered glamorous.

There have also been several emerging reports that highlight a number of health, social and psychological problems which can seriously affect the predicted high growth rate for this sector in India (Budhwar, 2009). Things are further complicated by the concept of graveyard shifts to match working hours in the Western countries. These erratic long working hours make normal socialization difficult, leading to alienation, withdrawal and increased irritability. Psychologists note that many young individuals employed in BPOs are susceptible to burn-out stress syndrome (BOSS), symptoms of which include chronic fatigue, insomnia and alteration of the body's 24 – hour biological rhythm. In addition to this, disturbed sleep and prolonged working hours may lead to gastric ulcers, high blood pressure, diabetes or clinical depression. Other ailments ranging from hypertension and asthma to spondylitis are also reported as an outcome of working in BPOs. Another stressor for employees working in the BPO sector is the problem of racial abuse from irate customers. Indeed, one can say that the BPO workers face an array of problems on unsolicited sales calls from rudeness, sexual harassment and fury to open racism.

The scenario described above indicates therefore that despite apparent well-being, employees working in this context are disturbed by various psycho-social and work related stressors, reflecting in problems of psychological ill health. This clearly shows that the process of developing mental disorders and of maintaining mental health is profoundly shaped not only by biological and psychological factors but also by the work environment. Performance and work related strains are resulting in pressures being

placed upon individuals that require them to cope with circumstances over which they have no direct control. As a consequence, it is probable that several of the psychological and emotional problems manifest themselves in a category of problems called Common Mental Disorders.

Common Mental Disorders was a term coined by Goldberg and Huxley (1992, pp. 7-8) to describe “disorders which are commonly encountered in community settings, and whose occurrence signals a breakdown in normal functioning”. Common Mental Disorders, the new incarnation of neuroses, have been classified in ICD 10 in two main categories: Neurotic, Stress-related and Somatoform Disorders with a number of subcategories and Mood Disorders (with specific reference to unipolar depression). A simpler classification of these disorders has been devised as follows for use in primary health care (Ustun et al., 1995):

### **Classification of Common Mental Disorders for Primary Health Care in ICD 10**

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F32	Depression
F40	Phobic disorder
F41.0	Panic disorder
F41.1	Generalized anxiety
F41.2	Mixed anxiety and depression
F43	Adjustment disorder
F44	Dissociative disorder
F45	Unexplained somatic symptoms
F48	Neurasthenia
F51	Sleep problems

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**Source:** Patel, V. (1999). Common mental disorders in South Asia. NIMHANS Journal, 17(4), 308.

### **Objectives**

- To ascertain the prevalence of common mental disorders among the sample of BPO Executives.
- To examine the distribution of the socio-demographic factors across the sample based on the scores obtained on the General Health Questionnaire – 28 by the respondents.
- To study the association between these socio-demographic factors and common mental disorders in the sample.

### **Methodology**

#### **Design**

The study used a cross-sectional survey design, involving answering a socio-demographic data sheet followed by the General Health Questionnaire-28.

#### **Sample**

The sample consisted of 24 employees of a BPO who were recruited for the entry level positions as Customer Service Representatives.

### Tools

- A socio-demographic data-sheet was prepared by the investigator for the purpose of the study.
- The General Health Questionnaire - 28 (GHQ 28) devised by D. P. Goldberg (1972), was used as a screening device for common mental disorders.

For the purpose of this study, the cut-off score between ‘cases’ and ‘normals’ was taken as between 3 and 4 so that respondents with 3 or fewer symptoms are considered normal and those with 4 or more are considered cases. The responses on the General Health Questionnaire were individually analyzed to arrive at an estimate of the patterns of psychological morbidity and these were in turn correlated with the individual items of the socio-demographic data sheet.

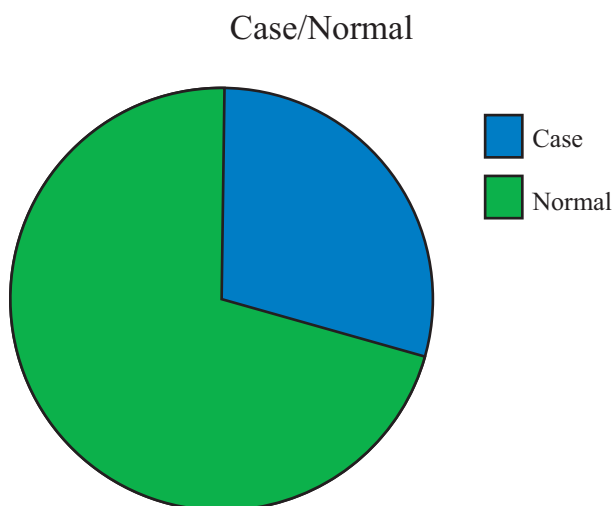
For analysis, the Statistical Package for Social Sciences (version 16) was used. Analysis was primarily done in terms of the percentage of the prevalence of moderate mental morbidity among the general population. Frequencies were used to note the distribution of the sample and the cases among the sample across the socio-demographic variables. The F test applied along with the t test to examine the relationship between GHQ-28 totals and the socio-demographic variables and between individual dimensions of the GHQ-28 and the socio-demographic variables.

### Results and Discussion

Of total sample of 24 BPO employees, the prevalence of Common Mental Disorders was found in 70.8% as per GHQ-28 scores as shown in Figure 1.

With the GHQ method of scoring, the cut-off score that gives optimum discrimination between cases and normals is taken as the value between 3 and 4, so that respondents with 3 or fewer symptoms are considered normal and those with 4 or more are considered cases (Goldberg, 1972).

**Figure 1: Prevalence of caseness across the sample**



70.8% of the employees scored 4 and above, showing caseness as measured by the GHQ-28 as against 29.2% who scored 3 and below and did not report symptoms of Common Mental Disorders.

The mean score of the sample of 24 respondents on GHQ-28 was 5.58 while the mean GHQ-28 score of the cases was 7.47. The mean score of the sample on somatic symptoms was 2.08 while the mean score of the cases on somatic symptoms was 2.88. The mean score of the sample on anxiety and insomnia was 1.96 while the mean score of the cases on anxiety and insomnia was 2.65. The mean score of the sample on social dysfunction was 0.92 while the mean score of the cases on social dysfunction was 1.18. The mean score of the sample on depression was 0.88 while the mean score of the cases on depression was 1.12. Frequency distributions along with chi-squares were used to arrive at the distribution of the socio-demographic variables across the sample. The total sample for the study was 24. The proportional

distribution of the sample across cases and non-cases based on personal characteristics of Age, Gender, Education and Marital Status is presented in Table 1.

