

RESTRUCTURING OF ELECTRICITY MARKET IN INDIA: UNBUNDLING OF STATE DISCOM'S AND SEGREGATION OF CARRIAGE AND CONTENT

Vineet Sarawagi¹ Manmohan Krishna Sarawagi²

ABSTRACT

The retail side of electricity involves sale of power from an electricity provider to an end-use consumer, like any other FMCG product. This has led to evolution of competitive retail markets in electricity too, which is creating new opportunities and pressures for innovative ways of delivering value to electricity end users. Greater product differentiation is more possible now than ever before, and consumers are becoming more engaged, looking for ways to get more out of their relationship with their retail supplier. Those retailers who evolve to meet customer demands will thrive, while others will see their market share wither.

Energy as a sector is backbone of any economy and the sector cannot be liberalized completely in a day. India has been restructuring the sector in phases, like unbundling of State Electricity Boards (SEBs) into Generation, Transmission and Distribution with privatization in almost every facet of the sectors (Generation, Transmission & Distribution) leading to good results in terms of investments and operational efficiencies. There are more than one suppliers to many players in various States leading to competitiveness of reliability & price. We are further seeing discussion for separation of Carriage and Contents (i.e. wire owner and power supplier through those wires), so that the power cost decreases to the lowest possible with reliability of supply. It is something like bringing Transmission at a micro level, i.e. at street level. For making this stage of transformation, there is requirement of willingness and various hurdles to be worked out to make the concept successful, especially in a scenario, wherein unbundled identities are not clear that how to manage various concerns and few States have not even unbundled SEB.

Reforms in the sector are very important and it always comes with cost and has to face the phase of evolution to be finally adopted with modifications and customization. If the restructuring is done right, the benefits can significantly outweigh the costs, the same concept/phase is discussed in the paper with 3600 analysis of restructuring from unbundling of SEBs to further segregation of Carriage, and Content of a DISCOM is discussed.

KEYWORDS

Unbundling, Electricity Restructuring, Privatization, Retailing of Electricity, Carriage and Content, State Electricity Boards etc.

In regulated supply scenario, consumers are asked to pay for cost overruns, poor efficiency cost, etc., while with competitive market, it is the investors that bear construction and these cost and things are bound to be efficient automatically.

UNBUNDLING OF STATE ELECTRICITY BOARD (SEB)

Much rollout and implemented in maximum part of the country, the Unbundling of State DISCOMs into Generation, Transmission & Distribution have seen its own advantages and disadvantages until now. As per Electricity Act 2003 (sections 131 & 172), all SEBs have to be unbundled into separate entities for Generation, Distribution and Transmission. Since then, approximately every State have unbundled its Electricity Board and in the same time, some states the power sector is controlled/managed/run by State through its energy department, like that of Goa,

¹Senior Manager (Contracts & Financial Modelling), Essel Infraprojects Limited, Noida, Uttar Pradesh, India, vksarawagi@hotmail.com

²Scholar, Lalit Narayan Mithila University, Bihar, India, manmohankrishna@yahoo.co.in

Arunachal Pradesh, Jammu & Kashmir, Sikkim, Mizoram, Nagaland, Tripura including Kerala. Details of unbundling of States are as under:

Table-1: Unbundling of State Electricity Board into Generation, Transmission, and Distribution

S. No.	State	Date of Unbundling	Unbundled Organization
1	Andhra Pradesh	1-Feb-1999	APGENCO, APTRANSCO, APCPDCL, ASPDCPL, APEPDCPL, APNPDCL, APCPDCL
2	Arunachal Pradesh		State Administration
3	Assam	1-Dec-2004	LAEDCL, UAEDCL, CAEDCL, APGCL, AEGCL
4	Bihar	2-Aug-2011	BSPHCL, BSPCL, BSPTCL, NBPDCPL, SBPDCL
5	Chhattisgarh	1-Jan-2009	CSPHCL, CSPTCL, CSPGCL, CSPDCL, CSPTCL
6	Goa		State Administration
7	Gujarat	1-Apr-2005	GUVNL, GSECL, GETCO, DGVCL, UGVCL, PGVCL, MGVCL
8	Haryana	14-Aug-1998	HPGCL, HVPN, UHBVN, DHBVN
9	Himachal Pradesh	10-Jun-2010	HPSEBL, GPPTCL
10	Jammu and Kashmir		State Administration
11	Jharkhand	6-Jan-2014	JUVNL, JBVNL, JUSNL, JUUNL
12	Karnataka	1-Apr-2000	KPTCL, VVNL, BESCOM, MESCOM, HESCOM, GESCOM, CESCO
13	Kerala		State Administration
14	Madhya Pradesh	6-Jun-2015	MSPGCL, MSEDCL, MSETCL
15	Maharashtra	6-Jun-2005	MAHAVITRAN, MAHAGENCO, MAHAPARESHAN
16	Manipur	14-Feb-2013	MSPCL, MSPDCL
17	Meghalaya	1-Sep-2009	MeECL, MePDCL, MePGCL, MEPTCL
18	Mizoram		State Administration
19	Nagaland		State Administration
20	Odisha	1-Apr-1996	OHPC, GRIDCO, OPGC, WESCO, NESCO, CESU, SOUTHCO
21	Punjab	16-Apr-2010	PSPCL, PSTCL
22	Rajasthan	19-Jul-2000	RRVNL, RRVPNL, JVVNL, AVVNL, JVVNL
23	Sikkim		State Administration
24	Tamil Nadu	1-Nov-2010	TNEBL, TANGEDCO, TANTRANSCO
25	Telangana		TSGENCO, TSTRANSCO, TSSPDCL, TSNPDCL
26	Tripura		State Administration
27	Uttar Pradesh	14-Jan-2000	UPRVUNL, UPJVNL, UPPCL
28	Uttarakhand	7-Jul-1999	UPPCL, UPJVNL,
29	West Bengal	1-Apr-2007	WBPDCCL, WBSETCL, WBSEDCL
30	Delhi	1-Jul-2002	DPCL, DTL, IPGCL, BRPL, BYPL, NDPL

Sources: Authors Compilation

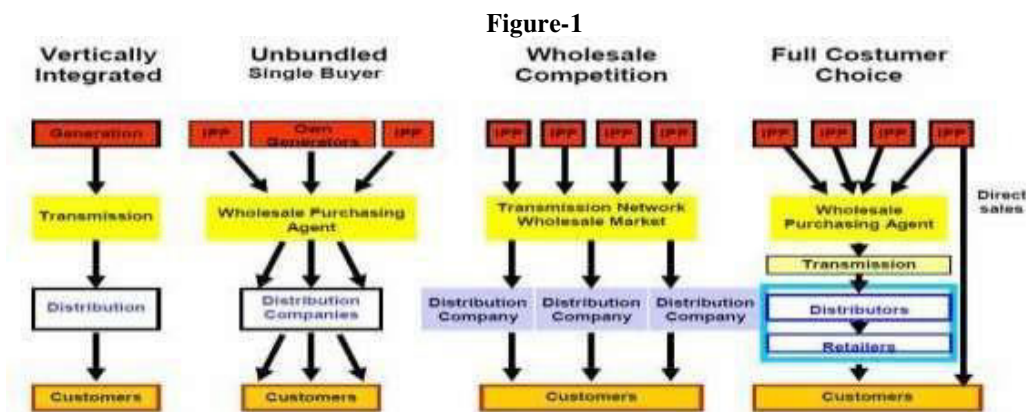
¹Pargal S., Banerjee S. G. (2014), "More Power to India: The Challenge of Electricity Distribution", World Bank Report, ISBN No. 978-1-4648-0233-1

²Markiewicz, K., N. Rose and C. Wolfram (2004), "Does Competition Reduce Costs? Assessing the Impact of Competition on U.S. Electric Generation Efficiency", Cambridge, MIT CEEPR Discussion Paper WP-2004-018.

The Unbundling have made things easier for the States and various concerns of which are addressed, like increase of efficiency, ease of operation of sector, decrease of monopolistic character of SEBs, etc. The unbundling of Inter-state transmission was done in early 1990s and was assigned to Power Grid Corporation. With the rise of privatization of Power sector, states of lots of private player generation and few private players into distribution too. Few States run DISCOMs have adopted the model of Franchisee in power distribution like that in Bihar, etc. However, still today SEBs that are unbundled, are not able to have clear demarcation of assignments and their role in the electrification at State and Central level.

There had been various studies relating directly / indirectly to it. Pargel and Banerjee (2014)¹ in its report for World Bank analysed that restructuring is beneficial for the states in terms of unbundling of SEB into Generation, Distribution and Generation. Markiewicz, Rose and Wolfram (2004)² find that the operating costs of generating plants fell more in states in the process of restructuring to support competition than in states, which were not in the process of adopting restructuring programs.

Liberalization of Electricity Market have been Drawn as Under



Sources: Alam M. et al (2014), “Distribution Sector Reform in India: An Overview”, page 8

The Vertical Integrated system is an old model, wherein, Government was running all types of shows and at all places. Thereafter, privatization & liberalization started and private players were allowed to enter into the sector as generators and Open Access was introduced. Later, the concept of Multiple DISCOMs in a State (even franchisee system) was introduced as wholesale competition. Now, the time have come-up for full retail competition, giving full choice to customers and thus entering into the phase of Carriage & Content.

Government have shown its intent for implementation of various measures / reforms in the sector by the way of notifying various Acts / Regulations / Notifications etc. Even after having so many things in place, there is lack of clarity of various types of cases in different scenario and every different case have its own peculiarity, leading to lots of litigations and disputes between the parties (including between government bodies itself). There are cases / directions, which show there is clear lack of harmony, co-ordination, & intent. So, our legislature (courts / commission etc.) is required to be very pro-active in clarifying the ‘if & buts’, so that, there is effective implementation of needful directions / measures so that every single is benefited out of it. The pending cases are required to be cleared at the earliest and instead of just putting the act/regulations in place, we must have a practical approach towards its proper implementation.

CARRIAGE AND CONTENT

Like any other shift, this paradigm shift of Segregation of Carriage & content, too have various challenges like, Transferring of existing PPAs (as there are various types of Short/Medium/Long Term contracts executed by various DISCOMs having different scenarios in these agreements), Treatment of Financial losses (the shift is expected to address forthcoming financial and technical losses, including NPA, etc. already being faced by these DISCOMs),



Metering Services (how the metering to be done and by whom?), Allocation of Technical and Commercial losses between distribution and supply companies (minimize the power theft barring some small technical losses (like line loss, transformer loss, etc.)). There are various other concerns like, area of Supply by such Supplier, Consumer Interface, Universal Service Obligation, Transmission Line planning, Human Resources Planning, Balancing & Settlement, etc., all these concerns require close and strong co-ordination between various legs of economics (Various Financial Institutions (Indian as well as foreign), Generators (including Case-II projects, Central Projects, etc.), DISCOMs, Coal Supplying organizations, etc., wherein various Central / State ministries & Regulatory bodies (like, Ministry of Power, Ministry of Coal, Ministry of New and Renewable Energy, Central & State Electricity Regulatory Commission(s), Ministry of Finance, etc.

Today, DISCOMs supply power to different types of consumers at different rates, i.e. they cross-subsidized one with another, which, helps them to perform their Universal Service Obligation (USO). However, if the work of DISCOM is segregated from into two parts, proper channelization of USO would be big task and the methodology is yet to be clearly worked out.

Business offer full retail competition is often called “Retail Choice”, wherein, customers have the ability to choose a plan that best meets their needs. Unlike in FMCG, in Power Sector too, the Segregation may lead to very complex permutation and combination of such Retail Choice Plan. Various facets / types of power they made lead to this involve Peak / Off-peak, Renewable / Non-Renewable, Day / Night, Firm / In-firm, Home/Business, etc. power. So, not only is this competition, which will be beneficial to the consumers, but offering various plans at affordable costs. It will promote innovation within the sector & will ultimately benefits the retailer and the consumer.

However, the jury is still out on whether policymakers have the will to implement the necessary reforms effectively. Unlike England and Wales, Norway, Sweden, Spain, Australia, New Zealand, Argentina and other countries, India, is perhaps not ready to proceed with its wholesale and retail competition initiatives with a clear coherent blueprint for vertical and horizontal restructuring, wholesale market design, transmission institutions, or retail competition.

There are various other concepts, which are operation in the Industry and few of which are expected to be rolled out, like GNA, etc., the impact of these too are required to be addressed in pre-hand basis, otherwise, these all will lead to lots of litigations & disputes, and the ultimately sufferer would be the ultimate Consumer of electricity or the Public money, which have always being lost because of smart financial engineering like NPAs, SDRs, CDR, etc. and the use of the judicially system.

Anish De (2014)³ in his presentation have pointed out that because of Segregation of Carriage and Content, the system will benefit in terms of reliability, Cost optimization and service and tariff innovation.

PWC (2013)⁴ & (2015)^{5,6} have pointed out various benefits associated with the unbundling and segregation of carriage & contents, wherein, they have pointed out various benefits arising out of these steps of liberalization and talked that it is healthy for the country to have these innovations to have market more competitive and strong in various aspects.

