

JSSGIW JOURNAL OF MANAGEMENT

[ISSN : 2349-3550]

Volume-V, Issue No. I, Oct.-Mar., 2018



Sant Hirdaram Institute of Management for Women
(Formerly known as Jeev Sewa Sansthan Group of Institutions
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Editor-in-chief Message

Dear Reader,

We are pleased to present the fifth volume of the journal 'JSSGIW Journal of Management'. This journal offers its readers a broad insight on relevant areas of management. We are thankful to the authors who have contributed their papers and case studies for this volume.

The current issue of the journal highlights issues in various areas of management including Social media marketing, Economic Association, Youth shopping behavior, Mutual funds, Disruptive innovation and Managerial effectiveness. The PDF copy of the journal is available on our website www.shim.co.in

For the next volume, we look forward to similar cooperation from the academicians and researchers. Research papers, Case studies and Book reviews are invited as per the guidelines mentioned at the last page of this journal. All papers pass through blind review process by the expert panel. Finally, I would like to my sincere express thanks to the editorial committee for their continuous support.

Feedback to improve the quality of the journal would always be appreciated.

Thanks and Regards,

Dr. Rakesh Anand
Director, SHIM
Bhopal

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Social Media Marketing: A Contemporary Approach towards Brand Loyalty

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Abstract:

The social media marketing is the newest theme for the marketers to build the brand loyalty amongst the customers. In today's market building brand loyalty amongst the customers is one of the most important tasks to do by the marketers. The aim of the study is to gauging the influence of social media marketing to build the brand loyalty. There are five independent variables have been identified from the literature review which are having an impact on brand loyalty. In this study researcher has collected the samples from Kolkata, capital of West Bengal. The questionnaires were distributed to the 200 respondents and out of that 180 properly filled up questionnaires have been arrived to researcher. Convenience sampling method has been used to collect various perceptions of customers in Kolkata. The results of this study shows that advantageous campaigns on social media are the most significant drivers of brand loyalty followed by relevancy of the content, popularity of the content among friends, and appearing on different social media platforms and providing applications.

Keywords: Brand loyalty, Social Media, Content, Convenience, Campaigns

Introduction:

Today almost every internet user is familiar with these two words irrespective of their profession, nationality, culture, race or religion etc. This concept is only a decade old but has reached every social and economic class of our society. Blackshaw & Nazzaro (2004) have beautifully defined social media in the beginning of the era of social media, as the new source of online information, where the information itself is –created, initiated, circulated and used by consumers for the purpose of educating each other about products, brands, services, personalities and issues. According to Chi (2011), social media marketing is a connection between the brands and

consumers, that offers a personal channel and currency for user centered networking and social interaction.

The way of communication has changed with the evolution of social media, and every business irrespective of its size has a presence on social media. This review examines current literature on social media and social media marketing. The focus of this research is to understand the relationship between the two concepts and finally reach to certain conclusion. For the purpose of this research we have examined the literature available on social media and its functional blocks in the beginning of the paper and then we have studied the dimension social media marketing tools. The purpose is to study the relationship between the functionalities of the social media and the dimension of the social media marketing in order to redefine the concept.

Social media are regarded as new marketing tools for promoting brands products/services, constituting an emerging communication channel through which to shape the relationship between a brand and its customers (Hsu, 2012). Social media marketing is a term which describes the actual acts of using social networks for marketing purposes. Social media marketing is common in the business-to-consumer (B2C) area, and the concept of social media related especially to B2C has been exclusively studied (Hanna et al., 2011; Kaplan and Haenlein, 2010; Kietzmann et al., 2011; Trusov et al., 2009). Weber (2009) suggests that a marketers role has changed from a broadcaster sending messages to a specific target segment to a company which collaborates with its customers and participates in virtual communities. The utilization of social media is now spreading also to the business-to-business (B2B) sector (Bernof, 2009; Ramos, 2009).

More specifically, a shift in power has occurred, brought about by the internet's ability to greatly leverage consumer voices. In this way, firms can no longer dictate communication terms, but must be invited to participate in conversations by being relevant to consumers (Fournier and Avery, 2011). Consumers increasingly use social media not only to research products and services, but also to engage with the companies they purchase from, as well as other consumers who may have valuable insights about these companies (Garretson, 2008). Firms recognize the power of internet, an open, cost-effective and omnipresent network, which contributes to reducing or even eliminating geographic barriers and physical distance, as a platform to co-create value with customers, thanks to the capabilities of internet: interactivity, broad scope, persistence, speed and flexibility (Shawhney et al., 2005). All of this leads to the formation of a platform to gain client commitment.