**Table 1: Representation of the sample across normals and cases**

Variable	Non-cases		Cases		Chi-square
	n	%	n	%	
<b>Age</b>					df = 1 9.783**
18-30	5	26.3%	14	73.7%	
30-50	2	50.0%	2	50.0%	
<b>Gender</b>					df = 1 0.43
Female	4	33.3%	8	66.7	
Male	3	27.3%	8	72.7%	
<b>Education</b>					df = 3 17.870**
Intermediate	0	0.0%	1	100.0%	
Degree	4	30.8%	9	69.2%	
PG	3	37.5%	5	62.5%	
Professional degree	0	0.0%	1	100.0%	
<b>Marital status</b>					df = 1 6.545*
Unmarried	5	29.4%	12	70.6%	
Married	2	40.0%	3	60.0%	

\*Significant at 0.05 level

\*\* Significant at 0.01 level

Taking socio-demographic characteristics into consideration, it was found that age, education and marital status were significantly associated with psychological symptoms as measured by the GHQ-28. Unmarried employees with the age of 18-30 years having the educational qualifications of intermediate and professional were found to be significantly effected. More often, as attrition began to rise in the BPO industry, under-graduates were being recruited. This resulted in a sudden transition from being a student to being employed with relatively higher purchasing power. These youngsters too reported unsustainability of long hours of monotonous work due to physiological fatigue, psychological dissatisfaction and fear of an illusive future (Pillai, 2006). Also, for those who are professionally educated, a feeling of being underemployed seems to be a constant concern, which might in the long-term lead to experiences of distress. More and more employees of BPOs are showing trends towards sexual promiscuity, a growing preference for premarital relationships, swinging, and lesbianism. Marriage seems to not be there on the agenda in the near future for this group of youngsters. This would also mean an ever present insecurity about relationships along with a perception of lack of social support.

To understand the relationship between the sub-groups of the socio-demographic variables and the four dimensions of the GHQ-28, an ANOVA was applied. The GHQ-28 has four sub-scales measuring four dimensions of psychological distress. The sub scales are: A-Scale consisting of items on somatic symptoms; B-Scale dealing with anxiety and insomnia; C-Scale consisting of items on social dysfunction; and D-Scale comprising items on severe depression.

The following set of tables (from Table 2 to Table 6) present the mean scores obtained by each of the sub-groups on the sub-scales of the GHQ-28. To further examine differences between the sub-groups, t/F tests were done.

**Table 2: Differences in scores on somatization across demographic sub-groups**

Variable	n	Mean	F/t
<b>Age</b>			0.683
18-30	19	2.32	
30-50	4	1.50	
<b>Gender</b>			0.207
Female	12	2.08	
Male	11	2.27	
<b>Education</b>			1.205
Intermediate	1	5.00	
Degree	13	2.46	
PG	8	1.63	
Professional degree	1	0	
<b>Marital status</b>			0.426
Unmarried	7	2.12	
Married	5	2.60	

On somatization, the data did not reveal any significant differences in mean scores between the various socio-demographic groups (Table 2). Although physiological fatigue was reported to be widely found in employees of BPOs (Pillai, 2006), somatization was not clearly evident from this study.

**Table 3: Differences in scores on anxiety and insomnia across demographic sub-groups**

Variable	n	Mean	F/t
<b>Age</b>			2.137*
18-30	19	2.32	
30-50	4	0.25	
<b>Gender</b>			0.769
Female	12	2.25	
Male	11	1.64	
<b>Education</b>			2.243
Intermediate	1	6.00	
Degree	13	1.77	
PG	8	2.00	
Professional degree	1	0	
<b>Marital status</b>			2.222*
Unmarried	17	2.41	
Married	5	0.40	

\*Significant at 0.05 level



Significant differences in scores on anxiety and insomnia were found on the demographic sub-groups of age and marital status. The 18-30 age groups scored significantly higher on anxiety and insomnia. The unmarried also scored significantly higher means on anxiety and insomnia (Table 3). A combination of factors including monotonous but stressful work, and starting at an early age seems to have pushed some of the younger, single groups of employees toward high risk behaviour such as substance abuse and promiscuity, with a consequent lack of social support. A disruption in the circadian rhythm among these younger and vulnerable age groups also could be an explanation to the presence and perception of insomnia.

**Table 4: Differences in scores on social dysfunction across demographic sub-groups**

Variable	n	Mean	F/t
<b>Age</b>			
18-30	19	1.16	1.806
30-50	4	0.00	
<b>Gender</b>			
Female	12	1.17	0.855
Male	11	0.73	
<b>Education</b>			
Intermediate	1	4.00	3.810*
Degree	13	0.62	
PG	8	1.25	
Professional degree	1	0.00	
<b>Marital status</b>			
Unmarried	17	1.24	1.724
Married	5	0.20	

\*significant at 0.05 level

The scores on the dimension of social dysfunction were significantly different among the education subgroups with the Intermediate educated sub-groups showing the highest mean (Table 4). Most of the newly employed workforce in the BPOs rides to and from work together, work just a few feet away from each other, and sometimes also share living arrangements if newly away from families. Consequently, their personal and professional lives at work and away from work seem to fuse, which could result in social dysfunction.

**Table 5: Differences in scores on depression across demographic sub-groups**

Variable	n	Mean	F/t
<b>Age</b>			0.725
18-30	19	1.00	
30-50	4	0.50	
<b>Gender</b>			0.344
Female	12	1.00	
Male	11	0.82	
<b>Education</b>			2.950
Intermediate	1	4.00	
Degree	13	0.62	
PG	8	1.00	
Professional degree	1	1.00	
<b>Marital status</b>			0.944
Unmarried	17	1.00	
Married	5	0.40	

No significant differences were found among the socio-demographic subgroups of the sample on the dimension of depression as shown in Table 5. Although stress and burn-out along with other social and psychological problems were widely reported among BPO employees (Budhwar, 2009), depression according to this study does not seem to be a component of distress.

**Table 6: Differences in GHQ Total scores across demographic sub-groups**

Variable	n	Mean	F/t
<b>Age</b>			1.834
18-30	19	6.53	
30-50	4	2.00	
<b>Gender</b>			0.533
Female	12	6.25	
Male	11	5.18	
<b>Education</b>			4.832*
Intermediate	1	19.00	
Degree	13	5.23	
PG	8	5.63	
Professional degree	1	0.00	
<b>Marital status</b>			1.384
Unmarried	17	6.53	
Married	5	3.20	

On GHQ-28 total scores, significant differences were found in the demographic sub-group of education with the highest mean scores being reported by those with intermediate education (Table 6). The youngsters who are freshly out of college and with a job that provides for a relatively high purchasing power, although have a new found sense of freedom, face complex issues of identity construction.