Mercados (2014)⁷ have pointed out various benefits & impacts⁷ to Indian sectors because of reforms in the power sector including that of unbundling and segregation of carriage & content.

Sarawagi (2014)⁸ find that Retailing of electricity has reduced the landing cost of it to the end consumers with more reliability.

Mishra, Singh (2014)⁹ opined the segregation to be good for the sector, but for proper implementation of the same, it should be done in phases and in bracket of years with very clear guidelines.

The reforms have been carried out in various countries across the globe, like:

New Zealand: Electricity Industry Act of 2010 gives option for switching from one supplier to another. The country have generators embedded in National Grid (approximately 83 generators with size more than 1 MW) as well few



generators directly embedded in distribution network as in the case of many other countries. There is advanced Metering system rolled out and the same is being looked (meter performance and maintenance) by Metering Test Houses (approximately 20 metering test houses). New Zealand case illustrates the pressing need for strong institutional support to make retail competition successful. In that country, the public sector took an active interest to make it seamless for customers to switch in and out of hiring various retail suppliers; it therefore set up mechanisms and allocated resources and expertise, with great success.

United States: The first U.S. retail competition and restructuring programs began in Massachusetts, Rhode Island and California in early 1998 and spread to about a dozen additional states by the end of 2000.

CONCLUSION

The sector has various roles to be performed at various levels, which starts from setting of power plants to transmission of power to further supplying at our household / industry. While doing these, there is number of legal / technical / commercial matters involved and various ministries of Government at Central and at State level have very important roles. So, in order to make things work for the betterment, proper defining of roles were/is required, so that the things are not missed at Macro or at micro level. Like any other growing economy across the globe, Liberalization, privations and Globalization (LPG) is mandatory. LPG cannot be done in a single shot and requires lots of deliberations and experimentations, etc.

Similarly, we in India too have seen changes been taking place at various facets and accordingly increase in competitiveness and betterment of the sector. The way unbundling have given its good results, segregation of carriage and content business will also give good results, if it is rolled out in a phased manner (in terms of years as well as area of implementation). Segregation of Carriage and Content requires proper segregation and a very clear definition of assignments / tasks / role and areas. In the process there would be various requirements from different sides like, Demand side requirements (proper metering & billing, customer support, ease in changing supplier, hassle free official support, ease of transfer of Security Deposit, etc.), Operation side requirements (transfer of PPAs and other agreements execute between various parties, identification of customers, clear switching of customer without overlapping of particular time block of switching, fast and clear order by Regulatory authorities for paying charges to wire owners and by suppliers, etc.). While doing these types of sectoral reforms at State level various aspects as mentioned above must be taken care properly and various ministries (coal, power, railways, etc.) need to work in very close coordination in between at Central as well as State Level.

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GREEN BANKING AND ITS IMPACT AT THE GRASS ROOT LEVEL OF SOCIETY

K. Prabhu Sahai³

ABSTRACT

It is believed that financial inclusion issues are clearly associated with the social and economic inclusion issues. In most instances, the progression of agriculture and micro enterprise-sectors are associated with the socio-economic advancement of the vulnerable and low-income sections of society. It is vital that we design more effective delivery channels and financial products to attain better outcomes in these endeavors. In fact, there is so much opportunity for investment in this area that it is important to balance one's efforts and focus in order not to lose control and incur unnecessary risk. This paper explores how innovations in banking system support green banking for a sustainable economy especially aiming at grass root level of our economy that are totally unaware about the innovations in banking system.

KEYWORDS

Banking System, Society, Grass Root Level, Sustainable Economy, Innovation etc.

INTRODUCTION

Green banking means endorsing environmental congenial practices by minimizing carbon footprint from banking activities. It is like a normal bank, which considers all social, ecological factors with an aim to protect environment and conserve natural resources and by taking care of earth's habitats. It is both profitable and responsible. With most of the developing world suffering from a high degree of social uncertainty and environmental damage, it has never been more important to have real investment opportunities that provide a combination of a good financial return and a positive environmental and social impact. However, is it possible to balance such different goals in a single project or investment without being symbolic, or even hypothetical?

Despite having a well-organized and strong financial system, the major players in the Indian market have never truly focused on microfinance as a profitable niche. This is, in part, explained by the amounts of money poured into the market by the governments, which almost nationalized credit for the masses without any real concerns about risk control or collection procedures. It is suggested that microfinance is a solution to this problem. By focusing on specific niches and providing a different product design and customer approach, it is possible for microfinance players not only to see positive financial returns by appealing to the underserved masses, but also to have a very positive social and environmental impact.

REVIEW OF LITERATURE

Bihari, Suresh Chandra (October 2010 – March 2011) highlighted the green banking initiatives being taken by the Indian Banking Industry. Green banking involves promoting environmental and social responsibility by providing banking services in a new way befitting the new age of banking. Green banking is also called as Ethical banking that starts with the aim of protecting the environment. Ethical banks consider all the factors before considering a loan - whether the project is environment friendly or not. Hence, the role of the banks in controlling the environmental damage is extremely important. Banks are beginning to recognize that they have a social responsibility to fulfill as they emerge from the shadow of traditional banking. As per relatively indirect nature of their environmental and social impacts, banks need to examine the effects of their lending and investment decisions. Incorporating environmental and social criteria into business decision making can reduce the adverse impacts of operating activities. Financial institutions can do a lot to assist efforts for corporate social responsibility and achieve sustainability.

³Principal & Associate Professor (Commerce), L. N. Gupta Evening College of Science & Commerce, Telangana, India, kpsahai@gmail.com



Vikas Nath, Nitin Nayak, Ankit Goel (April 15, 2014) suggested that change is the need of the hour for the survival and continuous efforts should be made for the environmental management in a sustainable manner. It is not only the concern of the government and the direct polluters but also of other stakeholders like financial institutions such as banks, which are playing a fundamental role in the development of the society. Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. Therefore, there is need for banks to adopt green strategies into their operations, buildings, investments and financing strategies.

Lynette M. McDonald, Chia Hung Lai, (2011) seeks to investigate whether Taiwanese retail banking customers prefer corporate social responsibility (CSR) initiatives that favour themselves or other stakeholder groups (community, environment), and whether these initiatives affect customer attitude and behavioural intentions. He found that customer-centric initiatives more powerfully affected banking customers' attitude to the bank and behavioural intentions than environmental or philanthropic initiatives. However, the results were significant only for the difference between customer-centric and environmental initiatives.

Dr. K. A. Goyal and Vijay Joshi (Oct 2011) highlighted social and ethical issues such as social banking, ethical banking, green banking, global banking, rural banking, and agri-banking, which help in achieving sustainable development of banking and finance and have gone through a series of development that are taking place in current business scenario.

Ritu (September 2014) attempted to highlight methods, opportunities, challenges and benefits of green banking. Change is the need of hour for survival in all spheres. Climate is most complicated issue the world is facing. "Green Banking" means combining technology and changing client habits in banking business. Green banking practices will be useful for not only environment but also lead to cost reductions in banking activities. To reduce the external carbon emissions, bank should finance green technology and pollution reducing projects. Green banking is a part of green initiative taken by stakeholders to save environment.

Yadwinder Singh (2015) found that the environment and climate change are the most complicated issues that world is facing today. Therefore, change is the need of the hour for the survival and continuous efforts should be made for the environmental management in a sustainable manner. Hence, some measures need to be taken urgently to save the Planet. Being a financial organization which is responsible for financing the economic and developmental activities of the nation, banks have to address these above issues, both in terms of its obligations and opportunities by virtue as a responsible corporate house. Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. Therefore, there is need for banks to adopt green practices into their operations, buildings, investments and financing strategies.

GREEN BANKING PRODUCTS

Green loans, green mortgages, green credit cards, green savings account, mobile banking and online banking are the examples of green products. They help to avoid paper works and relies on online transactions so that less cutting of trees and less paper work

MICRO FINANCE- MOBILE FINANCIAL SOLUTIONS

Microfinance institutions must analyze and assess how to best integrate a digital channel for their customers. Under a comprehensive strategy, they must focus on appropriate products and fuller client engagement. As the case studies show, institutions will make revenue on the digital solution through the additional sales of financial products and services, not through the channel itself.

CONCLUSIONS

It is concluded that green banking should be implemented at microfinance level then only it can be implemented at grass root level. By focusing on specific niches and providing a different product design and customer approach, it is possible for microfinance players not only to see positive financial returns by appealing to the underserved masses, but also to have a very positive social and environmental impact.

Most microfinance initiatives are aimed at an underserved customer base, a positive social response can be expected. Most microfinance customers are located in underprivileged areas, and credit facilities and financial products offer an important boost to local productivity. By extending credit to micro and small providers, it is possible to generate a very positive environmental impact on a local cluster, such as a condominium building Green Microfinance.

Technology has played a key role in enabling green banking, use of online banking instead of branch banking. E-statements, E-greetings by eliminating dry waste, e-vigilance for dealing in complaints and vigilance products through e-network Internal processes and formalization also play a key role in enabling access to a larger customer base before incurring unnecessary risk. By implementing new technology, especially mobile apps, Increase use of core banking system, increase use of video conferences, offering centralized payment system empower customers with a simpler proposition, it can also improve its operational and risk efficiency, easily tracked, and must be contained in a simple and easy-to-use customer interface.

A well-constructed and implemented microfinance project can be a valuable tool to reduce negative social and environmental impacts, and increase investor profitability it pays to be green. However, without going too deeply into macroeconomic factors, microfinance operators do face a number of challenges.

One of the main difficulties is how to measure a project's impact on a community or on the environment. One of the main efforts being made to tackle this issue is the joint effort from social investors and microfinance operators to standardize the way impact is measured in specific projects.

It forces operators to monitor and provide feedback on social and environmental factors, both at the strategic stage and in terms of the actual process, as well as providing information on corporate governance and internal policies. Generation of green power by installing windmills for captive use and sustain green banking system.

It also encourages microfinance institutions to build specific micro-metrics teams or departments, directly linked to board members and corporate governance policies, so that the data can be put to use in driving the company's ongoing strategy.

Another issue is local regulations, which are normally politically charged, with big players wielding significant lobbying power, and economic instability exacerbating caution. When it comes to a broader microfinance project, a long-term approach needs to be considered and constant feedback is necessary to adjust policies in order to provide a business environment that fosters social and environmental impact in a sustainable and profitable way.

Of course, these hurdles are significant, but the benefits of microfinance are important enough that they must be surmounted. The innovative use of technology to plan, monitor and improve the success of projects can allow a dedicated provider to overcome almost any challenge. Providing environment-friendly rewards to the group members and enhancing ecological economy for the benefit of the entire world at large for a sustainable society.

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Editor-In-Chief

Pezzottaite Journals

Saraswati Lane, Near Modern Dewan Beverages, Jammu Tawi – 180002,

Jammu and Kashmir, India.

(Mobile): +91-09419216270 – 71

editorinchief@pezzottaitejournals.net

contactus@pezzottaitejournals.net

A STUDY ON DESIGNING HR SCORECARD WITH SPECIAL REFERENCE TO AN AUTO-COMPONENT MANUFACTURING COMPANY

Dr. S. Sundararajan⁴ Dr. B. Sudhakar⁵

ABSTRACT

The essence of the competitive advantage has shifted from tangible assets to intangible ones. The focus is now on human capital and its effective alignment with the overall strategy of organizations. This is a new age for Human Resources. The entire system of measuring HR's contribution to the organization's success as well as the architecture of the HR system needs to change to reflect the demands of succeeding in the new economy. The HR scorecard is a measurement as well as an evaluation system for redefining the role of HR as a strategic partner. It is based on the Balanced Scorecard framework developed by Kaplan and Norton and is set to revolutionize the way business perceives HR. In this study, the researcher has attempted to design the HR scorecard for an auto component manufacturing industry in Coimbatore. In the process, it develops an evaluation framework based on the HR scorecard methodology and creates a HR scorecard system to measure the performance of the private manufacturing unit.

INTRODUCTION

Human Resources as a Strategic Partner

Human Resources (HR) is normally the function that helps other parts of the organization create measurement and performance management systems for their operations. Too often, “the cobbler’s children go barefoot” and HR lacks its own performance measurement system. The general scenario in most companies is as follows. HR management teams have well-developed visions of their departments, their roles and responsibilities. Whereas human capital is an intangible asset and HR’s influence on firm performance is difficult to measure. Hence, in the current state of HR there is a clear rift between what is measured and what needs to be measured.

The HR Architecture as a Strategic Asset

The focus of corporate strategy is to create sustained competitive advantage whereas that of HR strategy is to maximize the contribution of HR towards the same goal. Thinking about HR’s influence on the overall strategy of the company requires one to look at all aspects of the HR architecture. The HR architecture describes the relationship of the HR function, the HR system and the employee behaviour.