Review of Literature:

In recent years, social networking sites and social media have increased in popularity, at a global level. For instance, Facebook is said to have more than a billion active users (as of 2012) since its beginning in 2004 (www.facebook.com). Social networking sites can be described as networks of friends for social or professional interactions (Trusov et al., 2009). Indeed, online social networks have profoundly changed the propagation of information by making it incredibly easy to share and digest information on the internet (Akrimi & Khemakhem, 2012).

The unique aspects of social media and its immense popularity have revolutionized marketing practices such as advertising and promotion (Hanna et al., 2011). Social media has also influenced consumer behavior from information acquisition to post-purchase behavior such as dissatisfaction statements or behaviors (Mangold & Faulds, 2009) and patterns of Internet usage (Ross et al., 2009; Laroche et al., 2012). Social media is “a group of internet based applications that builds on the ideological and technological foundations of Web 2.0, and it allows the creation and exchange of user-generated content” (Kaplan & Haenlein, 2010, p.61). Social media has many advantages as it helps connect businesses to consumers, develop relationships and foster those relationships in a timely manner and at a low cost as Kaplan and Haenlein discovered (2010).

Other functions of social media involve affecting and influencing perceptions, attitudes and end behavior (Williams & Cothrell, 2000), while bringing together different like-minded people (Hagel & Armstrong, 1997). In an online environment, Laroche (2012) pointed out that people like the idea of contributing, creating, and joining communities to fulfill needs of belongingness, being socially connected and recognized or simply enjoying interactions with other like-minded members.

The much higher level of efficiency of social media compared to other traditional communication channels prompted industry leaders to state that companies must participate in Facebook, Twitter, MySpace, and others, in order to succeed in online environments (Kaplan & Haenlein, 2010; Laroche et.al. 2012). Thus, more industries try to benefit from social media as they can be used to develop strategy, accept their roles in managing others' strategy or follow others' directions (Williams & Williams, 2008).

The unique aspects of social media and its immense popularity have revolutionized marketing practices such as advertising and promotion (Hanna, Rohn and Crittenden, 2011) Social media has also influenced consumer behavior from information

acquisition to post-purchase behavior such as dissatisfaction statements or behaviors about a product or a company. (Mangold and Faulds, 2009)

In the last few years can be noticed a great influence of the companies on online networks. Social media websites provide an opportunity for businesses to engage and interact with potential consumers, encourage an increased sense of intimacy with consumers, and build all important relationships with potential consumers. (Mersey, et al., 2010) Organizations need to differentiate by the company or brand image through which to communicate distinctive advantages and positioning of the product. The much higher level of efficiency of social media compared to other traditional communication channels prompted industry leaders to state that companies must participate in Facebook, Twitter, Myspace, and others, in order to succeed in online environments (Kaplan and Haenlein, 2010). Thus, more managing others' strategy or follow others' directions (Williams and Williams, 2008).

Objective of the Study: To identify the effect of social media marketing on brand loyalty amongst the customers

Research Methodology:

Descriptive Research has been used to conduct the study and the type of research design is Cross-sectional. The primary data has been collected for the study through a pre-tested questionnaire whereas all the secondary data has been collected from doctoral theses, magazines, research articles, credible sources etc. In this study researcher has collected the samples from Kolkata, capital of West Bengal. The questionnaires were distributed to the 200 respondents and out of that 180 properly filled up questionnaires have been arrived to researcher. The researcher has used 5 point Likert scale in questionnaire. In the questionnaire, respondents are requested to indicate, on five-point Likert scale, ranging from "highly important" to "highly unimportant", a statement explaining the degree of their perceived importance of a factor. For overall data analysis the researcher has used SPSS 21. Convenience sampling method has been used to collect various perceptions of customers in Kolkata. Multiple regression method has been used to find out the result.

Hypothesis:

H₁: Brand loyalty of the customers is positively & significantly affected when the brand offers advantageous campaigns on social media.

H₂: Brand loyalty of the customers is positively & significantly affected when the brand offers relevant contents on social media.