### **Limitations of the study**

The BPO sector is uniquely organized in terms of its workforce and does not largely permit academic study. Therefore, the primary limitation of the study was the small sample size, using the technique of snowball sampling. Adequate generalization therefore may not be possible and the study is hence purely exploratory. Also, there was some missing information on some of the response sheets in terms of the socio-demographic data which made analysis fairly limited. However, the study was meant to put forth the requirement for further research along similar lines.

### **Conclusion**

Though the BPO industry is contributing a great deal to the GDP of the nation, there are under researched, people related issues, which need to be urgently looked into as is evident from the issues discussed. Studies have shown that there is little concern the industry management shows towards healthy HR practices which enable quality work life (Rajeswara Rao & Bakkappa, 2009). BPO administrations are averse to employing counselors on board to provide for support to distressed employees. Human Resource Managers were observed to get defensive when mentioned the prospect of full-time counseling provision to their employees. Some BPO units even object to the conducting of surveys on HR practices, quality of work life and well-being of their employees. It seems as though an invisible but a non-permeable barrier exists between the BPO 'elite' and the outside world. There is thus strong and emerging evidence of the need for going beyond traditional HR practices. Ethical practices such as provision of Employee Assistance Programmes in these entities would translate into better employee retention, engagement and well-being. Companies need to develop guidelines in this area and need to increasingly look at how outsourcing affects the communities they are working in (Pratt, 2008).

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# Impact of MGNREGS on the Living Standard of Rural Population: A Study of Tissa Block of Chamba District in Himachal Pradesh

Tek Chand\* and Kulwant Singh Pathania\*\*

## Abstract

India's anti-poverty strategy comprises of a wide range of poverty alleviation and employment generation programmes, many of which have been in operation for several years and have been strengthened to generate more employment, create productive assets and raise the income level of the poor. The Ministry of Rural Development, Government of India is the agency which has been implementing many development schemes since independence, through the State Governments and Union Territory administrations, with a mandate to eradicate poverty, generate employment and establish food security. Mahatma Gandhi National Rural Employee Guarantee Schemes (MGNREGS) is one among them. NREGS was enacted by the Government of India on September 7, 2005. The NREGS came into force, on a pilot basis, on February 2, 2006 and was implemented in a phased manner. In the first phase, it was introduced in 200 of the most economically backward districts of the country. In 2007, in the second phase of implementation, it was extended to 130 additional districts and the remaining districts were covered in the third phase on April 1, 2008. On October 2, 2009, NREGA was renamed as the MGNREGS. This paper generally focuses on diagnosing the contribution of MGNREGS in the Development of Rural Population in Himachal Pradesh with special reference to Tissa Block. The main aim of this study is to analyze the impact of MGNREGS on the living standards of rural people and to evaluate the satisfaction level of beneficiaries. The study reveals that after introduction of this scheme, there is an improvement in the living standard of rural population, their level of satisfaction and income level.

**Keywords:** MGNREGS, Beneficiaries, Living Standard, Satisfaction Level and Effectiveness.

## Introduction

Government of India has recently introduced the world's one of the largest development programmes in human history, the National Rural Employment Guarantee Scheme (NREGS). Implemented by the Ministry of Rural Development, National Rural Employment Guarantee Act is the flagship programme of Government that directly touches lives of the most economically poor and promotes inclusive growth. The act aims at enhancing livelihood security of households in rural areas of the country by providing at least one hundred days of guaranteed wages employment in a financial year to every household whose adult members volunteer to do unskilled manual work. National Rural Employment Guarantee Act (NREGA) was enacted by the government of India in September 7, 2005. The NREGS came into force, on a pilot basis, in February 2, 2006 and was implemented in a phased manner. In first phase it was introduced in 200 of the most economic backward districts of the country. In 2007, the second phase of implementation, it was extended to 130 additional districts and the remaining districts were covered in the third phase on April 1, 2008. In October 2, 2009, it was renamed as the MGNREGS.

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\* Ph. D Scholar, Faculty of Commerce and Management Studies, H. P University, Shimla-171005

\*\* Professor, Faculty of Commerce and Management Studies, H. P University, Shimla-171005

This social welfare programme is primarily intended to enhance the livelihood securities of the people in rural areas by supplementing wage employment opportunities to the unskilled labor force. The programme is in force with the intention that it would act as a strong safety net for the poor in the wake of lack of alternative employment opportunities. In an attempt to ensure the rural economy to grow, the scheme is expected to regenerate the rural natural resource base for sustainable livelihood by carrying out soil and water conservation activities.

What is considered the most crucial is the empowerment of the poor through the provision of a rights-based law. MGNREGS gives rise to programmes that develop not from its willful benevolence, but as a legally binding response by the state to a right to work that is enshrined in law. There is a complete abolition of contractors from the implementation of MGNREGS, thereby getting rid of rampant corruption and labor exploitation that was in vogue in earlier schemes. The other key attributes of this scheme are time bound guarantee, labor-intensive work, decentralized participatory planning, women's empowerment, work site facilities and above all, transparency and accountability through the provision of social audits and right to information. The unprecedented use of information technology in this programme is considered to bring about greater transparency through intensive monitoring and faster execution. The payment of wages through bank and post office accounts is another innovative step that is likely to reduce fudging of the muster rolls on the part of the implementing agencies since the actual payments are beyond their reach. There is an effort to separate payment agencies from implementing agencies and thereby preventing embezzlement of wages.

#### **MGNREGS has been implemented in a phased manner:**

- Phase I:** In the first phase, it was introduced in 200 districts, which are the most economically backward districts of the country and was subsequently extended to two districts of Himachal Pradesh namely Chamba and Sirmour.
- Phase II:** During the second phase, the scheme was extended to two more districts namely Kangra and Mandi.
- Phase III:** In the third phase, this scheme was implemented in the remaining eight districts of Himachal Pradesh, i.e., Solan, Shimla, Bilaspur, Hamirpur, Kinaur, Lahoul-Spiti, Una and Kullu districts.

Chamba is one of the most backward districts of Himachal Pradesh. Almost all indicators of development show very low values in this district. Literacy level is quite low and poverty is high. Owing to high tribal population, though geographical conditions, agriculture does not provide employment for the whole year. So, seasonal unemployment is quite high in Chamba district. Keeping this in view, MGNREGS Phase I was launched in Chamba district from 2nd February 2006. Hence, more than seven years have passed after launching this programme and there was a significant sign of improvement that has been noticed.

MGNREGS has made significant stride not only in Himachal Pradesh, but the studies conducted by Chakraborty, Pinak, (2007); Singh, Prasad and Raghuvansh (2008); Reetaka, Khera, Nayak, Nandini (2008); Pattanaik, B. K., (2009) and Kumar, Anandharaja, (2010) have found that MGNREGS contributed greatly in the socio-economic upliftment of the poor people. Hence, there is an apparent need to undertake a study which could evaluate the Impact of MGNREGS on the lives of people.