The HR Function

HR managers and professionals need to get a deeper understanding of the HR function. There are two basic functional categories in HR management. The first is technical. It includes delivery of HR basics such as recruiting, compensation and benefits. The second is strategic. It involves delivering the above-mentioned services in a way that directly supports the implementation of the firm’s strategy. Thus, the competencies that the HR managers need to develop and the ones that have the largest impact on organizational performance are the business and strategic competencies.

⁴Associate Professor, Faculty of MBA Department, Sankar Institute of Management Science, Tamil Nadu, India, rajanphd2009@yahoo.com

⁵Director, Sankara Institute of Management Science, Tamil Nadu, India, drbscbe@gmail.com



The HR System

In an effective high performance HR system, each element is designed to maximize the overall quality of human capital throughout the organisation. To build and maintain a set of talented human capital, the HR system should:

Link its selection and promotion decisions to validated competency models

Develop strategies that provide timely and effective support for the skills demanded by the firm's overall strategy implementation.

Enact compensation and performance management policies that attract, retain and motivate high-performance employees.

The firm needs to structure all the elements of its HR system in a way that supports a high-performance workforce.

Employee Behaviour

As mentioned above the results of the strategies are mapped to required employee behaviour. It is important that each employee be trained not just to do his or her job but also to have a substantially clear understanding of where he or she stands in the big picture of the overall strategy of the firm. Strategic behaviour is productive behaviour that directly serves to implement the firm's strategy. There are two basic categories. Core behaviour is behaviour that is considered fundamental to the success of the firm, across all business units and levels. Situation-specific behaviour on the other hand, is behaviour that is more circumstantial. These are not required all the time but are necessary in certain scenarios. Understanding how people and processes within a firm actually create value is the first step to identify the key behaviour. The second step is to develop methods to instill this behaviour and have measurement techniques that evaluate these methods and key behaviour.

ABOUT THE COMPANY

The company is a leading manufacturer of component parts for automobiles in India and located in Coimbatore. The company has been a dominant player in the automobile component manufacturing industry since 1970 with a vision of commitment to produce and deliver quality products adhering to International Standards.

With a strong innovative base and commitment to Quality, the company has occupied a key position in both international and domestic market as suppliers to leading OEMs and aftermarket. The company has a leading edge over the competitors on strong quality base and its technical competence. The vision of the company is to become an excellent company manufacturing world-class product, excelling in human relation. The company is an ISO 9001:2000 firm and holds 60% of the Indian Market Share in the component it manufacturers.

REVIEW OF LITERATURE

Becker, Mark Huselid, Dave Ulrich (2001) in their book states that the HR (human resources) scorecard matches business strategy against HR deliverables and objectives to provide a statistical basis by which HR efficiency and contribution to strategy implementation can be measured. As such, the HR scorecard is a management tool, which allows a business to:

Manage HR as a strategic asset and a source of competitive advantage.

Quantitatively demonstrate HR's contribution to the firm's financial results and bottom-line profitability.

Create and measure the degree of alignment between the strategy of the business and its HR architecture.

When used effectively, HR scorecards link the things people do with the strategy of the company. The HR scorecard also allows HR architecture to evolve which is measurement managed and systematic. In addition, the HR scorecard allows the human resource function to fill a strategic role in the business – participating fully in the balanced goals of cutting costs and creating benefit. In total, the HR scorecard makes it possible for HR to enhance its role as a strategic business asset.



Dave Ulrich (2001) affirms that HR scorecards are not panaceas. They will not cure a poorly run HR function. However, they do provide a means by which you can collect rigorous, predictable and regular data that will help direct your firm's attention to the most important elements of the HR architecture. Constructed thoughtfully, the HR scorecard will help the organization deliver increased value to its employees, customers and investors."

Meghna Haridas in her report shows that the HR Balanced Scorecard has made it possible for HR managers to understand how to align HR strategy with the overall business objectives. They are able to explain not only what they are tracking but also how they are performing on essential strategies for the business. Business environment and the objectives and strategies will continue to evolve, and HR managers will continue to be flexible and creative in supporting the changes. The value of the HR Scorecard as a tool is that it can get HR to the new goals and measures, through the process ensure continued learning, and change management.

Garrett Walker and J. Randall MacDonald (2001) points that using the HR Scorecard. HR professionals tracked and analyzed turnover statistics, determined reasons for turnover, calculated the negative financial impact, prescribed solutions, tracked improvement trends, and showed dramatic results. In partnership with the business leadership in targeted call centers, significant costs were avoided by reducing the regretted turnover

Cipd, Harry Scarborough, Juanita Elias (2002) explains that the HR scorecard makes the case for HR-based measurement systems to be clearly linked to the firms strategic aims and values. The HR score card- measurement system that convincingly displays HR's impact on business performance. They point out that although human capital measurement systems are designed to identify the sources or drivers of value, and more important factor is management's ability to demonstrate the importance of such measure

Patience Mmetje Naves (2002) explains HR scorecard is referred to as strategic measurement system that will use hard data to demonstrate HR's contribution to the bottom line. HR functions need to measure effectiveness, which is used as diagnostic tools in managing services. Then company's measures are used as diagnostic tools in managing services. When companies measure the efficiency of the HR function, they usually rely on a series of quantitative measures (like cost, response time and volumes relative to inputs) and relate results to short-term HR activities. Effectiveness relates the results of activities to the achievement of objectives... A well thought-out scorecard should also get the thinking about the key HR deliverables that will leverage HR's role in an organization's overall strategy, the high performance work system (HPWS) the extent to which that strategy is aligned with the organization's strategy and the efficiency with which those deliverables are generated.

Mark A. Huselid (2003) elucidates, the HR Scorecard argues that HR measurement systems must be based on a clear understanding of organizational strategy and the capabilities and behaviors of the workforce required to implement that strategy. Thus, an HR Scorecard is a mechanism for describing and measuring how people and people management systems create value in organizations, as well as communicating key organizational objectives to the workforce. It is based on a strategy map – which is a visual depiction of “what causes what” in an organization, beginning with people and ending with shareholder or other stakeholder outcomes. The HR Scorecard is built around a series of examples and a process that helps managers to do this work in their own firms – designing an HR architecture that relentlessly emphasizes and reinforces the implementation of the firm's strategy.

ASL Consulting (2003) in his report on HR score card, states that once integrated, the HR Scorecard aligns support functions with the business strategy illustrating the strategic impact of HR services and projects and enables HR to demonstrate its value through more than short-term financial outcomes. Adopting the HR Scorecard as a strategic management system ensures that HR views all of its activities in terms of their contribution to the organization's goals. By developing a strategic program for measuring and managing Human Capital, HR executives have the opportunity to spearhead the development of better strategic management

Edward E. Lawler, III (2003) in his article focuses on the practices of medium and large U.S. corporations, as well as the relationship between those practices and the effectiveness of their performance management systems. Supported by survey findings, the authors identify practices that are highly correlated with effectiveness and used largely by companies, as well as practices that are high in impact, but low in usage. The results strongly argue that practices concerned with goal setting, communication, competency models, rewards system practices, behaviors of



managers and training all have a potentially positive impact on the effectiveness of performance appraisals. When the right practices are in place, the potential exists to create a performance management system that can accomplish multiple objectives.

Colleen O'Neill and Lori Holsinger (2003) insist that effective performance management is always important, but given the current economy, it takes on added significance. As enhanced productivity is key to growth, it would seem wise for employers to pay close attention to performance management. Yet, as new research shows, many employers today can muster only lukewarm endorsement for their own performance management programs. Clearly, there is room for improvement here -- the question is how. Real improvement takes more than revising the appraisal form or copying the rating scheme of a "best practice" company.

STATEMENT OF PROBLEM

Implementing effective measurement systems for intangible assets is a very difficult task and demands the existence of a unified framework to guide the HR managers. In the process, firms under-invest in their people and at times invest in the wrong ways. In addition, managers cannot foresee the consequences of their investments in intangible human assets in a well-defined measurable manner.

The Industry of study has intricacy in what tool should be used in order to both evaluate current HR performance and progress of HR department on its way to implement own strategic goals, as well as to check compliance of human resource strategy with company values, mission and strategic goals. Therefore, it is impossible to build any strategic plans for the future without knowing current state of affairs. Thus, the most effective way to change this is obvious – to build a framework just like the HR scorecard.

NEED OF STUDY

The recent decade has vividly demonstrated importance of human resource management for every business and any industry. Even if the organisations have, a fully automated production and business process they still need people to work for them. This is to say that HR department is extremely important for any business type and need to be evaluated. The value of the HR Scorecard as a tool is that it can get:

- HR to the new goals and measures and through the process.
- To ensure continued learning and change management.
- To quantitatively demonstrate HR's contribution to the firm's financial success.
- To manage HR as strategic asset and a source of competitive advantage.
- To create and measure degree of alignment between strategy of the business and its HR architecture.
- It will improve relations in the company and improve organization climate.

OBJECTIVES OF STUDY

Primary Objective

To design the HR score card for the organization.

Secondary Objective

- Assess mission and vision statements for the industry.
- Identify goals, objectives, strategic themes, dimensions and key performance areas to monitor.
 - Identify the necessary tools and methods / performance indicators to evaluate performance in key performance areas.
- Identify the information to be collected and how it will be collected.
- Create strategy map for value creation.

LIMITATIONS OF STUDY

The author in conjunction developed the objectives, strategies, measurement tools and targets with senior managers at the industry. Staff at other levels of the organization was not involved in the process. This could have resulted in a rather prescriptive performance measurement system, which is biased towards management priorities. Wider engagement of staff could have probably resulted in a different set of objectives and priorities. The indicators and measurement tools in this study make use of secondary data in measuring performance. Secondary data may have inaccuracies. Inaccuracies in data could result in results, which are unreliable and unsuitable for measuring performance, and in achieving targets. Weights have not been placed on any particular dimension or goal area.

METHODOLOGY

This is an exploratory study. Exploratory research often relies on secondary research such as reviewing available literature and / or data, or qualitative approaches such as informal discussions with consumers, employees, management or competitors. BRIAN Becker, Mark Huselid, and Dave Ulrich base the methodology used in developing and implementing the evaluation framework on the Hr scorecard model of Linking People, Strategy and Performance. Over a period of twelve weeks, two team meetings involving all employees and two meetings involving senior managers were conducted in the process of developing and implementing the HR Score Card. The following steps were followed to develop and implement the balanced scorecard.

Step 1: An assessment of the Mission and Vision, challenges, enablers and values of the industry.

Step 2: Organizational goals were identified. The organizational goals were turned into objectives.

Step 3: Strategy maps were created based on objectives. The individual strategy maps were merged to form a single consolidated strategy map.

Step 4: Appropriate measurement tools were identified and performance measure record sheet was developed. Critical success factors, key performance areas / dimensions were identified. Performance measures were developed for each of the organization-wide strategic objectives. Leading and lagging measures were also identified. Expected targets and thresholds were established and baseline and benchmarking data developed.

Step 5: Strategic initiatives that support the strategic objectives were developed. Accountability and ownership of performance measures and strategic initiatives was built throughout the organization by assigning appropriate staff with those responsibilities and documenting it in performance record sheet.

Step 6: The information collected was transferred on to an excel sheet. This sheet formed the basis of the implementation process, added structure and discipline, and helped to get the right performance information to the right people at the right time.

Reliability and Validity of Study

In research, validity implies reliability (consistency). Reliability refers to the stability of the measure. The same result will be achieved when repeating the same measure or study again to the extent. A measure is said to be valid if it captures what it is supposed to do (Ghauri and Gronhaug, 2005). This study has obvious face validity in that it actually develops an evaluation framework based on several meetings with employees and senior managers at the industry and makes use of routinely collected business and organizational information in the process. The HR Scorecard methodology used is based on a valid and acceptable method developed by the authors and endorsed one. Further, the validity and acceptability of the HR Scorecard as a tool in measuring and managing performance among other researchers was established prior to the study and minor deviations in approach justified. The dimensions and range of indicators that were used in the study have been selected from a list of indicators provided by researchers, and after consensus was reached among senior managers with regard to their applicability in the current setting... When deciding on indicators and target values on which up to date data and information was not available, calculations by way of reasoned estimation and following the methodology used in similar studies.

Though measures have been adopted to minimize any inaccuracies, the use of secondary data has the limitation of low accuracy, which could affect the validity of the study and/or results once the HR scorecard is implemented. Certain difficulties with focus groups and meetings could have also affected the validity of this study. These include less control over the group (especially senior managers), difficulty analyzing some of the data due to the nature of



comments made by participants in reaction to other comments made by other participants in the group and the variability of the group with regard to participation. The data obtained from the group does not also necessarily represent of the whole population of staff within the industry and its clients. There is also the issue of observer dependency in that the results obtained could be influenced by the researcher, which could affect the validity of this study. In an attempt to minimize observer dependency, flip charts were used to summarize the main points of the discussions in each area and an administration staff used to take notes and record the main points separately.

ETHICAL CONSIDERATIONS

Where necessary, the study has used routinely collected business information and data (if any) and hence did not reflect many ethical concerns. No personally identifiable information has been collected in this study. Consent was also obtained from relevant authority to use information on the day-to-day business of the organization.