H₃: Brand loyalty of the customers is positively & significantly affected when the brand frequently updates its contents on social media.

H₄: Brand loyalty of the customers is positively & significantly affected when the brand offers contents that are popular among the users on social media.

H₅: Brand loyalty of the customers is positively & significantly affected when the brand appears on various platforms and offers applications on social media.

Analysis & Data Interpretation:

Validity Testing:

In order to be certain about the research instrument as well as the data collected, validity is checked. For this study, face validity, content validity, discriminant and convergent validity were checked for confirmation of the instrument. In face validity researchers determine whether or not their instrument is valid enough to measure what is intended to measure and this is done by taking the validity of the instrument at face value. In order to validate the instrument, academicians, professionals and potential respondents were shown the questionnaire to thoroughly review and analyze the content. Content that was unfit and may have caused issues in the future was deleted or modified. In content validity the content of the questionnaire was thoroughly checked and matched with the theoretical framework. Three questions were deleted after analyzing the content so as to make sure that the instrument is valid. So, here both face & content validity has been checked.

The construct validity contains convergent & discriminant validity. Here between the various variables of the factors is having the strong co-relation coefficient & most of the co-relation coefficients values are in higher ranges. So, here it proves that the convergent validity exists. Though there are high co-relation coefficients between the variables of a particular factor, there are very weak correlation also exists between the one factor's variable to another factor's variable. Here it also proves that the discriminant validity exists.

Reliability Testing: Statistics

Cronbach's Alpha	N of Items
.876	6

Here overall reliability of the study was judged by the Cronbach's Alpha for 6 variables and it is good (0.876) in our study. Cronbach's alpha has been used to

measure internal consistency of questionnaires and found to be strong and reliable. The reliability score for questionnaire is 0.876. Though the value is well above, 0.70 so from the above table, researcher can conclude that the Cronbach's Alpha result is acceptable & accordingly the researcher can proceed the further analysis.

Regression Analysis:

The five factors which have been identified are advantageous campaigns, relevant contents, update its contents, contents that are popular among the users, various platforms and offers applications. Here the brand loyalty has been used as a Dependent Variable and the remaining five factors have been used as an Independent variable.

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.668 ^a	.446	.430	1.216	2.089
a. Predictors: (Constant), advantageous campaigns, relevant contents, updates its contents, contents that are popular among the users, various platforms and offers applications					
b. Dependent Variable: brand loyalty					

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	207.564	5	41.513	28.061	.000 ^b
	Residual	257.414	174	1.479		
	Total	464.978	179			
a. Dependent Variable: brand loyalty						

b. Predictors: (Constant), advantageous campaigns, relevant contents, updates its contents, contents that are popular among the users, various platforms and offers applications

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	.334	.581		.574	.006		
	advantageous campaigns	.634	.065	.578	9.747	.000	.905	1.105
	contents that are popular among the users	.019	.079	.015	.237	.003	.748	1.338
	updates its contents	.153	.079	.127	1.936	.000	.743	1.346
	various platforms and offers applications	.066	.099	.060	.660	.000	.380	2.633
	relevant contents	.157	.115	.122	1.363	.035	.397	2.517
	a. Dependent Variable: brand loyalty							

Advantageous campaigns, relevant contents, update its contents, contents that are popular among the users and various platforms and offers applications are the independent variables whereas brand loyalty is the dependent variable in this study. The multiple regression will give the answer that which is the most influencing factor on brand loyalty.

To test the multiple regression, at first, the researcher have found out 0.668 is the Correlation coefficient (R) for Model 1, it emphasizes an amount of correlation between the independent variables and dependent variable (tourist preferences). The R square value explains the 0.446 or 44.6% which is quite acceptable for the study. The Durbin-Watson is mainly explaining that there is no auto-correlation though the value is quite close to 2.

The ANOVA table shows that the F value is 28.061 with degree of freedom 5 and here the significance value is .000 which is less than .05 and it means it is quite acceptable.

Multi-collinearity has been checked through Variance Inflation Factor (VIF) which needs to be less than 3 for acceptability range. Here all VIF values are in acceptable range in & it concludes that the variables are free from multi-collinearity.