#### **Objectives of Study**

- To analyze the impact of MGNREGS on the living standard of rural people on the basis of certain selected variables such as sex, caste, education qualification and working skills.



- To evaluate the extent of satisfaction towards the impact of MGNREGS on the standard of living.
- To recommend suggestions based on these findings to improve the effectiveness of the scheme.

## Research Methodology

A sample of 178 people out of those households who took or were known as beneficiaries of the scheme in Tissa block of Chamba district was considered for the purpose of the study. In order to ensure the quality of data, the representation was made to all the beneficiaries of MGNREGS who belongs to Tissa Block of Chamba district. However, only 130 beneficiaries out of 178 selected had responded. Data was mainly collected using the scheduled questionnaire. Some information was collected through personal interviews and the rest of information was gathered through the observations method. Consistent with the study's objectives, Chi-Square ( $\chi^2$ ) test has been applied to examine if there is any statistically significant relationship between the selected variables and the living standards of rural people.

## Discussion and Results

In the following paras, an empirical study was conducted to study the impact of MGNREGS on the living standards of rural people.

### Sex and Impact of MGNREGS on Standard Of Living:

The impact of MGNREGA on the living standard of beneficiaries has been analyzed (Table 1). 46.6 percent male beneficiaries are of the opinion that the scheme contributed to food standard, income and education levels. 24.7 % of the respondents opined that there has been an increase in the food standard and 17.8% felt an increase in the level of income.

**Table: 1**

Sex	Impacts on Standard of Living				
	Increase in the food standard	Increase in the level of income	Increase in the education standard	All the three	Total
Male	18 (24.7)	13 (17.8)	8 (11)	34 (46.6)	73 (100)
Female	10 (17.5)	9 (15.8)	7 (12.3)	31 (54.4)	57 (100)
Total	28 (21.5)	22 (16.9)	15 (11.5)	65 (50)	130 (100)

$\chi^2 = 1.268$

P = .737

**Note:** Figures in parentheses depict percentage.

Null hypothesis of no relationship between sex of beneficiaries and standard of living has been accepted, as the calculated  $\chi^2$  value is less-than tabulated value. Hence, there is no statistically significant difference between male and female, as far as the impact of MGNREGS on the living standards is considered.

### Caste and Impact of MGNREGS on the Living Standard:

From table 2, it is observed that majority of the respondents felt that MGNREGS contributed to the standard of food and income level. 11.5 percent of respondent have opined that this scheme has increased the standard of education.

**Table: 2**

Category	Impacts on standard of living				
	Increase in the food standard	Increase in the level of income	Increase in the education standard	All the three	Total
SC	10 (25.6)	7 (17.9)	4 (10.3)	18 (46.2)	39 (100)
ST	3 (14.3)	3 (14.3)	2 (9.5)	13 (61.9)	21 (100)
General	15 (21.4)	12 (17.1)	9 (12.9)	34 (48.6)	70 (100)
<b>Total</b>	<b>28</b> <b>(21.5)</b>	<b>22</b> <b>(16.9)</b>	<b>15</b> <b>(11.5)</b>	<b>65</b> <b>(50)</b>	<b>130</b> <b>(100)</b>

$$\chi^2 = 1.905$$

$$P = .928$$

**Note:** Figures in parentheses depict percentage.

Null hypothesis has been accepted as there is a statistically insignificant relationship between caste and living standards of the beneficiaries. The calculated value of Chi-Square is insignificant at 5 percent level of significance indicating that all the respondents irrespective of the caste have the same opinion regarding the impact of this scheme on the standard of living.

### Educational Qualification and Impact of MGNREGS on the Standard of Living:

An effort is made to examine, if there is any relationship between educational qualification and the standard of living, as far as the impact of MGNREGS is considered. It is observed that there is no difference between the opinions of people with different educational qualifications (i.e. 'middle', 'metric', 'plus two' and 'above plus two') about the impact of MGNREGS on food standard, income and educational levels which is evident from the statistically insignificant Chi-Square value from table 3 ( $\chi^2 = 12.146$ , P value = 0.434). Thus, null hypothesis of no relationship between educational level and the impact of living standards is accepted at 5% level of significance.

**Table: 3**

Educational qualification	Impacts on standard of living				
	Increase in the food standard	Increase in the level of income	Increase in the education standard	All the three	Total
Illiterate	17 (27)	7 (11.1)	10 (15.9)	29 (46)	63 (100)
Middle	5 (15.6)	8 (25)	2 (6.3)	17 (53.1)	32 (100)
Metric	2 (10.5)	5 (26.3)	3 (15.8)	9 (47.4)	19 (100)
Plus two	3 (27.3)	2 (18.2)	0 (0)	6 (54.5)	11 (100)
Above plus two	1 (20)	0 (0)	0 (0)	4 (80)	5 (100)
<b>Total</b>	<b>28</b> <b>(21.5)</b>	<b>22</b> <b>(16.9)</b>	<b>15</b> <b>(11.5)</b>	<b>65</b> <b>(50)</b>	<b>130</b> <b>(100)</b>

$\chi^2 = 12.146$

$P = .434$

**Note:** Figures in parentheses depict percentage.

#### **Worker Category and Impact of MGNREGS on Standard Of Living:**

As evident from the table 4, majority of total respondents, irrespective of difference in the working category has reported that MGNREGS has increased the living standard of the households.

**Table: 4**

Worker Category	Impacts on standard of living				
	Increase in the food standard	Increase in the level of income	Increase in the education standard	All the three	Total
Unskilled	14 (23.3)	8 (13.3)	8 (13.3)	30 (50)	60 (100)
Semi-skilled	10 (22.2)	7 (15.6)	5 (11.1)	23 (51.1)	45 (100)
Skilled	4 (16)	7 (28)	2 (8)	12 (48)	25 (100)
<b>Total</b>	<b>28</b> <b>(21.5)</b>	<b>22</b> <b>(16.9)</b>	<b>15</b> <b>(11.5)</b>	<b>65</b> <b>(50)</b>	<b>130</b> <b>(100)</b>

$\chi^2 = 3.252$

$P = .777$

**Note:** Figures in parentheses depict percentage.

Null of hypothesis has been accepted at 5% level of significance ( $\chi^2 = 3.252$  and P value = .777). Hence, there is no statistically significant difference in the opinions of different worker categories regarding the impact of the scheme on the standard of living.

### Perception of Beneficiaries Regarding the Impact of MGNREGS on Living Standard:

In the subsequent paras an attempt has been made to study the extent of satisfaction towards the impact of MGNREGS on the living Standard of Rural population on the basis of certain selected variables.