RESULTS: PRESENTATIONS AND DISCUSSION

Management and Staff Involvement

The proposal to develop a HR Scorecard for the organization as part of the thesis promptly gained the interest of the managers and senior staff at the industry. The proposal was approved by both the organization and team managers at the industry and supported by the majority of frontline and senior staff members. The plans to develop and implement the same within the organization were announced at the team meeting.

Vision, Mission and Policies

Vision: We will stand technologically ahead of others to deliver excellent innovative products useful to our customers. We will rather lose our business than our customers' satisfaction. It is our aim that the customer should get the best value for his money. Every member of our company will have decent living standards. We care deeply for our families, for our environment and our society. We promise to pay back in full measure to the society by way of selfless and unstinted service.

Mission: The mission of the company has always been to locate and to mould exceptional leaders and private with all the sincere effort that solid basics to extend organization solutions to customers worldwide and there by enhance the company with the competitive advantage. The company does so thought long team and deeply committed human relations based on the key values like Activity focus, Discipline, Experience, Innovation, Integrity, Introspection, Professionalism, Quality Culture and Team Work.

Quality Policy: We are committed to provide excellent products and services with due concern for the environment and safety of the society. This will be achieved through total employee involvement, technology up gradation, cost reduction and continual improvement in:

- Quality of the Products and Services,
- Quality Management system,
- Compliance to QMS requirements,

- Quality will reflect in everything we do and think,
- Quality in behavior,
- Quality in governance,
- Quality in human relation.

Quality: An All-Pervasive Entity

The company is committed to manufacture customer-centric and technology-driven products on par with international quality standards.

Environmental Policy

With due concern towards maintaining and improving the Quality of Life, the industry is committed for sustainable development by minimizing pollution and conserving resources. This will be achieved through continual improvement in Environmental Awareness of all employees & associates, Legal Compliance and Objective towards Environmental Protection.

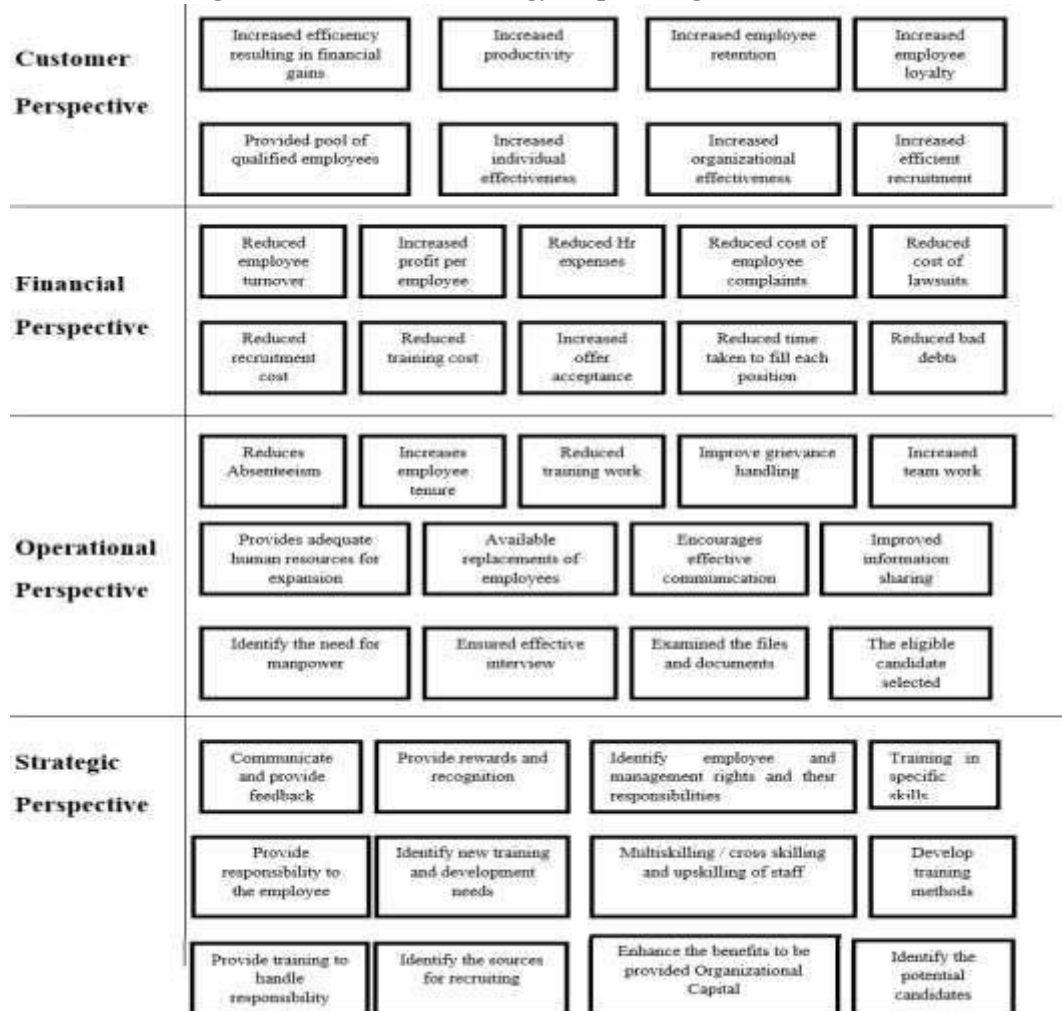
OBJECTIVES

- Increase the efficiency in recruiting and selecting competent employees.
- Identify the needs for training and development.
- Increase employee engagement.
- Improve employee relation.

STRATEGY MAP

The following strategy map was created based on the objectives.

Figure-1: Consolidated Strategy Map for Organizational Goals



Sources: Authors Compilation

Table-1: The HR Score Card

Perspective	Strategic Objective	Performance Measure	Target	Initiatives
Customer Perspective	Improve the Quality in Employee Relation	Employee Satisfaction.	Reduced to 50% of dissatisfaction of employees annually.	Employee satisfaction survey in progress.
		Employee Loyalty.	Increase to high percentage level of employee tenure.	Monitor the life cycle of employee in the organization.
Financial Perspective	Increase in Employee Engagement	Performance of the Employee.	Increase the % of high performance employees.	Steps taken to fulfill the needs of the employees and recognize the employee.
		Competency Level.	Increase in % of competency level in employees.	Conduct various tests, interview and surveys periodically.
		Employee Turnover.	Reduced % of employee turnover.	Steps taken to satisfy employees and provide necessary benefits.
Perspective	Strategic Objective	Performance Measure	Target	Initiatives
Operational Perspective	Identify the Needs of Training and Development	Number of Employees Undergone Training.	100% of employees complete the training.	Measure the number of employees given training and the number completed.
		Number of Employee Satisfied with Training.	100% of the employees are satisfied with the training.	Steps taken to train the employees on the required skills to be developed.
		Increase In Competence Level of Employees.	100% of employees are competent after training.	Monitor each employee before and after the training.
Strategic Perspective		Number of Qualified Candidates.	Increase the number of qualified candidate selected.	Select the candidates who will fit the position.
		Recruitment Achievement Meet Hiring Plan.	100% Recruitment achievement meet hiring plan.	Steps taken to monitor each level of recruitment and selection process.
		Satisfactory Appraisal.	100% satisfactory appraisal at first assessment.	Measures are taken that employee performance well.

Sources: Authors Compilation

DISCUSSION

Though faced with challenges and hurdles at the outset, the team did eventually succeed in developing an evaluation framework based on the Hr scorecard methodology. The management team at the industry was supportive of the idea and welcomed the project. The HR scorecard provides a framework and language to communicate the vision, mission and strategic direction of the company. Measurements are used to establish current position and inform employees as to what will lead to success in the future. Measurements set the focus on particular actions and outcomes. Establishing the current position will help understand what action is necessary to achieve organizational change. The process of target setting helps communicate the need for change and directs the organization towards its



goals. It will also highlight any gaps in performance. Organizational transformation results from achieving those targets.

The measurement tools used are directly linked with the strategic objectives of each goal area or perspective and are embedded in a cause and effect chain as can be seen in the strategic maps. As mentioned earlier these imprecise, hypothetical cause and effect relationships link the desired outcomes with the activities that lead to achieving those strategic outcomes. Measurement tools are also linked with targets. Targets represent the desired outcome and the result expected of the performance measure.

Execution of the strategy and the monitoring of change are equally important. The HR scorecard, as a tool, helps translate the strategy into operational terms and forms the basis for other activities. However, commitment from senior management is a prerequisite for successful implementation of the Hr scorecard and the management of change.

The benefits of adopting the Hr scorecard system can be quickly identified without much knowledge or exposure to Hr scorecard system. The perceived benefits are in terms of obtaining clarification and consensus on strategy, the communication of strategy throughout the organization, aligning departmental and personal goals to strategy, linking strategic objectives to long term targets and annual budgets, the identification and alignment of strategic initiatives, facilitating systematic reviews, providing a double-loop feedback to assist in learning and strategy development and the translation of better strategic alignment into the improved results

The HR scorecard helps to improve communication, facilitate learning and influence behavior within the service. The HR scorecard system will open channels for continuous and ongoing dialogue between staff at all levels of the organization further enabling staff to align their individual goals with the organization's goals. It will also promote employee growth and development by identifying training and development needs and with mentoring, coaching and closer supervision. This cycle benefits both employees and the organization as individual and organizational goals are accomplished at the end of the day. Thus, a culture of achievement emerges from the process.

In spite of the hurdles and challenges to overcome to successfully implement the system, the HR scorecard is a powerful tool, which will help align action to strategy and enable the organization to achieve its goals.

CONCLUSION AND RECOMMENDATION

Conclusions

This study develops Hr scorecard to performance management in the industry of study. In the process, it develops an evaluation framework based on the HR scorecard methodology and creates a HR scorecard system to measure the performance of the industry.

Based on the results and the information gathered in the process of this study the following conclusions can be made;

The HR scorecard helped to establish the current position of the industry. In the process of developing the HR scorecard, the industry was able to clarify its vision and mission and identify its goals and strategic objectives. This will form the basis for measuring current performance by collecting data on different measurement tools and analyzing the results.

The HR scorecard has helped to communicate the future direction of the industry. By developing measurement tools and indicators, the industry was able to focus its attention on particular activities that will result in desired outcomes. Identifying critical success factors also helped to focus attention on elements essential to achieve its mission.

The HR scorecard helped to align action to strategy. The performance measures developed helped to clarify the organization's goals and strategic objectives and align action to strategy.



The HR scorecard will stimulate action in the most important areas of the industry. The measurement tools developed will help to focus attention and channel adequate resources quickly to the areas identified as critical to achieving the goals of the organization.

The HR scorecard will facilitate learning within the industry. The measurement tools will help to assess how well the strategies of the industry are being implemented and where the organization is performing well and where it is under-performing. It will also help to identify whether the objectives are accomplished with the identified strategies. The results will highlight training needs.

The HR scorecard will influence behavior within the industry. Identifying the appropriate performance measurement tools and indicators will influence behavior of staff within the industry towards achieving the goals of the organization.

Adopting the HR scorecard will help to create a culture of achievement within the industry. The HR scorecard will motivate staff to achieve goals and create a sense of purpose by making explicit the progress made by the organization towards accomplishing those goals. Accomplishing objectives will create a culture of achievement within the industry.

Recommendations

This study makes the following recommendations to the managers at the industry of study to ensure successful implementation and maintenance of the HR scorecard:

- Ensure ongoing commitment from management.
- Engage staff in the process.
- Encourage open communication on the BSC within ICS.
- Review performance measurement tools and strategies regularly.
- Educate staff on the concept of BSC.
- Ensure timely availability of performance data.
- Ensure process for routinely reviewing the results from the scorecard.
- Ensure organization wide dissemination of the results.
- Ensure that the scorecard is not too rigid but adaptable to changing circumstances.

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Editor-In-Chief

Pezzottaite Journals

Saraswati Lane, Near Modern Dewan Beverages, Jammu Tawi – 180002,
Jammu and Kashmir, India.

(Mobile): +91-09419216270 – 71

editorinchief@pezzottaitejournals.net

contactus@pezzottaitejournals.net

**EMPLOYEE'S PERCEPTION ABOUT WORK PLACE MANAGEMENT:
A STUDY WITH REFERENCE TO SME IN BANGALORE**

Deepa R.⁶ Divya B. S.⁷

ABSTRACT

The author could find from the study that many changes have taken place in the working environment of SMES. Although there have been many improvements, the survey revealed that certain physical work environment problems remain to be resolved, while many new, more social and psychological work environment problems have also arisen.

KEYWORDS

Work Place Management, Employee Perception etc.

INTRODUCTION

SMEs play a significant role in the development and employment to minorities, backward class people and to women. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the Small and Medium enterprises in India.