From the coefficient table the researcher has found that advantageous campaigns is having highest un-standardized B value of .634 as well as t value is also high. So it is the most preferred factor on brand loyalty. After that the second highest will be relevant contents with the B value of .157 and then updates its contents is the 3rd most preferred factor. The other independent variables like contents that are popular among the users and various platforms and offers applications are following after that. It is also observed from the study that contents that are popular among the users is least preferred attribute.

Advantageous campaigns, relevant contents, update its contents, contents that are popular among the users and various platforms and offers applications are having a positive & significant influence on brand loyalty. It has been also found out that all the five factors are positive and quite significant in 1% & 5% significance level. So, here the multiple regression equation can be expressed as,

$$\text{Brand Loyalty} = .334 + (.634) X_1 + (.019) X_2 + (.153) X_3 + (.066) X_4 + (.157) X_5$$

[Advantageous campaigns = X_1 , contents that are popular among the users = X_2 , updates its contents = X_3 , various platforms and offers applications = X_4 , relevant contents = X_5]

Findings:

The results of this study shows that advantageous campaigns on social media are the most significant drivers of brand loyalty followed by relevancy of the content, popularity of the content among friends, and appearing on different social media platforms and providing applications. First of all, companies who are running the various social media campaigns they need to understand that there are few factors which help the consumers to be loyal with the brands. Consumers' brand loyalty is also affected positively by the different platforms and applications that are offered by the brand on social media, what might imply that consumers are asking for creative reasons, variety, and differences for engaging with the brands on social media. Thus,

companies may work on creating more engaging, participative, interesting applications, games, contents to draw the consumers' attention.

Relevancy is the second most important factor affecting brand loyalty; therefore, companies have to keep themselves updated about what customers are interested in, their activities, and current perspectives in life. Companies may conduct qualitative research or observations to understand the lifestyle of their customers and transfer this knowledge on social media platforms. Finally, the popularity of the content among friends also increases brand loyalty of the consumers. Impact of word-of-mouth in marketing is non-negligible, especially in online environments. Therefore, companies can provide incentives to the social media users to spread the word about their presence, campaigns, and content on social media among the peers.

Conclusion:

This research shows that advancements in the internet and the emergence of social media have empowered customers. In this climate, consumers create added value through collaboration and social interactions on the internet. They support business through the co-creation of value via their social interactions. Consumers are now content generators through social media. They share information and experiences with other consumers and have easy access to one another's information. This is a value that can be useful for e-commerce adoption and social commerce intention. Because consumer social interactions produce online social support, e-commerce adoption is being promoted to establish trust and, consequently, users' intention to buy. In fact, social factors facilitated through social media develop a supportive climate, which in turn attracts many more individuals to come online and take part in social interactions.

Further Scope of Research:

This is a preliminary work on the effect of social media marketing on brand loyalty. Researchers can conduct further research to dig more into the effects of different types of social media marketing campaigns on brand awareness, image, and loyalty as well as the impact of word-of-mouth on social media marketing effectiveness. In addition, Social media is a very dynamic and progressive platform. Therefore, the effectiveness of every new development on social media must be researched and measured to find out and apply ultimate marketing strategies.

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Shopping Behavior of Urban Youth in Madhya Pradesh: A Study

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Abstract:

Retail in India has witnessed a revolution with phenomenal increase growth of the industry generating direct and indirect employment to more 8 per cent of the population. Demographic variables have vital impact on retail shopping behavior. These factors include age, gender etc., which are responsible for decision making of youth. This paper highlights the impact of age as demographic factor on buying pattern of urban youth in Indore and Bhopal cities of Madhya Pradesh. Primary data was collected and analyzed by using chi and significant results were obtained.

Keywords: Demographic, age, shopping, price, urban, youth.

Introduction:

Retail industry brings the experience of shopping be it our daily groceries or fashion accessories and everything in between. Organised retailing in the form of malls is poised to develop exponentially in India. Malls are transforming the landscape of Indian retailing and consumers' attitudes towards shopping (Khare and Sapna, 2010). The movement has been witnessed at various levels and Indians are learning to play different roles as businessmen and consumers. The journey of retailing in India has been mesmerizing and the future promises very good growth.