Out of total sample of 130 people, 51.5% of respondents expressed greater level of satisfaction about the contribution of MGNREGS towards the living standards. Whereas, 35.4 percent has reported moderate level of satisfaction and 13.1% have expressed low level of satisfaction (Table 5).

**Table: 5**

Sex	Satisfaction level of Workers			
	Great	Moderate	Small	Total
Male	36 (49.3)	27 (37)	10 (13.7)	73 (100)
Female	31 (54.4)	19 (33.3)	7 (12.3)	57 (100)
Total	18 (51.5)	65 (35.4)	47 (13.1)	130 (100)

$$\chi^2 = .330$$

$$P = .848$$

**Note:** Figures in parentheses depict percentage.

Chi square test is employed to examine the differences in the opinions between men and women about the level of satisfaction. There is no statistically significant difference between the opinions of men and women, as evident from the calculated  $\chi^2$  value (0.330 with P value of 0.848) which is less than tabulated value. Hence, null hypothesis of no difference in the opinions between men and women is accepted, implying that the level of satisfaction derived from this programme is almost same for both men and women.

### Caste and Satisfaction Level of MGNREGS Workers on Their Standard of Living

Through this question researcher tries to check the satisfaction level of beneficiaries. Majority of the respondents, irrespective of the caste, experienced high level of satisfaction. Only 13.1 percent of beneficiaries felt low degree of satisfaction.

**Table: 6**

Category	Satisfaction level of Workers			
	Great	Moderate	Small	Total
SC	22 (56.4)	11 (28.2)	6 (15.4)	<b>39</b> <b>(100)</b>
ST	10 (47.6)	9 (42.9)	2 (9.5)	<b>21</b> <b>(100)</b>
General	35 (50)	26 (37.1)	9 (12.9)	<b>70</b> <b>(100)</b>
<b>Total</b>	<b>67</b> <b>(51.5)</b>	<b>46</b> <b>(35.4)</b>	<b>17</b> <b>(13.1)</b>	<b>130</b> <b>(100)</b>

$$\chi^2 = 1.599 \quad P = .809$$

**Note:** Figures in parentheses depict percentage.

An effort is made to see whether there is any statistically significant difference in the opinions of respondents of SC, ST and General categories using Chi-square test. Null of hypothesis of 'no difference in the opinions' is accepted at 5% level of significance, as calculated Chi-square value is less than tabular value. Thus, it can be concluded that, caste does not play any role in bringing differences in the opinions about the contribution of MGNREGS.

### **Educational Qualification and Satisfaction Level of MGNREGS Workers on Their Standard of Living**

As it is evident from table 7, majority of the illiterate workers of MGNREGS derived high level of satisfaction from the scheme. Matriculate and Plus two qualified households have the similar opinion in this regard. Out of five house holds with the qualification of above plus two, three respondents expressed greater level of satisfaction, followed by two with moderate level of satisfaction. In this category, there is no worker who experienced low levels of satisfaction.

**Table: 7**

Educational Qualification	Satisfaction level of Workers			
	Great	Moderate	Small	Total
Illiterate	29 (46)	26 (41.3)	8 (12.7)	63 (100)
Middle	18 (56.2)	8 (25)	6 (18.8)	32 (100)
Metric	9 (47.4)	8 (42.1)	2 (10.5)	19 (100)
Plus two	8 (72.7)	2 (18.2)	1 (9.1)	11 (100)
Above plus two	3 (60)	2 (40)	0 (0)	5 (100)
Total	67 (51.5)	46 (35.4)	17 (13.1)	130 (100)

$$\chi^2 = 6.061 \quad P = .640$$

**Note:** Figures in parentheses depict percentage.

When Chi-square test is applied to observe the difference in the opinions between the respondents with different levels of educational qualification, it is found that educational qualification and level of satisfaction are not related with each other. This is evident from the statistically insignificant Chi-square value ( $\chi^2 = 1.599$  and p value = .640). Hence, it is observed that the beneficiaries, irrespective of the differences in educational qualification, are of the same opinion that MGNREGS has greatly contributed to their living standard.

#### **Worker Category: Satisfaction Level of MGNREGS Worker about their of Living Standards**

50% of unskilled workers, 55.6% of semi-skilled workers and 48% of skilled workers exhibited greater levels of satisfaction about their living standards due to the implementation of MGNREGS. 33.3% of the unskilled, 35.6% of the semi-skilled and 40% of the skilled expressed moderate level of satisfaction. Only 16.7% of unskilled workers, 8.9% of the semi-skilled and 12% of the skilled workers felt low levels of satisfaction (Table 8).



**Table: 8**

Worker Category	Satisfaction level of Workers			
	Great	Moderate	Small	Total
Unskilled	30 (50)	20 (33.3)	10 (16.7)	60 (100)
Semi-skilled	25 (55.6)	16 (35.6)	4 (8.9)	45 (100)
Skilled	12 (48)	10 (40)	3 (12)	25 (100)
<b>Total</b>	<b>67</b> <b>(51.5)</b>	<b>46</b> <b>(35.4)</b>	<b>17</b> <b>(13.1)</b>	<b>130</b> <b>(100)</b>

$$\chi^2 = 1.668$$

$$P = .796$$

**Note:** Figures in parentheses depict percentage.

In an attempt to find any difference in the opinions between different worker categories about the satisfaction from MGNREGS, Chi square test is applied. Its value falls within the ambits of acceptance region. Thus it can be concluded that there is no significant difference between their opinions. In other words, there is no relationship between the worker category and level of satisfaction.

### Conclusion and Recommendations

The study explored MGNREGS provisions and its implementation at the grass root level of rural community. The researcher obtained the required information on the basis of the questionnaires, observations and discussions with the beneficiaries and explored the information about right of equality, unemployment, and impact on agriculture, women empowerment, living standards and migrations.

All the respondents irrespective of gender, caste, educational qualification and working category express their interest in the scheme and are keen to participate and do work under MG-National Rural Employment Scheme.

Most of male and female households have replied that, this rural development scheme has improved their food standard, level of income and increases the education standard of their children. More than 50% of the respondents expressed greater level of satisfaction in their living standards, as against to 13.1% who exhibited lower levels of satisfaction. 61.9% of ST category beneficiaries felt that the scheme contributed to the increase in food standard, level of income and the standard of education for their children.