Under the changing economic scenario, the SMEs have both the opportunities and challenges before them. The support given by the national and the state governments to the SMEs is not adequate to solve their problems. However, for the sector to fully utilize its potential, it is essential that the entrepreneurs along with the government support take necessary steps for further development. It is quite evident that, nurturing this sector is essential for the economic well-being of the nation.

The Global Entrepreneurship Monitor Reports (2016-2017) noted that, despite their significant importance and contribution to economic growth, SMEs are still faced with numerous challenges that inhibit entrepreneurial growth. One of the challenges is poor work place management. This results in high rates of business failure. Therefore, the present study has been undertaken, where an effort is made to examine the practice of work place management in SMEs.

MEANING OF SME

The European Commission defines small and medium sized enterprises as independent enterprises that have fewer than 250 employees, and an annual turnover not exceeding E50/£33 million or a balance-sheet total not exceeding E43/£29 million.

RESEARCH OBJECTIVES

- To study the perception of employees about social and psychological work environment.
- To study the perception of employees about physical work environment.

REVIEW OF LITERATURE

MSME's, in most parts of the world, means organizations with up to 250 employees. In USA, this is only half the truth. You will notice from www.sba.gov, the website for Small Business in USA, that Small Business in USA could

⁶Student (III B. Com.), MLA First Grade College for Women, Karnataka, India, deepaperana@gmail.com

⁷Student (III B. Com.), MLA First Grade College for Women, Karnataka, India, divyagowda1803@gmail.com



be defined either by maximum number of employees, which varies from 100 to 1500, or maximum turnover per year, this varies from \$0.75 to \$30 million, or the amount of financial assets, this goes up to \$ 150 million, depending upon the type of business.

North America, Europe, Japan, S. Korea, Taiwan and China constitute about 80% of the World's GDP of about US\$70 trillion. In all these countries, the definition of MSME's means organizations with up to 250 to 1500 employees, depending upon the business. Their sales volumes are up to \$30 million in the USA, Euro 50 million in Europe, and so on. Even Pakistan has adopted the International definition of MSME's and is implementing the same, in stages!

The present definition of the Indian so called SSI's, should be consigned to the archives of Indian Museums. It is illogical for India of the 21st century and does more harm than good to the Nation as well as to its owners and the lending Financial Institutions [in the medium and the long term]. SSI's are born as babies and forced to remain so forever. Change the definition, and all government regulations of MSME's in India to fall in line with International norms [if we do not act, external forces will force us to do so in due course].

In all countries of the world, companies start as proprietorships, become small business units and then grow to medium size units or SME's, all in the same category. 99.7% of all enterprises in the world are MSME's and balance 0.30%, are Large. 97% of the new employment is in the MSME sector. Out of a work force of 490 million people, nearly 93% work in the unorganized sector. The greatest advantage to India Inc. will be if our MSME & unorganized sectors could get highly trained and educated manpower, and employee friendly work environment, it will enable them to reduce cost and improve quality to international standards.

RESEARCH METHODOLOGY

There are many SMEs in Bangalore. A sample from these SMEs selected randomly for this research work. Sample size for this research is 100. Data is collected based on questionnaire and general interaction with the employees.

Sources of Data: Both secondary and primary data sources were used for this research. The secondary sources included books, journals, newspapers, and information from the internet. Primary data was collected from the employees of SMES based in Bangalore.

Sample Size: The target population included Bakeries, restaurants, coffee shops, travel agencies, consultancies, health services, beauty parlours, and interior designers. A questionnaire was used for data collection. The data collection for the current research combined a face-to-face survey and a telephone survey. In total, 100 respondents chosen randomly.

FINDINGS

Objective-1: To study the perception of employees about social and psychological work environment.

Level of Education

SME having Net profit between Rs. 120, 000 to 150,000, and 55% of employees had a basic level of education. On the other hand, SMES having net profit of more than Rs. 150,000, 45% of employees had a basic level of education.

Social Relationships at Work

In both cases, 80% of Women are satisfied regarding the social relationships at work i.e. support from co-workers and from their superiors.



Average Length of Time Working

SMES having Net profit between Rs. 120, 000 to 150,000, the average length of time working for the same employer was 8 years. On the other hand, SMES having net profit of more than Rs. 150,000, it was 10 years.

Informed About Changes

SMES having Net profit between Rs. 120, 000 to 150,000, 20% of the employees said that they are informed about changes. On the other hand, SMES having net profit of more than Rs. 150,000, 80% said that they are informed about changes.

Opportunities for Self-Development

20% of employees in SMES having Net profit between Rs. 120, 000 to 150,000 said that there are Opportunities for self-development in work. On the other hand, 80% of employees in SMES having net profit of more than Rs. 150,000, said that there are Opportunities for self-development in work.

Objective-2: To study the perception of employees about physical work environment.

Resource Management

80% of employees in SMES having Net profit between Rs. 120, 000 to 150,000 said that People are struggling to locate pens, paper, files, keys, and visitors / customers struggling to reach the right person in the organization. On the other hand, 20% of employees in SMES having net profit of more than Rs. 150,000, said that People are struggling to locate pens, paper, files, keys, and visitors / customers struggling to reach the right person in the organization.

Work Environment

In both cases, employees are suffering from Adverse physical factors such as heat, cold, vibration, noise, smoke, gases and fumes, humidity, dust, dirt in the work environment.

Work place Bullying

60% of employees in SMES having Net profit between Rs. 120, 000 to 150,000 said that there is work place bullying. On the other hand, 40% of employees in SMES having net profit of more than Rs. 150,000, said that there is work place bullying

Monotony

In both the cases, employees regarded their work as monotonous.

Accidents

40% of employees in SMES having Net profit between Rs. 120, 000 to 150,000 said that there Accidents at work and strain injuries has reduced. On the other hand, 60% of employees in SMES having net profit of more than Rs. 150,000, said that there Accidents at work and strain injuries has reduced.

Feeling of Tension, Nervousness, and Irritability

In both the cases, employees felt that In addition to fatigue and sleeping difficulties, another common problem experienced by the employees is the feeling of tension, nervousness, and irritability.



Recurrent Aches and Pains

SMES having Net profit between Rs. 120, 000 to 150,000, 51% of employees suffer from recurrent neck and shoulder pain. On the other hand, 49% of employees in SMES having net profit of more than Rs. 150,000, employees suffer from recurrent neck and shoulder pain.

CONCLUSION

This report provides a short overview of the results of the work environment. Employees are much better educated now. Fewer employees say that they are informed about changes at the planning stage. This concerns all employees, including those who are well educated and in good positions. Symptoms, such as sleeping difficulties, fatigue, tension, and neck and shoulder pain, have been on the increase, especially among women. These results mean that action for better working life and well-being has become more urgent. Physical work environment problems have still to be resolved, while many new, more social and psychological work environment problems have arisen. The work life surveys should be conducted to make changes in the working environment in SME.

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WHAT IS CRITICAL REALISM PHILOSOPHY: WHY SHOULD YOU CARE?

Rudolph L. Boy⁸ Ganagappa Kuruba⁹

ABSTRACT

Critical realism (CR) still has a much lower profile in Africa than it does in the UK or, for that matter, many other parts of the world. CR to all intents and purposes, remains unknown to the younger generation of African researchers and sociologists. Theoretically, the CR philosophy is an opportunity for researchers to confront the ontological layers of reality and to continuously iterate between the data and extant literature exploring the underlying mechanisms at work. Researchers carry out their work influenced by different assumptions about the environment in which they operate, experiencing reality from their point of view. The paradigm underpinning CR will be discussed in the next sections explaining the rationale behind this philosophy.

KEYWORDS

Critical Realism, Philosophy etc.

THE OBJECTIVE

The CR debate would be useful in a number of ways. First, it would expose hundreds of African researchers to the central ideas of CR. It would also encourage the young scholars to enter the fray. More debate can be provoked and generated through a good deal of discussion on social media or more seminars. Second, it will establish CR as a credible point of view.

INTRODUCTION

Many younger scholars would appreciate one aspect of CR or another – its approach to causation or emergence or personhood or flourishing. The young scholars would learn that for most African researchers, the real test of CR is whether it can improve ‘empirical’ research. Our assumption is that CR is a new philosophical approach in Africa; many would feel that CR could not provide a more accurate account of how good research is actually done. This is so because they are not sure that it would significantly change how they themselves do their research. The CR debate would provide African scholars with an updated picture of the intellectual landscape that is very different from the one in which CR first took shape during the late 1970s and early 1980s. Today, the conflict is no longer between ‘logical positivists’ and ‘interpretivists’ but rather, within sociology, it involves neo-Human ‘intervention theories’ on the quantitative side and neo-pragmatist anti-foundation lists on the qualitative side.

A number of things need to be done to establish CR as an influential philosophy of social science in African continent. This clarion call supports Marobela (2006) who suggests that in Africa as in other parts of the world critical management research is assuming a lot of significance. There is now a felt need to break away with positivist or empiricist research, which has over years assumed hegemonic status in the philosophy of science.

We need to work out its methodological implications in a much detail, meaning its implications for specific methodological techniques, such as ethnography, cultural sociology, historical comparisons, and demographic analysis and so on. We need to be able to point to more exemplary pieces of empirical research based on the principles of CR.

There is also need to reframe the old arguments for CR to respond to new forms of positivism and interpretivist. For example, there is need to convince neo-pragmatists that they cannot do without ontology and we will have to show

⁸Department of Management, Faculty of Business, University of Botswana, Botswana, boyr@ub.ac.bw

⁹ Professor, Department of Management, Faculty of Business, University of Botswana, Botswana, KURUBAG@mopipi.ub.bw



neo-Humeans that the things of logic still cannot capture the logic of things. There are also a considerable number of analytical philosophers who are moving towards a realist approach to causal powers. Then, there are potential allies amongst scientists and humanists who are confronted with radical reductionists in their own fields, whether it is evolutionary biology or music history. We have every reason to be hopeful. After all, we have reality on our side.

Critical Realism (CR) is, in our view, the most promising general approach to social science for best framing research and theory. CR, as a philosophy of (social) science (not a sociological theory per se), offers the best alternative to the problems and limits presented by positivist empiricism, hermeneutical interpretivist, strong social constructionism, and postmodernist deconstruction. It is the meta-theoretical direction in which African sociology needs to move.

BRIEF OUTLINE OF CRITICAL REALISM

CR is a movement in the philosophy of science, which started with the British philosopher Bhaskar's (1978, 1979) writings. Soon after Bhaskar started it, it has been developed and used in social theory by Bhaskar (1989) and many others, most notably by Archer (1995, 1996, 2000), Sayer (1992, 1999), Layder (1994) and Collier (1994, 1998).

Even though CR has been receiving much criticism (e.g. Klein, 2004), in information systems research, it is defined as an applied field that is greatly skewed on the applications of information systems in business, and in many other related fields of social science, for example organisation research and economics, CR has been an area of growing philosophical interest (Dobson, 2002; Spasser, 2002; Willmott, 1997; Reed, 2001; Mingers, 2004). Bhaskar's (1993, 1998) philosophy of critical realism—as its name suggests—is a realist philosophy, which is to say that it claims that a world outside and independent of our conscious perception exists (reality) and that only some aspects of this world are objectively knowable via our senses. Our senses are not always completely reliable, of course—for example, we can be fooled by illusions and we can misinterpret sense data. Nevertheless, because reality is independent of our senses, when we misperceive an event, the occurrence and properties of that event are independent of our perception and understanding and the cause of the event operates even if we are not aware of its operation.

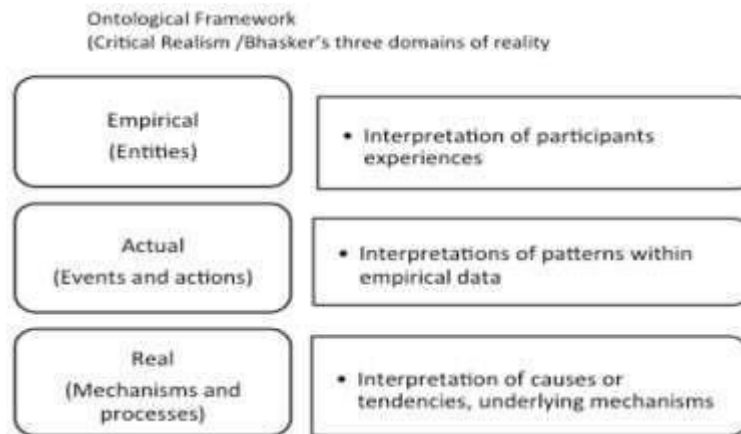
Bhaskar (1975) distinguishes between transitive and intransitive objects of knowledge in the world. Bhaskar (1975 p. 22) observes that intransitive objects are the 'real things and structures, mechanisms and processes, events and possibilities of the world; and for the most part they are quite independent of us'. That is, the existence of an intransitive object does not depend on our knowledge or perception of it. Transitive objects, on the other hand, include theories, paradigms, models and methods. These objects are subjective and their existence is dependent on human activity (if people suddenly ceased to exist, transitive objects would cease to exist).