The growth of retail industry can be seen in terms of rapid growth in sales in supermarkets, departmental stores and hypermarkets. Indian retail industry is expected to rise from US\$511 billion in 2008 to US\$ 1.3 trillion by 2019 at a Compound Annual Growth Rate of 10 per cent. Organized retail, accounting for almost 5 per cent of the market, is expected to rise at a CAGR of 40 per cent from \$20 billion in 2007 to \$180 billion by 2018. Sales from these stores have expanded at laudable growth rates during the period of 2010–2017, ranging from 24 per cent to 49 per cent per year. According to a study by the Confederation of Indian Industries (CII) and McKinsey, the present value of the *Indian retail market* is about US\$ 180 billion per annum. Organized retailing generates employment as in spite of the capital

intensity of modern retail business, it continues to be labour intensive as well (Pradhan, 2009).

There has been great rise in Indian youth spending over the last ten years. The rising purchasing power along with an increasing propensity to consume has given birth to new class of consumers. A key aspect driving the sector's growth is favourable population demographics (i.e. 50% of the population is less than 25 years). For the Indian youth, value addition is the major factor behind purchase decisions (Nargundkar, 2006). As per Ernst & Young analysis, in the last decade the number of upper middle class and high income households has grown by a staggering 270%.

The size of Indian Retail market is currently estimated at Rs. 704 crores which accounts for a very small percentage of the total retail market. The Indian retail industry will gain greater worth as the market becomes more and more organized. Due to easy availability of land and demand among the consumers, the retail sector in small towns and cities will increase by 50 to 60%. Consumers use store image as an evaluative criterion in the decision-making process of selecting a retail outlet (Varley, 2005).

Literature Review:

Williams (2002) studied social class, income, age and gender effects on importance of utilitarian and subjective evaluative decision criteria over a variety of products considered more and less socially significant. Variations in attitude, motivation and value orientations associated with differences in occupational opportunities and demands, childhood socialization patterns and educational influences may lead consumers to vary in many of their purchase behaviors across social classes. It was found here that social class is a significant predictor of evaluative criterion importance for a number of products.

Rajagopalan and Heitmeyer (2005) studied the level of involvement of Asian-Indian consumers residing in the US when purchasing Indian ethnic apparel and contemporary American clothing at different levels of acculturation. Data were gathered by a questionnaire administered to 254 Asian-Indian consumers from the southeastern United States. The results show that low levels of acculturation among Asian-Indians did result in a higher level of involvement in Indian ethnic apparel. Consumers who were moderately acculturated to western culture were less involved in Indian ethnic apparel but became increasingly involved as they became more acculturated to the US culture.

Srinivasan and Srivastava (2010) examined and analyzed the aspects of experimental marketing, both from the marketer's as well as the consumer's point of view. They delved into the issue of how to create and implement experiences in retail segment. After collecting response from 200 youth, it was found that retailers should work on environmental elements to increase satisfaction and encourage the return of shoppers. Overall, it is suggested that shopping malls should try to create a niche experiential approach.

Mathur (2010) conducted a study on emerging new middle class of India and its shopping patterns. Contemporary society in India is marked by the growing importance of consumer culture, fuelled by the rise of disposable incomes in the hands of a huge middle class and increasing availability of large variety of commodities in the open market including a growing number of shopping malls. The author found India's 'new middle class' as an agency of consumption, engaged in a process which seems to endanger long held ideals of self-sufficiency, self-reliance and anti-materialism.

Chikweche et al., (2012) delved into retail decision making process of youth with reference to Zimbabwe. Qualitative data collection methods were used to conduct the research. Key findings include the identification of changing and multiple family buying models, which are influenced by the constraints consumers face at the bottom of pyramid, as well as the distinct roles of children, which differ from those common in developed western countries.

Khare (2014) examined the impact of consumer susceptibility to interpersonal influence and demographics on ecologically conscious consumer behaviour. Data were collected through mall intercept technique in six cities across India. Normative, informative influence of consumers' susceptibility to interpersonal influence and income were predictors to ecologically conscious purchase behaviour.

Pare and Pourazad (2017) tried to examine the extent to which Indian consumers of different demographic groups vary in terms of shopping mall visits (frequency of visit, hours spent in the mall, and number of shops visited) and purchase behaviour (total money spent, number of shops purchased from and number of items purchased). With 400 mall shoppers, data was collected and analysed. The study showed that shoppers of different age and household sizes behave differently in a significant manner. The study also provides insight into where the differences occur and between which specific groups.