29 out of 63 illiterate workers surveyed experienced increase in the food standard, income level and standard of education for their children. Same is the opinion of four out of five above plus two workers. 72.7% of the above plus two felt greater levels of satisfaction. Under this scheme, priority is given to unskilled manual workers and 55.6% the semiskilled has the greater satisfaction level about their living standard. 50% of unskilled manual workers have responded in favor of the scheme in regard to the general development of their living standard. To find the relationship between various factors like sex, caste, educational qualification and worker category and impact of MGNREGS on the living standards, Chi-square test has been employed separately for each of the factors mentioned. Null of hypothesis of no

difference in the opinion between men and women with regard to the impact of MGNREGS on the living standards, is accepted at 5% level of significance. Similar observations are made with respect to other factors i.e. caste, educational qualification and worker category.

An attempt is made to observe the relationship between four of the factors under consideration and level of satisfaction derived from the scheme by employing Chi-square test separately for each of these factors. Once again, null hypothesis has been accepted at 5% level of significance, indicating that there is no statistically significant difference in the opinions between various categories of each factor and level of satisfaction. Irrespective of gender, caste, educational qualification and worker category, majority of the respondents have expressed positive opinion about the impact of MGNREGS in regard to improvement in food standards, income levels and education standards of their children.

In general, it can be concluded that this rural development scheme has favorable impact on the living standard of rural households. Hence, to improve the living standards of MGNREGS beneficiaries, the researcher provided suggestions such as increasing working days, increasing the wage rate, timely payment of wages. This may help in increasing their spending on good quality edible goods, health and use of cosmetics and hence enhancing the satisfaction level about the standard of living. Households can also spend their earnings on children education. Further, under this programme, there should be provision to workers to improve their skills so that they can make utmost use of their skills.

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# **Macroeconomic Variables and Economic Growth in India: A Study since Economic Reforms**

Dr. Rupal Chowdhary\*

## **Introduction**

The present study is an analysis of the relationship between macroeconomic variables and economic growth. It has been found that in the recent years there are lot of variations in these variables and thus the growing divergence in the case of developing countries is of great concern for the economists. In the present changing scenario, the study on macroeconomic variables and economic growth has become important. The study has analysed the relationship between macroeconomic variables like savings, investment, inflation rate, exchange rate and economic growth. It has been revealed that inter-country experiences with regard to the links amongst macroeconomic variables and growth appear complex, divergent and country specific with the conclusion that the positive effect of these variables on growth is more straight-forward, and higher saving raises the growth rate of output by increasing capital accumulation. In this context, investment, savings and foreign inflows become important variables to study and further research is required to understand their effect on economic growth. In recent years, a lot of empirical work has been done on the relationship between savings, investment, foreign inflows and economic growth. The reasons for this are the growing concern over the falling savings rates in the major OECD countries, the growing divergence in saving and investment rates between the developing countries; and recent literature on growth which emphasizes the role of investment in economic growth.

Foreign capital inflows have also received considerable attention because for developing economies, funds availability is less. Thus, foreign capital inflows have beneficial effects in financing investment and economic growth. However, they can be also be problematic some time because large inflows may create inflationary pressure, under fixed or pegged exchange rate system. Investment is also critical vehicle to create productive capacities and probably generate knowledge spillovers and new technologies. At the same time, ensuring an adequate level of national savings is important as foreign savings can be volatile and lead to “sudden stops” that force costly macroeconomic adjustment and eventually growth crises. Thus, in the present dynamic scenario, the study on macroeconomic variables and economic growth is very much relevant as this study tries to understand the mechanics behind the growth.

## **Methodology**

The study includes selected macro economic variables viz savings, investment, inflation, foreign exchange rate and capital inflows. Savings in this case is Gross Domestic Savings (GDS) which is the sum of household, private corporate and public savings. Gross Domestic Capital Formation is the sum of private investment (includes household investment) and public investment. The wholesale price index is used as an indicator of the inflation rate. Rupee vis a vis Dollar is used for the foreign exchange rate. Net capital inflows is used as an indicator of capital inflows. GDP growth is used as an indicator of economic growth rate. One more variable which has been included in this study is real interest rate. The real interest rate on one year time deposits with banks is taken as a proxy for the real expected interest rate on savings. The real interest rate on bank deposits is the relevant rate of real returns for most of the households and

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\*Assistant Professor (SG), Prestige Institute of Management and Research, Indore

even for firms in developing countries since bank deposits are the principal form of financial assets, age dependency ratio and per capita income. These variables are used in the analysis when and wherever required.

Basically this study is exploratory in nature and is aimed at identifying the relationship between economic growth and macro economic variables. Apart from this, we have also explored the determinants of Savings and Investment. The data on macroeconomic variables are collected from 1991-2008 from different databases such as RBI database, various issues of Centre for Monitoring Indian Economy (CMIE), world bank website ([www.worldbank.org.in](http://www.worldbank.org.in)) and research journals. The present study employs Correlation and Regression analysis to test the relationship between the variables and Granger Causality test to examine the causality. These tests have been performed with the help of various econometric software packages like e-views 5.

## Hypotheses

For empirical analysis, following null hypothesis have been formed.

- $H_{01}$ : GDP Growth does not Granger cause GDS Growth
- $H_{02}$ : GDS Growth does not Granger cause GDP Growth
- $H_{03}$ : FDI does not Granger cause GDP
- $H_{04}$ : GDP does not Granger cause FDI
- $H_{05}$ : DI does not Granger cause GDP (at factor cost)
- $H_{06}$ : GDP does not Granger cause DI
- $H_{07}$ : DI does not Granger cause FDI
- $H_{08}$ : FDI does not Granger cause DI
- $H_{09}$ : Exchange rate does not Granger cause GDP
- $H_{10}$ : GDP does not Granger cause Exchange rate
- $H_{11}$ : Exchange rate does not Granger cause Inflation rate
- $H_{12}$ : Inflation rate does not Granger cause Exchange rate
- $H_{13}$ : GDP does not Granger cause WPI
- $H_{14}$ : WPI does not Granger cause GDP
- $H_{15}$ : Capital Inflows does not Granger cause GDP
- $H_{16}$ : GDP does not Granger cause Capital Inflows

## Objectives

**The objectives of the study are**

- To study the relationship between saving, investment, exchange rate and economic growth.
- To study the factors responsible for foreign inflows/outflows.
- To study the relationship between foreign inflows/outflows and economic growth.

- To study the effect of inflation on selected macroeconomic variables and its relationship with economic growth.
- To study the determinants of selected macroeconomic variables in India and other developed countries.