These distinctions between what happens and what we perceive and between an event and the underlying (but possibly unobservable) mechanism that caused that event are the key aspects of critical realism. In the language of critical realism; they form three views on reality: the real domain, the actual domain and the empirical domain. The actual domain is the easiest to describe. This is the domain of events: someone forms an intention to sell shirts via an Internet-based store, a consumer visits that store, and so on. The empirical stratum is the surface where we have observations from the phenomenon under study. The empirical domain—an anthropocentric concept—is what people can experience. It is what we experience and or is experienced by the subjects but since it is just experiences, there is some uncertainty associated with these experiences. In addition to this, we must remember that we cannot draw conclusions based on our experiences.

Things in the actual world, such as events, cannot be perceived, but events leave empirical traces, and we can perceive those traces. The next level of factual stratum describes the landscapes appearance on whether there is a pattern in the data that is discernible. At this stage, tendencies may be established which shows a strong significance which goes beyond observations or experiences in the empirical stratum. That is, the sensing of an event is not the same as the event (which can occur regardless of whether we can sense it). In addition, limitations on our senses mean that we might not perceive all traces (that is, of the things in the empirical domain that we can experience, we will experience only a subset), and the subjective and perspectival nature of perception means that experiences will vary from one person to another and from one setting to another.

The critical realism perspective recognizes that what is empirically observable is only an element of what exists. At the foundation is the “Real” which are the mechanisms, which exist which a researcher, seeks to discover. The “Actual” describes the events to which the “Real” mechanisms give rise. Finally, the “Empirical” is the set of events, which are actually observed.

Figure-1: The Three Domains of the Realism (Stratified Ontology of Critical Realism)



Sources: Authors Compilation

Behind events are structures and generative mechanisms that have enduring properties. In non-technical terms, a generative mechanism is the causal power that gives rise to something or the reason that something *is*. Bhaskar (1993) refers to generative mechanisms as *alethic truths*—the underlying processes that give rise to both actual and empirical events and the phenomena that scientists seek to identify. The nested relationship between these three domains of the real—representing the stratified ontology of critical realism—is illustrated in Figure 1, derived from Mingers (2004b:94, Figure 1).

From the critical realist perspective, understanding the real domain is the proper role of science. To develop theory, from this perspective, is to explain *why*, but from a transcendental perspective. That is, the focus is not usually on the specific event observed, but on what that event tells us about enduring underlying causal relationships (generative mechanisms) that lie beyond common experience (the empirical domain). Scientific investigation, in this view, involves manipulation of the environment to trigger or manipulate the operation of a generative mechanism in order to produce particular actualized outcomes. For example, a researcher could manipulate the environment surrounding a particular class of decision process to answer the questions why someone would want to buy a shirt online and what makes a shopper select one online vendor in preference to another. Further, because critical realism distinguishes between the cause, the event and data about that event, any causal explanation must explain patterns of events independently of any particular event or data about that event. In the language of critical realism, these causal forces are known as generative mechanisms.

CRITICAL REALISM: A RESEARCH PHILOSOPHY

A research paradigm creates the foundation for the research framework. It describes the personal location of the researcher, or worldview, for want of a better description. This is important as it sets the context of the researcher’s philosophical underpinning of the study:

Philosophical assumption or a theoretical paradigm about the nature of reality is crucial to understanding the overall perspective from which the study is designed and carried out (Kraus, 2005, p.759).

The characteristics of CR research relate to the way in which the reliability and accuracy of knowledge and understanding are regarded. The notion that a researcher can be sure of anything sits uncomfortably with researchers

using CR, because they see the ambiguous nature of information and knowledge, acknowledging that knowledge is flawed. CR assumes that the world exists independently of our knowledge of it and that is fallible. Objects within the world, either natural or social, have particular powers or characteristics and that these powers are capable of generating events (Easton, 2010). Easton (2010) gives the example of a buyer and seller agreeing on almost everything except a deal-breaker, which emerges to become the tipping point determining if the event will take place. This is known as a causal mechanism within the object or entity of focus. He expands on this, stating that observation is fallible thus unlikely to reveal a complete and full understanding of any social situation. Instead CR reveal on the researcher to collect further data to explore and distinguish among alternative explanations, which can then be debated thoroughly by the broader community or researchers. CR believes that knowledge is a social and historical product and that what might appear to be a factual theory laden. CR seeks to explain how mechanisms produce events and how the event occurred in a specific context.

Because of the particular characteristics of CR, it is well suited to complex phenomenon such as organization, inter-organizational relationships or nets of connected organizations (Easton, 2010). CR believes that whilst interpreting information is necessary, they acknowledge that interpretation maybe shown to be incorrect in the future with the acquisition of further information/knowledge and different interpretation. CR does not construct its own reality, as in the constructivist approach, but asserts that the world and reality are independent from our thoughts. Theories about the world about us have changed over the course of human history, but the changing theories did not alter the shape of the earth, planetary orbits of the position of the sun. Philosophers who believed that the earth was at the centre of the universe were absolutely certain in this knowledge, so much so that they sentenced Galileo to a form of life imprisonment and branded him a heretic for his alternative opinion (Finocchiaro, 2005).

CR does not purport to be the 'royal road to truth' (Sayer, 2000, p. 17) rather it seeks to understand and find meaning. Meaning needs to be understood and can be measured or counted, hence, there is always an interpretative or hermeneutic element in CR approach to social science (Sayer, 2000). Meaning and understanding can be gained by looking at causal powers and the events that follow. In other words, explanations can be obtained by digging deeper into the causal mechanism and the resulting event.

Bhaskar (2008) states that in order to understand the entities and their causal powers one must also understands the nature of ontological domains, namely the Real, Actual and Empirical. CR supports the notion that the 'real' world may not always be observed in every way possible and that it may be possible only to observe the 'actual' changes that are apparent when causal powers affect an entity (Bhaskar, 2008). The 'empirical;' world is the observable and experienced world. The real causal powers belong to an entity whether they are actualized or not, as the powers follow the characteristics of the entity in its parts and structure.

The Critical Realism approach argues that the understanding of "reality" as constituted by actual events and the empirical experiences of these is not sufficient. The *raison d'être* of Critical Realism is to link the generative mechanisms and the actual events in causal analysis (Jespersen, 2009).

CRITICAL REALIST CRITERIA

Even though no specific criteria for quality have been developed for Critical Realist research (Healy & Perry, 2000) four measures of quality are considered central: 1) objectivity, 2) triangulation, 3) explanation, and 4) researcher reflectivity.

Epistemological objectivity entails the researcher acknowledging given, real worlds and the subjects' beliefs about them, and in so doing, not committing the 'epistemic fallacy' (Bhaskar, 1978; Sayer, 2000; Archer, 1995) of conflating ontology and epistemology. Conflation occurs when 'what we *think* is' (epistemology) is confused with 'what *is*' (ontology). Archer (1995) recommended that 'analytical dualism' assist the researcher in analysis.

As Yeung (1997) noted, Critical Realism places an emphasis on triangulation to strengthen the quality of findings. Ontologically, Critical Realism proposes that there is a reality we may know; however, epistemologically, our knowledge claims of it are fallible (Lopez & Potter, 2001), but not equally so (Yeung, 1997; Danermark et al., 2002). Sayer, (1992) contended that since mechanisms are generative rather than prescriptive, occasionally produce



“different events, in different conditions” (p.116); therefore, “causality is dependent on conditions” (p. 106). However, we can conclude that some objects “tend to act or behave in a certain way” Danermark et al., (2002 p. 56). Then, a probability explanation is essential, where “causal laws...must be analysed as tendencies” (Bhaskar, 1978 p. 50), and examination of patterns that provides empirical tendencies. Critical Realism does not deal with measurable or even observable cause and effect relations, but rather with interpreting underlying causal tendencies (Bhaskar 1978; Tsoukas 1989).

CHALLENGES WITH THE CRITICAL REALISM APPROACH

The critical realism approach creates a number of challenges for the researcher. The research process, like many other approaches, is non-linear. However, the critical realist researcher is challenged to constantly move between the data and the literature to consider what mechanisms may be at work.

WHY SHOULD YOU CARE ABOUT CR AS A PHILOSOPHY?

It is important to emphasize from the onset that CR is not a theory, but a philosophy of science. Therefore, why should we be concerned about it, how and what impact does it have on our lives. The question is how will this assist young Africans to rethink their research? The exposure and education system is the strongest link, which shows how African scholar's philosophy has developed, mutated, disintegrated, and re-formed over time and space. It is easy to see why it should be of interest to researchers on society and space (Anderson et al., 2012). In asking questions like ‘(c) a relations change without the terms also changing?’ and ‘Are actual entities exhausted by their position within relations?’ Anderson et al. reopen issues that were previously debated in critical realism in geography – issues to which some of Cox's (2013) questions allude. African researchers need not prolong or add to the past misunderstandings of African based research but benefit on the new debates, especially when the contemporary debate about realist ontologies is more interesting and fruitful (Sayer 2013).

Bhaskar's version is that the relationship between the properties of social reality, the dominant philosophy of science, its two major rivals. Positivism is the oldest philosophy with its oldest rival interpretivist. Constructivism is the upcoming philosophy behind the two dominant ones. The three philosophies are founded on different social ontologies (i.e., theories of social reality). Hempel (1965) and Popper (1959) concluded that positivists draw no ontological distinction between natural and social entities; both are just “phenomena” or “objects of experience”. Geertz (1973) and Winch (1958) posits that interpretivists draw a sharp line between the two domains; they argue that social reality is linguistically constructed. The constructivists go further than the latter as they see the natural sciences as linguistically constituted (Feyerabend 1975; Rorty 1979). Marobela (2006) posits that there is need to look at research with not only a positivist or empiricist perspective just because it has been the dominating philosophy for a long time. He goes further to question the sustainability of and credibility of rigorous research based on the positivist philosophy. There is valuable research produced despite the differences between positivists, interpretivists, and constructivists. Our knowledge of social life used to be narrow but now is broader. There has been more research on societies, places and cultures, which helped in discovering new forms and levels of social structures. The progress in new forms of discovery has been a reality because researchers have unlearned things they were taught in graduate school and passed this tacit knowledge of good research practice on to others. To understand why we should be worried about positivism and interpretivist philosophies, they assume and forces that scientific knowledge take the form of “general” or “covering laws” Gorski (2004) asks that if and only if there are such laws will a ‘falsifications’ method apply.

Gorski (2004) says that interpretivists (wrongly) accepted the positivistic account of natural science but (rightly) insisted that it does not for the social sciences. Since laws may govern natural life and social life is governed by meanings, the conclusion we make is that the methods of social sciences are fundamentally different from those of the natural sciences. The social science emphasizes human knowledge by interpreting texts. They fall short to explain what is happening in the social world, but to understand it by reconstructing meaning and intention. Lastly, we contend that: (i) CR enables scholars to approach research with a realist stance (which we believe is instinctively held by the many of African scholars) although they accept realists' criticism. (ii) We believe that CR speaks to both natural and social science, consequently covering both hard and soft methods.



CONCLUSION

CR could benefit African scholars in research, which gives the researcher a new dimension of analyzing events. The terms and conditions in African geography and space has changed and reformed, this then calls for change in thinking by African researchers. This calls for an Afro-centric view of research. This could be applied in any field of research. This is an opportunity for African scholar to tell the African story according to the African lens, not the Eurocentric view where Africans are told about their backyard and their input is only through research participants or subjects. This is an opportunity to critic the already existing research about Africa and the perceptions about the continent, with CR, researchers will now understand that the information they have been fed was no way close to truth. CR offers an independent view where African researchers will be independent in thinking and concluding about events. Some event which could be causal mechanisms, require a native so to understand the cultural dynamics of various cultures, and it is only when CR is used, that we can understand what are the underlying causal mechanisms which generates events the way they do in Africa.

Critical realism lays down an ontological perspective to integrate knowledge with the help of deep discussion. Before advancing in this direction, researchers have to focus certain themes or questions instead of investigating deeper in a traditional manner. The CR philosophy will help researchers find a thoughtful direction giving them experience in the method that investigates the phenomenon that develops events

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DETERMINANTS OF CUSTOMERS' BANK SELECTION DECISION: A CASE OF GONDAR TOWN OF ETHIOPIA

Nuru Addisu¹⁰

ABSTRACT

The study used descriptive statistics and multinomial logistic regression model (MLRM) to measure the level of relationship between the dependent variables of each of the five commercial banks selection decision and the determinant factors. Results of the multinomial regression model for the total sample indicated that gender, age of respondents, levels of education, types of employment, friendly / pleasing manners of staffs, ATM service provision, numbers of counter windows, speed, service quality, external appearance, sitting arrangement total asset of banks, safety of funds, secure felling, numbers of branches and proximity of the bank to home/workplace were the significant factors on customers' bank selection decision. Factors that have highly significant effect on customers' choice of banks should also be given more attention to be preferable in the competitive banking industry. The five banks with 156 sampled customers might not represent to generalize about the all thirteen banks operating in the town. Therefore, it could arrive at a better result if one conducts the study by taking all banks with large sample sizes including Money transfer customers in different areas.