Research Methodology:

Objective: The objective of study was to assess the effect of age of urban youth on buying pattern in Indore and Bhopal cities. Further, ages were divided into two strata and shopping behavior was studied. The rationale behind choosing this topic was the growing population of urban youth in retail stores. The share of youth in total purchase has been increasing. The awareness of youth has witnessed transformation from hedonistic oriented approach to rationalistic approach.

Hypothesis:

The age pattern of youths has no association with their buying pattern.

Sampling:

The universe included shoppers in Indore and Bhopal, who are regular visitors of retail shops. Sampling method used was non-probability judgement sampling. There were 150 respondents from Bhopal and 150 from Indore making it a total of 300 respondents.

Tools for data collection and analysis:

Secondary data was collected from journals, books, Internet, newspapers etc. For primary data collection, a self-administered questionnaire having most of the closed-ended questions was included. The questionnaire was tested by using pilot study on 14 respondents. In terms of demographic background, age was the variables selected in this study. Further, the age range was 25-30 years and 30-35 years. The response on preference frequency of purchase was measured in the range starting from always, often, sometime, rare to not sure. The corresponding chi value was recorded.

After the tabulation process of data in MS Excel sheet, the analysis of data was performed by applying statistical tools. Reliability test was also performed, where Cronbach's alpha results was .805 showing high level of internal consistency for the scale. Descriptive statistics used in the study included mean, frequencies and standard deviations.

Analysis and Interpretations:

Data analysis indicates that distribution of youth in terms of age groups is found insignificant among different purchase preferences to cost as per the obtained chi

value. Therefore, the hypothesis is accepted for them. In terms of age group, most people in the age group of 25 -30 years always preferred to consider price factor. There were 55% of the respondents who shown the frequency as always; there were 20% of respondents whose frequency of purchase according to cost was often. There were 19% of them who sometimes considered cost factor; 3% of them never considered and 2% of them were not sure. Similarly, in the age group of 30 to 35 years, there were 57% respondents who always gave preference to cost; 21% often preferred it; 17% preferred it sometimes; 3% never preferred and 1% was not sure. The results show that response of people from the age of 25 to 35 years is almost same in case of cost preference for purchase. It can be inferred that more than half of the respondents in all age groups always gave preference to cost factor; one-fifth did it often. Price has a significant role in purchase among youth.

Table 1: Pattern of purchase preferences according to Cost/Price among youth of different age

Variable	Options	Count	Preference to Cost					Chi Value
			Always	Often	Some times	Rare/ Never	Not Sure	
Age Group(yrs)	25-30	179	55.3%	20.6%	19.1%	3.0%	2.0%	.861
	30-35	121	57.3%	21.4%	17.5%	2.9%	1.0%	

Conclusion:

It has been often said that youth does not think much before spending money in retail. However, nowadays, the young customers are also becoming more price conscious. Value for money has been the first factor in their mind before making a purchase decision. This has been the trend observed specially in the late youth segment. This may be attributed to the fact that when they start earning, they realize the importance of value for money proposition. Further, due to the availability of more choices, the youth evaluates the products from various platforms. Online platform has made the access to information easier and better. Along with the preference to hedonistic attitude, the youth now has value proposition in his/her mind. That’s why prize of the product has got a high preference among customers in terms of age groups. This proposition leads to rational decision making when it comes to retailing. Age group of 30-35 has indicated stronger relationship between age and buying pattern. This is the average age of the Indian youth, when they start earning. Further, when they get married and have kids in family, the rationality of purchase decision making gets increased. Previous studies by Williams (2002), Srinivasan and Srivastava (2010) and Pare and Pourazad (2017) are also in line with the findings of this study.

Limitation and Scope:

The number of respondents for the study was 300, which may seem to be small enough to represent the entire population of urban youth. There may be a chance of biasness in some cases while selecting the respondents. There may be some possibilities of showing extremity bias by the respondents. Further research studies can be done on a large sample size in more cities of the state and outside. Comparison of urban youth among various Tier I, Tier II and Tier III cities can be done. Other major demographic variables can also be studied in detail.