## Empirical Analysis

### 1) To test Causality between Savings, Investment, Exchange Rate and Economic Growth

#### a. Testing for Causality between Savings and Growth

To test causality between Savings and Growth and its direction the following two equations are specified:

$$y_t = \alpha_1 x_{t-1} + \alpha_2 x_{t-2} + \beta_1 y_{t-1} + \beta_2 y_{t-2} + u_{1t} \dots\dots\dots(1)$$

$$x_t = \lambda_1 y_{t-1} + \lambda_2 y_{t-2} + \delta_1 x_{t-1} + \delta_2 x_{t-2} + u_{2t} \dots\dots\dots(2)$$

Where,

$y_t$  = GDP growth rate\* ( first difference)

$y_{t-i}$  =  $i^{th}$  lagged term of GDP growth rate\*,  $i = 1$  and  $2$

$x_t$  = GDS growth rate\* ( first difference)

$x_{t-j}$  =  $j^{th}$  lagged term of GDS growth rate\*,  $j = 1$  and  $2$

$u_{1t}$  and  $u_{2t}$  are disturbances.

$\alpha_i, \beta_i, \lambda_j$  and  $\delta_j$  are parameters to be estimated for  $i$  and  $j = 1$  and  $2$

#### b. Testing for Causality between Investment and Economic Growth

##### Testing for Causality between GDCF (DI), FDI and GDP Growth

To test causality between GDCF (DI), FDI and GDP Growth and its direction the following equations are specified:

$$y_t = \alpha_1 x_{t-1} + \alpha_2 x_{t-2} + \beta_1 y_{t-1} + \beta_2 y_{t-2} + u_{1t} \dots\dots\dots(3)$$

$$x_t = \lambda_1 y_{t-1} + \lambda_2 y_{t-2} + \beta_1 x_{t-1} + \beta_2 x_{t-2} + u_{2t} \dots\dots\dots(5)$$

Where,

$y_t$  = GDP growth rate ( first difference)

$y_{t-i}$  =  $i^{th}$  lagged term of GDP growth rate,  $i = 1$  and  $2$

$x_t$  = FDI growth rate ( first difference)

$x_{t-j}$  =  $j^{th}$  lagged term of FDI growth rate,  $j = 1$  and  $2$

$$y_t = \Omega_1 z_{t-1} + \Omega_2 x_{t-2} + \delta_1 y_{t-1} + \delta_2 y_{t-2} + u_{1t} \dots\dots\dots(6)$$

$$z_t = \theta_1 y_{t-1} + \theta_2 y_{t-2} + \varrho_1 x_{t-1} + \varrho_2 x_{t-2} + u_{2t} \dots\dots\dots(7)$$

Where,

$y_t$  = GDP growth rate( first difference)

$y_{t-i}$  =  $i^{\text{th}}$  lagged term of GDP growth rate,  $i = 1$  and  $2$

$z_t$  = DI growth rate( first difference)

$z_{t-j}$  =  $j^{\text{th}}$  lagged term of DI growth rate,  $j = 1$  and  $2$

$$x_t = \zeta_1 z_{t-1} + \zeta_2 z_{t-2} + \zeta_1 x_{t-1} + \zeta_2 x_{t-2} + u_{1t} \dots\dots\dots(7)$$

$$z_t = \Theta_1 x_{t-1} + \Theta_2 x_{t-2} + \delta_1 z_{t-1} + \delta_2 z_{t-2} + u_{2t} \dots\dots\dots(8)$$

Where,

$x_t$  = FDI growth rate( first difference)

$x_{t-i}$  =  $i^{\text{th}}$  lagged term of FDI growth rate,  $i = 1$  and  $2$

$z_t$  = DI growth rate( first difference)

$z_{t-j}$  =  $j^{\text{th}}$  lagged term of DI growth rate,  $j = 1$  and  $2$

- $u_{1t}$  and  $u_{2t}$  are disturbances.
- $\alpha_i, \beta_i, \lambda_j$  and  $\delta_j, \Omega_i, \delta_i, \theta_i, \rho_j, \zeta_i, \zeta_i, \Theta_j, \delta_j$  are parameters to be estimated for  $i$  and  $j = 1$  and  $2$ .

Before conducting the Granger Causality test lag length was decided on the basis of Akaike Information Criterion.

The results of Granger Causality tests for FDI, DI and Economic growth suggests that in case of India DI does Granger cause GDP and GDP does Granger cause DI. On the other hand FDI does not Granger cause Economic growth and vice versa. FDI has also left domestic investment unchanged.

**c) Testing for Causality between Exchange Rate and Economic Growth**

To test causality between Exchange rate and GDP Growth Rate and its direction the following equations are specified

$$y_t = \sum_{i=1}^6 \alpha_i x_{t-i} + \sum_{i=1}^6 \beta_i y_{t-i} + u_{1t} \dots\dots\dots 9$$

$$x_t = \sum_{i=1}^6 \lambda_i y_{t-i} + \sum_{i=1}^6 \delta_i x_{t-i} + u_{2t} \dots\dots\dots 10$$

Where,

$y_t$  = Exchange Rate

$y_{t-i}$  =  $i^{\text{th}}$  lagged term of Exchange rate,  $i = 1-8$ .

$x_t$  = Inflation Rate

$x_{t-j}$  =  $j^{\text{th}}$  lagged term of Inflation rate,  $j = 1-8$ .

$u_{1t}$  and  $u_{2t}$  are disturbances.



$\alpha_i, \beta_i, \lambda_j$  and  $\delta_j$  are parameters to be estimated for  $i$  and  $j = 1, 2$  and  $3$ .

Exchange Rate and Economic Growth relationship also indicated that exchange rate is also one of the important variables which determine growth apart from savings and investment.

The main factors which are responsible for capital inflows are declining interest rates, recession in developed countries, diversification of investment and economic reforms in developing countries.

**2) To test causality between Exchange rate and Inflation Rate:**

$$y_t = \sum_{i=1}^6 \alpha_i x_{t-i} + \sum_{i=1}^6 \beta_i y_{t-i} + u_{1t} \dots\dots\dots (11)$$

$$x_t = \sum_{i=1}^6 \lambda_i y_{t-i} + \sum_{i=1}^6 \delta_i x_{t-i} + u_{2t} \dots\dots\dots (12)$$

Where,

$y_t$  = Exchange Rate

$y_{t-i}$  =  $i^{\text{th}}$  lagged term of Exchange rate,  $i = 1-6$ .

$x_t$  = Inflation Rate

$x_{t-j}$  =  $j^{\text{th}}$  lagged term of Inflation rate,  $j = 1-6$ .

$u_{1t}$  and  $u_{2t}$  are disturbances.

$\alpha_i, \beta_i, \lambda_j$  and  $\delta_j$  are parameters to be estimated for  $i$  and  $j = 1, 2$  and  $6$ .

The Granger causality analysis was used to test whether the exchange rate is causing inflation or vice versa in India. F-statistics was used to test causality in equation 1 and 2. The results of the study indicate that there is no causal relationship between exchange rate and inflation rate as coefficients are statistically insignificant. Thus, it could be concluded that the relationship between these variables can vary from country to country and from time to time. Although theoretically, it can be said that there is a relationship between the two variables but empirically in case of India it is not verified.