KEYWORDS

Bank Selection Criteria, Multinomial Logistic Regression Model, Gondar Town etc.

I. INTRODUCTION

Bank sectors are the largest and the most important group of financial institutions in Ethiopia. They are responsible for the smooth functioning of payment mechanisms in the country. Financial services provide by the commercial banks have enable them to mobilize idle funds and savings, as well as, effectively channel these resources for the production of goods and services. Financial results for various fiscal year show banking industry enjoying high growth, high profits, and high dividends. As economic environment is rapidly changing and customers are becoming more demanding and sophisticated, it has become important for financial institutions to determine the factors, which are pertinent to the customers' selection process of a particular bank. With the introduction of interstate and international banking, the trend towards larger bank holding companies, and innovations in the marketplace, the customers have greater and greater in determining one institution from another.

I.1. Objectives of Study

Following are the objectives of the study.

- To identify the determinant factors that customer consider important when selecting a bank and how these criteria are prioritized according to their importance.
- To examine the relationship between customer bank selection decision and personal factors.
- To examine the relationship between customer bank selection decision and the technological factors.

I.2. Research Questions

This research is conducted to find out the factors influence the bank customers to select a particular bank. Following questions were asked to know the factors influence the selection of a bank.

¹⁰Lecturer, Department of Accounting and Finance, College of Business and Economics, Jigjiga University, Jigjiga, Ethiopia, nuraddis20@gmail.com

1. What are the determinant factors that customer consider important when selecting a bank?
2. What is the relationship between customer bank selection decision and personal factors?
3. What relationship between customer bank selection decision and the technological factors?

1.3. Justifications of Study

On the practical side, this study may help bank decision makers to identify the major factors that may determine bank selection decisions among customers, perceive as important in a bank selection and can provide a guide to the banks in designing their future strategies for reaching and attracting potential customers in a competitive economy. A thorough understanding of the salient criteria used by customers in choosing a bank helps bankers to develop more precise, targeted strategies for bank in order to attract a larger number of customers and to better cater to the needs of both current and potential customers. The study intended to assist retail bank managers in refining their marketing strategies as a means of overcoming the competition that exists in the Ethiopian banking system.

II. LITERATURE REVIEW

2.1. Theoretical Perspectives of Customers' Preference

Customers' preferences are keeping on changing at a quick speed and their demands are curved insatiable. In order to cater to the changing preferences, bankers are bound to provide the services, which are suitable to their needs to survive in the competition. Customers are not agree to accept any delay in service today and are in need of information for instant decisions. Now days it is tough job for all the bankers to retain the existing customer base and attracting the new customers. If the bankers will not fulfill the needs of the customers then it difficult to sustain in the banking business. It is a goal of bankers to make the customers happy to achieve their targets (Uppal, 2011).

2.1.1. The Need to Understand Customer Preference

Research into this part of consumer behavior has brought understanding to some of the major issues with expected customer satisfaction research. It is recognized that high customer satisfaction does not promise continued customer preference. Satisfaction study over the past fifteen years demonstrates that high satisfaction rates, while a measure of corporate performance on a set of important criteria, do not satisfactorily explain the composition of preference formation and therefore often serve as insufficient predictors of continued preference or what is normally referred to as customer loyalty.

2.1.2. Relevant Theories

The relevant theories underpinning the study are the rational choice theory and competition theory.

2.1.2.1. The Rational Choice Theory

Rationality, which mainly expresses the idea of wanting more rather than less of a good, is commonly used as an assumption of the behaviour of individuals in microeconomic models. The theory, therefore, suggests that patterns of behaviour in societies reflect the choices made by individuals as they try to maximize their benefits and minimize their costs. In other words, individuals make decisions about how they should take action by comparing the costs and benefits of different courses of action. Consequently, patterns of behaviour develop within the society results from those choices (Aregbeyen, 2011).

2.1.2.2. The Competition Theory

Competition in economics is described as the existence within a market for some good or service of a sufficient number of buyers and sellers such that no single buyer or seller has adequate power to determine the available price of the good or service.



2.1.3. Historical Background of Ethiopian Banking System

Banking in Ethiopia began in 1905 with the Bank of Abyssinia, a private corporation that was banned by the Bank of Egypt. In 1931, it was liquidated and replaced by the Bank of Ethiopia, which was the bank of issue until the Italian invasion of 1936. Under the subsequent British occupation, Ethiopia was temporarily a part of the East Africa Currency Board. In 1943, the State Bank of Ethiopia was established, with two departments conducting the separate functions of an issuing bank and a commercial bank. In 1963, these functions were formally separated and the National Bank of Ethiopia (the central and issuing bank) and the Commercial Bank of Ethiopia were formed. In 1974, several other financial institutions emerged including the state-owned Agricultural and Industrial Development Bank (established largely to finance state Owned Enterprises), the Savings and Mortgage Corporation of Ethiopia and the Imperial Savings and Home Ownership Public Association (which delivered savings and Loan services). There were also major Private commercial institutions, many of which were foreign owned, included the Addis Ababa Bank, the Banco di Napoli and the Banco di Roma (Vijay & Tewdros, 2011).

2.1.4. Review of Technologies and Services Offered by Ethiopian Banking Systems

In Ethiopia, bank uses various kinds of communication and computing technologies to carry out its day-to-day activities. The communication technologies range from telephone and fax to internet connections have very fast high-speed broadband network. Now the bank is under evolution of changing the old system with the new one for all branches. The change comprises replacement of old hardware with modern one. Wide Area Network (WAN) is another smart feature of the Bank's technology; customers having a deposit account in one of the area banks can access their accounts from any other area bank in the country.

As the necessity for control and efficiency rises, the bank decides to change the software to new banking software called Flex cube. This system allows the bank to have competitive advantage and more control over the operations. The bank also uses different applications for undertaking different tasks. For instance, Microsoft Excel and Access for payroll and human resource database respectively (Vijay & Tewdros, 2011).

2.2. Empirical Literature Review

2.2.1. Bank Selection Criteria

Various experimental research using different methodologies and approaches have been done in various parts of the world to investigate the bank selection criteria of the customers. Following are factors, which influenced the banks selection

2.2.1.1. Personal Factors

Gender: Mokhlis, (2009) found out the relative importance attached to retail banks' choice criteria by college students in Malaysia revealed the differences in choice factors employed by male and female customers in selecting a bank for patronage.

Age: Maiyaki & Mokhtar, (2010) asserted that age group has significant influence in their choice of banks. While the older adults are more inclined towards the erstwhile "first generation banks" and the younger adults seem to prefer the new generation banks in Nigeria.

Level of Education: According to Rehman & Saima (2008), higher qualification level makes bank customers more in favor of certain factors that private and privatized banks are likely to offer.

Others' Recommendation: Syed & Guruswamy (2007) suggested that the majority of customers in Mekelle city seeking services from a retail bank make the choice based on other customers' recommendations. On the other hand, Katircioglu, Tumer, & Kilinc (2011) have also shown that Romanian people give little attention to mass media advertisement and recommendation by other people in their environment.



Friendly / Pleasing Manners of Staff: Friendly / pleasing manners of staff as the major factors in a bank selection by the sampled customers of the bank (Aregbeyen, 2011; In contrast, Rehman & Saima (2008) and Boyd et al., (1994) revealed that Employee's attitudes were found to be insignificant factors.

Reception at the Bank: Cacic et al. (2004) asserted that young customers place more emphasis on factors like a reception at the bank. Rehman & Saima (2008) revealed that banks internal environment is one of the important factors in a bank selection by the customers.

Types of Employment: Maiyaki & Mokhtar, (2010) have established that there is a significant relationship between the sector in which customers are employed and their choice of banks in Nigeria.

2.2.1.2. Technological Factors

Many studies revealed that customers emphasized on the importance of technology factor to select banks (Cacic et al., (2004); Hedayatnia & Eshghi, 2011; Katircioglu et al., 2011 and Rao & Sharma, 2010). Availability of functional and secured ATMs all times, and connectivity to other bank's ATMs are considered to be one of the important choice determinants (Aregbeyen, 2011; Mokhlis et al., 2008; Mokhlis, 2009 & Almossawi, 2001).

2.2.1.3. Speed and Service Quality

The most important selection criterion of Turkish Cypriots and Greek Cypriots is Speed and quality of service (Senyuçel (n.d.) & Aregbeyen, 2011). The second most common motive for customers to leave retail banks was due to staff attitude and the poor service provision related with it (Syed & Guruswamy, 2007).

2.2.1.4. Banks Image / Reputation Factors

Bank Total Asset: Edris & Almahmeed (1997) revealed that the main factor in selecting commercial banks by majority of business firms is the size of bank assets

Safety of Funds: Aregbeyen (2011) revealed that the safety of funds is the major reason for customers' choice of banks. Syed & Guruswamy (2007) suggested that security of deposits and security of customer information to be key reasons for choosing a particular retail bank in Mekelle city.

Interest Rates on Deposit and Loan Accounts: According to Filotto et al. (1997), things do not push out the importance of banks to provide good conveniences and technological facilities to customer but it should be done at a reasonable pricing (As cited in Sharma, 2011).

2.2.1.5. Convenience Factors

According to Rehman & Saima (2008), convenience location of the bank and accessibility are some of the important factors in a bank selection by the customers. Young customers place more emphasis on the importance of reputation factor and convenience factor (Almossawi, 2001). After discussing of all these articles and related literatures, the researcher had chosen 19 variables (mentioned in research methodology) has taken into considerations for this study.

III. RESEARCH DESIGN AND METHODOLOGIES

Sources of Data

Primary data were gathered from customers of five banks in Gondar town by using questionnaires and structured interview with managers of the selected banks.

Area of Sampling

The study was conducted in Gondar City. In this study, customers’ bank selection as dependent variable lied on the already taken five alternative banks, which are represented as Y1, Y2, Y3, Y4 and Y5 for Dashen bank, Awash International Bank, Bank of Abyssinia, Wegagan bank and Commercial Bank of Ethiopia, respectively.

Sample Size

A sample of 156 was selected by using the formula recommended by Yemane (1973) as cited by (Israel, 2003). The researcher approaches the head offices of the selected five commercial banks in the town. From the four private banks based on whether they were established more than a decade ago and banks which have large amounts of deposit shares (Awash, Dashen, Abyssinia, Wegagen) and one famous state-owned bank (Commercial bank of Ethiopia), equal numbers of 31 customers from four private banks and 32 from commercial bank of Ethiopia were taken randomly. The response rate of the study was 96 percent, 150 out of 156 questionnaires. Among the 156 distributed questionnaires, customers did not return 6 because of the delay or default in filling the questionnaire.

Method for Data Collection, Variables and Statistical Tools

The study used cross sectional survey data in the form of both qualitative and quantitative measures. Qualitative data were translated in to quantitative form through numerical scaling to make them entered in to the STATA software program and which can then be subjected to statistical analysis and easily interpreted. The independent variables are those, which are expected (hypothesized) to have relation with the bank selection decision behaviour of customers in determining the customers’ selection decision. Based on theoretical background and empirical results of different studies on bank selection decision, nineteen specific variables were hypothesized to influence customers' bank selection decision. These variables are as follows Gender, Age, Level of Education, Types of Employment, Others’ Recommendation, Staffs’ Friendly/pleasing Manner , Reception at the Bank, ATM Service Provision, Numbers of Counter Windows, Service Quality, Service Speed, External Appearance, Sitting Arrangement, Banks’ Total Assets, Safety of Funds, Secure Feeling, Interest Rate, Numbers of Branches and Bank Proximity, different form of tables and proposed to critically analyze with the help of a number of statistical tools. Percentage Analysis, Average, and Weightage Score are the various statistical tools applied.

IV. RESULTS AND DISCUSSION

4.1 Customers’ Profile

A summary of findings on customer profile along seven variables: Gender, age, level of education, level of income and saving (average monthly income and saving of the respondent), types of employment and types of occupation has been presented in Table 4.1. The reason for using monthly income is that salaried employees are contracted based on monthly salary payment. Therefore, people have a tendency to remember their salary on a monthly basis hence convenient to respond during surveys.