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Mutual Fund Attributes Influencing Investment Decisions: A Behavioral Study on the Perception of Retail Investors

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Abstract

Financial markets today are a significant tool to battle inflation and drive economic growth. With increasing investment diversification, mutual funds reflect the suitability of collective investments. Making investing simple, accessible and affordable, mutual funds have become the investor's tool of choice. While some investors depend upon volatile stock markets, direct trading necessitates a more in depth understanding of the market than most retail investors have.. Fund managers are embracing innovations in portfolio design but these changes need unification in correspondence with investor's expectations. Thus, it has become imperative to study mutual funds from a different angle, by focusing on the major factor attributes influencing the perception of investors towards mutual funds across common demographic profiles. This paper focused attention on a variety of factors influencing investors' perception through the distribution of structured questionnaires to working professionals in Kolkata. The survey includes 100 retail investors and the data is analyzed using statistical tools to test their behavioral perception. A lack of general level of awareness regarding mutual funds was discovered, with the majority still relying upon traditional modes of investment. While maximization of expected return was a guiding consideration, it was found that availability of equity options and SIPs were a major influence while choosing a fund. The decision was an outcome of several factors like fund ratings, advertisements, low exit and entry loads, reputation of the fund managers and existence of a regulatory body. Risk analysis was notably absent and investors were found to be largely dependent upon their agents.

Keywords: Mutual fund, Factor analysis, Consumer perception

Introduction

Savings are an important part of the economy of our nation. By investing these savings, we see credit creation acting as a driver for the growth of our economy. The Indian financial market offers a plethora of avenues for investment. Mutual Funds are an investment tool that allows retail investors access to a well-diversified portfolio of equities, bonds and other securities. Each shareholder participates in the gain or loss of the fund and units are issued or redeemed as required. There are a lot of investment avenues available for the investors to achieve their objectives such as bank deposits, post office savings, government securities and bonds, real estate, gold, public provident funds and mutual funds. Amongst these myriad options, mutual funds are fast gaining popularity by maximizing return while minimizing risk in an innovative and safe manner. Intensified competition and involvement of private players is forcing professional fund managers to think outside the box to succeed.

An investment may be described as perfect if it satisfies all the needs of all investors. Therefore, the starting point in searching for the perfect investment would be to examine investor needs. If all those needs are met by the investment, then that investment can be termed the perfect investment. Most investors and advisors spend a great deal of time understanding the merits of various investments available in India. Little time, however, is spent understanding the needs of the investor and ensuring that the most appropriate investments are selected for him/her. It is, thus, important to understand how financial markets are also affected by the 'financial behavior' of investors. Fund houses can greatly benefit from a behavioral framework that explains the various factors and attributes investors look for in products. The term 'product' is used because a mutual fund does not merely collect and reinvest the customer's savings but every scheme is tailor made to cater to the investor's needs, based on factors like his/her age, financial position, risk tolerance and return expectations. The behavior of investors in the capital market may be largely influenced by objectives such as maximization of wealth, but the choice of which fund to invest in is also influenced by their expectations and these expectations of the investors are influenced by their perception. Thus, this study will detail statistical models that aggregate the influence of the various attributes of a mutual fund on the perception of investors.

Review of Literature

Tripathy (1996) highlighted the development in the Indian money market and capital market where reforms in industrial policy, financial and public sector has created fundamental growth opportunity in the Indian economy. This has resulted in attracting large investments from domestic and foreign investors. Agarwal (2011) is

of the view that safety, hedging, arbitrage and limited risk with better returns has been the major mantra for investment in long-term securities, resulting in attracting more investors towards mutual fund investments. Shunmugham (2000) conducted a survey to study information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating investment decisions and reports that dominated the economic factors in investment decisions. Rajeshwari & Ramamoorthy (2001) measured the level of awareness among retail investors and their study revealed that small investors have a great appetite for wealth entering in to the industry, expecting a dramatic change in their personal wealth and therefore it is essential to educate them on the risks involved in mutual funds investment. Bailey and Kumar (2010) emphasized that investors typically make poor decisions about fund style and expenses, resulting in poor performance and thereby involvement in mutual fund companies has substantially increased. Saraswathi (2006) found that a mutual fund motivates small and big investors to entrust their savings into professionally employed funds ensuring good return. A large number of investors have small savings which are pooled and entrusted to mutual funds, and then these can be used to buy the chips where regular returns and capital appreciation are ensured.