**3) To test Causality between Inflation and Economic Growth**

It was further found that in case of India null hypothesis that WPI does not Granger cause GDP growth was rejected at 10 percent level of significance which means that WPI does Granger cause GDP. Thus, unidirectional causality was found between inflation and economic growth rate. In this case, sum of the inflation coefficients came out to be negative (-.203) suggesting that inflation can affect output growth negatively. The probable reason of inflation decreasing growth might be that inflation result in inefficiencies in the economy. In case of India, this relationship is found to be weak as the Indian economy has always used measures to curb inflation and the average rate of inflation in the economy is low.

**4) To test Causality between Net Inflows and GDP**

To test causality between net inflows and GDP and its direction the following equations are specified

$$y_t = \sum_{i=1}^6 \alpha_i x_{t-i} + \sum_{i=1}^6 \beta_i y_{t-i} + u_{1t} \quad \dots\dots\dots(14)$$

$$x_t = \sum_{i=1}^6 \lambda_i y_{t-i} + \sum_{i=1}^6 \delta_i x_{t-i} + u_{2t} \quad \dots\dots\dots(15)$$

Where

$y_t$  = Net Inflows

$y_{t-i}$  =  $i^{\text{th}}$  lagged term of Net Inflows,  $i = 1-8$ .

$x_t$  = GDP Growth

$x_{t-j}$  =  $j^{\text{th}}$  lagged term of GDP Growth,  $j = 1-8$ .

$u_{1t}$  and  $u_{2t}$  are disturbances

$\alpha_i, \beta_i, \lambda_j$  and  $\delta_j$  are parameters to be estimated for  $i$  and  $j = 1, 2$  and  $3$ .

The null hypothesis that Capital Inflows does not Granger cause GDP is accepted at 1% level of significance. The null hypothesis that GDP does not Granger Cause Capital inflows is also accepted at 1% level of significance. These results indicate that Net Inflows is causing GDP Growth and vice versa. The result is significant at 1 percent level of significance for 8 lags. Thus, it suggests that the growing economy attracts capital flows and capital flows also contributes to the development of the economy though with some lags.

**5) To find determinants of Savings and Investment in India**

This study has further investigated the determinants of saving rate and investment rate in India. It differs from most of the earlier studies which have been done in this respect as it is a systematic country specific study whereas saving and investment behavior in developing countries has predominantly been examined using multi-country, cross-sectional data. There are some limitations of cross-sectional analysis which have been mentioned earlier in the study. The models which have been developed in this study perform well by all the relevant diagnostic tests which also confirm the robustness of these models.

**Determinants of the saving rate in India: Regression Results**

$S/Y = 8.79 + 2.40 RL^{***} + .21WPI + .003 YPC^{**} + 0.31 SAVL^*$
$(1.83) \quad (1.24) \quad (4.55) \quad (2.15)$

\*Coefficients are significant at 1% level of significance

\*\* Coefficients are significant at 5 % level of significance

\*\*\* Coefficients are significant at 10 % level of significance

### Determinants of the investment function in India: Regression Results

$$S/Y = a_1 + .19 \text{ GDP} - 0.53 \text{ RIRL} - 0.14 \text{ WPI} + 0.93 \text{ SAV}$$

$$(2.25)^* \quad (-0.45) \quad (-.79) \quad (12.55)^{**}$$

\*Coefficients are significant at 1% level of significance

\*\* Coefficients are significant at 5 % level of significance

\*\*\* Coefficients are significant at 10 % level of significance

### Conclusion and Policy Implications

The study concludes that the relationship between these variables can vary from country to country and from time to time. Thus, the government should encourage domestic savings which would lead to increase in investment. Apart from that, it should also focus on the development of capital, technological progress and trade policy. Based on the empirical analysis and findings, the study concluded that FDI has no effect at all on the domestic investment in case of India. FDI does not complement domestic investment. So, this suggests that there is a need for policies to make FDI more effective in enhancing domestic investment in India. More attention needs to be paid to economic policies that foster the domestic component of total investment. The assumption that emphasizes policy towards FDI- in most of the developing countries- that a liberal policy towards MNC's is sufficient to ensure positive effects- fails to be upheld by the data. Domestic investment and economic growth indicates causal relationship which means that more attention needs to be paid to enhance domestic investment. This can boost India's economic growth rate. This does not mean that FDI must be put on the back front instead it only suggests that domestic investments need proper attention and focus.

The policy makers should also focus on the exchange rate variable although the exchange rate is best thought of as a facilitating condition but even the facilitating condition can be important. The exchange rate policy cannot be a substitute for high savings, or a foreign investment- friendly climate. But it can help jump-start growth by encouraging the relocation of resources into manufacturing and reaping immediate productivity gains. The results also pointed to the fact that policy makers should continue to devise the policy to curb the inflation rate which would in turn help in boosting the economic growth rates. This study would be fruitful in designing a number of policy interventions, from the design of the tax and social security system to the layout of financial markets regulation. The econometric evidence reported in this study point to the real interest rate, level of per capita income and lagged saving rates as statistically significant positive influences on domestic savings. The fact that the inflation in India has throughout been a low might be the reason for its coefficient being insignificant.

Level of per capita income has significant positive effect on savings suggesting that if there is a big push in GDP growth for some period it would lead to higher savings, which would positively affect investments, and increase in investments, would increase GDP, which would again increase Savings. Thus, by initiating that push a cycle of development can be started. Thus, in the case of India policymakers should focus on increasing per capita income. It has also been observed that real rate of interest has significant positive effect on saving rates. Thus, the policy makers in the case of India can use it as one of the instruments to raise savings. On the other hand, in the case of investment rate it has been found that the saving rates and GDP Growth rates are important determinants of investment rate which highlights to the fact that high GDP growth rates motivate the investors to invest in the economy as it is one of the indicators

of demand in the economy. Saving rates also have significant effect on the investment. Thus the Government should design policies to increase the saving rates. The investment if financed domestically will reduce dependency on foreign investment. Further, the Granger causality test conducted between the variables net Inflows and Economic Growth pointed to the bidirectional causal relationship between the two variables. Thus, policy makers should encourage capital inflows in the country but a caution needs to be exercised regarding the kind of capital inflows in the economy.

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Gavesana Journal of Management,  
C/o Vignana Jyothi Institute of Management,  
Veljan Centre, Vignana Jyothi Nagar,  
Bahcupally, via Kukatpally,  
Hyderabad- 500090.  
Ph.No.040-2304 4901/02,  
Fax: 040 2304 4953  
Email: director@vjim.edu.in  
Website: www.vjim.edu.in

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