Table-4.1: Respondents Profile

Variable	Categories	Frequency (N=150)	Percentage (%)
Gender	Male	103	69%
	Female	47	31%
Age (years)	18-25	48	32%
	26-35	58	39%
	36-50	38	25%
	Above 50	6	4%
Level of Education	Below High School	27	18%
	High School Completed	33	22%
	Diploma	42	28%

	Degree	40	27%
	Masters or Ph.D.	8	5%
Monthly Income	Below Br 1000	69	46%
	Br 1000-3000	66	44%
	Br 3000-5000	13	9%
	Br 5000-10000	2	1%
Monthly Saving	Below Br 1000	135	90%
	Br 1000-3000	15	10%
Types of Employment	Government Sector	46	31%
	Private Sector	36	24%
	Self-Employee	68	45%
Types of Occupation	Administrative Personal	31	21%
	Professional (Doctor, Lawyers, etc.)	17	11%
	Teacher or Lecturer	13	9%
	Student	13	9%
	Tradesman (Salesman)	51	34%
	Technical Personal	13	9%
	Daily Labour (Wage Earners)	12	8%

Sources: Authors Compilation

The research findings revealed that the majority of the customers of 103 (69%) were males and the remaining 47 (31%) were females. From the total of 150 respondents it is found that 48 (32%) having age group of Year 18-25, 58 (39%) lies in the age group of year 26-35, 38 (25%) having the age group of year 36-50, and 6 (4%) having age of above year 50. All the requested customers were attended formal schooling. Among all of the respondents 27 (18%) were below high school, 33 (22%) were completed high school, 42 (28%) having diploma, 40 (27%) having degree and the remaining 8 (5%) having masters or PhD. Occupation of majority of customers of 31(21%) were administrative personnel.

4.2. Satisfaction with Basic Elements of Service Delivery Systems

Of the four service delivery systems of banks namely, employees, physical facilities of the banks, location and service provisions of the banks majority of customers were rated their satisfaction level on each service delivery systems at 'satisfied' and 'highly satisfied' scale in each of delivery systems. It can be depicted in the Table 4.2 below:

Table-4.2: Descriptive Analysis for Degrees of Satisfaction with Basic Elements of Service Delivery Systems

Basic Elements of Service Delivery Systems	Respondents' response					Mean	Stand. Dev.	Mean Rank
	Highly Dissatisfied	Dissatisfied	Not-sure	Satisfied	Highly Satisfied			
Employees	-	6 (4%)	14 (9%)	95 (63%)	35 (23%)	4.06	.697	2
Physical Facilities	-	7 (5%)	32 (21%)	75 (50%)	36 (24%)	3.933	.799	3
Location	2 (1%)	4 (3%)	10 (7%)	53 (35%)	81 (54%)	4.38	.832	1
Service Provision	2 (1%)	1 (1%)	39 (26%)	71 (47%)	37 (25%)	3.933	.808	3

Sources: Author Compilation

According to mean scores, the highest satisfaction came from the location of the banks (4.38) and the mean scores on all the remaining three basic elements of service delivery systems were almost approaches to 4. However, standard deviations are also high for the following dimensions: location and service provisions.

4.3. Bank Selection Criteria of Customers

Table-4.3: Descriptive Results of Major Bank Selection Criteria

Number of Observation (N=150)							
Bank Selection Determinants	Not Important	Slightly Important	Fairly Important	Important	Very important	Mean	S.D.
Others' Recommendation	38 (25%)	30 (20%)	22 (15%)	32 (21%)	28 (19%)	2.88	1.474
Reception at the Bank	2 (1%)	6 (4%)	24 (16%)	83 (55%)	35 (23%)	3.953	0.821
Friendly / Pleasing Manner of Staff	2 (1%)	3 (2%)	12 (8%)	69 (46%)	64 (43%)	4.266	0.80
Provision of ATM Services	96 (64%)	8 (5%)	15 (10%)	19 (13%)	12 (8%)	1.90	0.947
Numbers of Counter-Windows	100 (67%)	6 (4%)	17 (11%)	2 (1%)	25 (17%)	2.181	1.532
Service Speed	-	2 (1%)	10 (7%)	47 (31%)	91 (61%)	4.513	0.682
Service Quality	1 (0.67%)	1 (0.67%)	8 (5.3%)	44 (29%)	96 (64%)	4.553	0.69
External Appearance of Bank	30 (20%)	21 (14%)	32 (21%)	44 (29%)	23 (16%)	3.06	1.362
Sitting Arrangement of Bank	2 (1%)	8 (5%)	39 (26%)	76 (51%)	25 (17%)	3.76	0.84
Bank's Total Asset	55 (37%)	6 (4%)	18 (12%)	43 (29%)	28 (19%)	2.886	1.595
Safety of the Bank	4 (3%)	3 (2%)	40 (27%)	63 (42%)	40 (27%)	3.88	0.919
Secure Feeling	2 (1%)	15 (10%)	-	77 (51%)	56 (38%)	4.233	0.736
Interest Rate of the Bank	17 (12%)	5 (3%)	21 (14%)	54 (36%)	53 (35%)	3.80	1.272
Number of Branches	5 (3%)	5 (3%)	41 (27%)	44 (29%)	55 (37%)	3.926	1.036
Bank Proximity	-	2 (1%)	12 (8%)	32 (22%)	104 (69%)	4.586	0.696

Sources: Author Compilation

Respondents have ranked the friendly or pleasing manner of bank staffs as “Very good”, “Good”, “Fairly good”, “Slightly good” and “Not good at all” which accounts for 34 (23%), 99 (66%), 12 (8%), 4 (3%) and 1 (1%) respectively. External appearance and sitting arrangement of the bank were ranked as “Highly attractive”, “Fairly attractive”, “Slightly attractive” and “Not attractive at all” they accounted for 29 (19%), 26 (17%), 90 (60%), 97 (65%) and 25 (17%), 24 (16%), 6 (4%) and 3 (2%) for external appearance and sitting arrangements respectively.

The interest rate charged by the bank is also rated as encouraging accounts for 78 (52%) and not-encouraging holds for 72 (48%). All banks have charging 5% for saving, from 0% - 5% for current account if it is opened interest based at the beginning, from 5.5% - 7.5% for fixed deposit account and 9% - 14.5% for loan accounts.

The proximity of the respondents' home or work place to the bank is also rated as very-close which holds 98 (65%), far holds for 40 (27%) and very-far accounts for 12 (8%). As the customers of the banks have suggested they were accessed the total assets information of the banks from yearly financial reports, media, other customers and employees/staffs of the banks to take it as a criteria.

The result of the descriptive analysis presented in Table 4.3 revealed that 83 (55%) of respondents rated reception at the bank, 69 (46%) friendly/pleasing manner of staffs, 44 (29%) external appearance, 76 (51%) sitting arrangement of the bank, 63 (42%) safety of funds, 77(51%) secure felling of customers and 54 (36%) interest rate of the bank as important factors for their bank selection decision. It has also shown that 64 (43%) of respondents replied friendly/pleasing manner of staffs, 91 (61%) speed of service provision, 96 (64%) service quality, 55 (37%) number of branches and 104 (69%) proximity to home / work place were very important bank selection factors. The descriptive results of all bank selection criteria customers were rated by using five point Likert scales are summarized in the above table.

4.4. Ranking Importance of Customers' Bank Selection Factors

The table shown us ranking for selected variables. The first most important bank selection criterion among bank customers in Gondar, according to mean score, is that proximity of the bank to home/work place, the second service quality and the third one is friendly/pleasing manners of staffs. The first least important criterion is provision of ATM services and the second least important criterion is numbers of counter-windows. The mean age of customers is 32 years, the mean time customers spent to get a service is 28 minutes and the mean distance of the bank from the customers' home/work place is 2.65 Km. The table below presents the top five most or least important bank selection factors employed by customers according to the mean score in all five banks:

Table-4.4: Five Most / Least Important Factors in Bank Selection among Bank Customers

S. No.	Most Important Factors	Mean	S.D.	Least Important Factors	Mean	S.D.
1	Proximity of the bank	4.586	0.696	Provision of ATM services	1.90	0.947
2	Service quality	4.553	0.69	Numbers of counter windows	2.181	1.532
3	Speed	4.513	0.682	Others' recommendation	2.88	1.474
4	Friendly/pleasing manner	4.266	0.80	Banks' total asset	2.886	1.595
5	Secure felling	4.233	0.736	External appearance of the bank	3.06	1.362

Sources: Author Compilation

Most studies conducted in developed countries found that the most important bank selection determinants are related to the technology and automated teller machines, oppositely the results in ranking the bank selection factors in Gondar town shown that service quality, friendly or pleasing manners of staffs and secure felling plays the major role in the bank selection process for respondents. Based on this result, we can reach at a conclusion that the more advanced technologies are yet to take hold in bank customers to reduce of the visits to the banks or changing their preference of the bank.

Bearing in mind the above, the least important bank selection factors for bank customers, are “adoption of ATM services”, “numbers of counter windows”, and “others' recommendation”. It can be easily concluded that the respondents do not take too seriously the modern technologies and others' recommendation as long as the other five most important bank selection criteria are met. The low position of the factor “modern technologies i.e., ATM services and queuing-counter windows” may be explained by the fact that customers of those banks with still not providing ATM services prefer to act independently during the selection process rather than relying on this modern factor. The low position of the factor “recommendation from others” may be explained by the fact that young people prefer to act independently during the selection process rather than relying on the recommendations and experiences of others.

4.5. Overall Customers' Banks Selection Criteria

The model regression results on overall customers' bank selection and the effects of each variable on the selection of all five banks would be shown in the following tables:

Table-4.5: Chi-Square and P-Values between the Selection Criteria and Overall Bank Selection

Factors	Bank Selection Criteria	Chi-square	P-value	Result
Personal Factor	Gender*	25.00	0.0001	Sig
	Age*	24.05	0.0001	Sig
	Level Education*	36.42	0.0000	Sig
	Types of Employment*	44.51	0.0000	Sig
	Others' Recommendation***	6.66	0.1550	In sig
	Reception at the Bank*	108.60	0.0000	Sig
	Friendly / Pleasing Manner of Staffs*	20.46	0.0004	Sig

Technological Factor	ATM Service Provision*	488.46	0.0000	Sig
	Numbers of Counter Windows*	16.76	0.0009	Sig
Speed and Service Quality	Speed*	288.05	0.0000	Sig
	Service Quality*	30.38	0.0000	Sig
Image and Reputation	External Appearance*	36.06	0.0000	Sig
	Sitting Arrangement*	100.66	0.0000	Sig
	Total Asset**	12.10	0.0166	Sig
	Safety of Funds*	43.43	0.0000	Sig
	Secure Felling*	19.99	0.0005	Sig
	Interest Rate***	3.41	0.4923	In sig
Convenience Factor	Numbers of Branches*	274.20	0.0000	Sig
	Proximity to Home / Work Place*	36.65	0.0000	Sig

Note: N.B. *Significance at 1% level

** Significant at 5% level *** Insignificant

Sources: Author Compilation

The results of multinomial logit model are presented in the above table for overall customers' banks selection criteria. Generally the model correctly predicted 96% of the overall sample cases. Thus, the model predicted satisfactorily.

V. CONCLUSION AND RECOMMENDATION

5.1. Conclusion

The descriptive analysis has shown that, the first five most important bank selection criterion among bank customers were bank proximity, service quality, speed, friendly/pleasing manners of staffs and secure felling and the least important criterion were provision of ATM services, numbers of counter-windows, Others' recommendation, Banks' total asset and Reception at the bank.

The more advanced technologies are yet to take hold in bank customers to reduce the visits to the banks or change their preference of banks and respondents do not take too seriously the modern technologies and others' recommendation as long as the other five most important bank selection criteria are met. The low position of the factor "Modern technologies" that are ATM services and queuing-counter windows may be explained by the fact that customers of those banks with still not providing ATM services and adequate numbers of queuing-counter windows prefer their banks to act independently during the selection process rather than relying on these modern factors. Gender, age of respondents, levels of education, types of employment, friendly/pleasing manners of staffs, ATM service provision, numbers of counter-windows, speed, service quality, external appearance, sitting arrangement, total asset of banks, safety of funds, secure felling, numbers of branches and proximity of the bank to home/work place were the significant factors whereas others' recommendations and interest rate were insignificant factors on customers' bank selection decision among customers. In conclusion, therefore, the major factors that customers considered as important in their bank selection decision have been largely identified. Therefore, the next section forwards the necessary recommendations that are suggested in order the banks to be competitive and design their marketing strategy in relation to the findings.

5.2. Recommendations

As per the findings of the study, each bank should focus on proximity of the bank to home/work place, the second service quality, the third one is speed, fourth is friendly/pleasing manners of staffs and fifth one secure felling to attract more and more customers. In recognition of this, banks should be information-oriented. Information such as why people patronized a given bank, why people choose products offered by banks, what is the dissimilarity among banks and how people differentiate products, which are offered by the bank, are vital to the viability of all types of banks. Information could be gathered from reliable customers who come to conduct banking transactions by giving



some questionnaires to be filled and exerting their efforts to the realization of practical implementation to provide efficient and qualified services to different customer segments.

Factors that have highly significant effect on customers' choice of banks should also be given more attention. Specifically, reception at the bank, friendly/pleasing manner of staffs, ATM service provision, adequate numbers of counter windows, service speed, service quality, external appearance, total assets of the bank, safety of funds, secure felling, sitting arrangements of the bank, numbers of branches and bank proximity to home or work place should be given proper consideration by banks to be preferable in the competitive banking industry. Better reception at the bank and friendliness of bank personnel would develop good relationship with customers. These factors also have close relationship with customers' perception of the quality of services offered. The reorientation of their attitude and perception are also important to ensure quality in banks' service delivery.

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