Factors influencing investor's perception

Nidhi & Ravi (2009) in their study have tried to identify critical gaps in the existing framework for mutual funds and further extend it to understand the need of redesigning existing mutual fund services by acknowledging Investor Oriented Service Quality Arrangements (IOSQA) in order to comprehend investor's behavior. Bodla & Bishnoi (2008) reviewed the majority of the available schemes and noted that features like dividend and growth options, cumulative interest income, monthly income plans, equity and money market linked schemes are among the popular investment schemes. Moreover open-end and close-end schemes have registered excellent growth whereas portfolio-wise analysis revealed that income schemes have an edge over growth schemes in terms of assets management. Jambodekar (1996) conducted a study to assess the awareness and information sources influencing the buying decision of MFs. Apart from the choice of scheme, investors also look for safety of principal, liquidity and capital appreciation. Rathnamani (2013) concluded that many investors choose to invest in mutual fund in order to have high gain at low level of risk, safety and liquidity. Singh and Vanita (2002) examined the perception of investors towards mutual fund and highlighted tax exemptions, long term return and past performance as the major priorities for investors' investment objective. Sunder (1998) viewed that knowledge about mutual fund concept was unsatisfactory and suggested that agents can help to catalyze mutual fund culture. Bergstresser

(2007) stipulates that many investors purchase mutual funds through intermediate channels, by paying brokers or financial advisors for fund selection and advice.

Syriopoulos (2002) analyzed risk taking behavior and investor's risk perception as a factor influencing perception of investors towards mutual fund. Marco et al (2011) analyzed the risk-taking behavior of a fund manager in response to prior performance by conducting a comparative analysis between ethical and conventional investment portfolios. UBaek et al. (2015) assumed that uninformed investors preferentially select funds that suit their investment objectives and their performance depends significantly on the quality of their fund distributors' product portfolios. Ivković & Weisbenner (2009) studied individual's mutual fund flows and funds characteristics and established tax motivations and easy redemption formalities as priority behavioral factors. Sikidar & Singh (1996) discover that salaried and self-employed formed the major investors in mutual fund. Singh (2004) established that middle class salaried investors and professionals preferred to have disclosure of net asset value on a day to day basis and wanted to invest in MFs in order to get higher tax rebates.

Sundar and Prakash (2014) studied the awareness level of the retail investors and emphasized that there is lack of quality information about mutual fund available publicly. Singh & Jha (2009) conducted a study on awareness & acceptability of mutual funds and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan.

Rajeswari & Ramamoorthy (2001) studied the factors influencing the fund selection behavior and identified it on the basis of product qualities, fund sponsor qualities and investor services. Ramamurthy & Reddy (2005) conducted a study to analyze recent trends in the mutual fund industry and drew a conclusion that the main benefits for small investors' were due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI.

Rajan (1997) highlighted segmentation of investors on the basis of their characteristics such as their investment size and the relationship between stage in life cycle of the investors and their investment pattern. Shanmugham (2000) emphasized economical, sociological and psychological factors which control investment decisions. Ranganathan (2006) emphasized that "fund performance" has the greatest impact on selection of funds by an investor.

McInishand & Srivastava (1984) indicate that specific demographic characteristics are not particularly useful in differentiating among investors holding divergent opinions. Parihar et al. (2009) found that respondent's age, gender and income were significantly associated with their attitude towards mutual funds whereas education and occupation were not associated with the same. Chakarabarti & Rungta (2000) emphasized the importance of brand in ascertaining competence of asset management companies.

Desigan et al. (2006) conducted a study on women investor's perception towards investment and found that women investor's basically are indecisive in investing in MFs due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems. Ippolito (1992) states that an investor is ready to invest in those funds which have resulted in good rewards and most investors' are attracted by those funds or schemes that are performing better over the worst.

Purchase Intention: Purchase intention refers to the preference of a consumer to buy the product or service. In other words, purchase intention implies that the consumer will purchase a product after careful evaluation. Keller (2001) discovered that many factors affect the consumer's intention while selecting the product and the ultimate decision depends on consumers' intention in combination with external influences. Witt (1969) identified that decision making about purchases is affected by the selection procedure of a brand for known products. The selection of a brand is based on group cohesiveness of the brand. Individuals may also skip the superior brand to purchase the brand that is being used by other group members. Thus the study on mutual funds as an investment vehicle is capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators for varied reasons and deserves an in depth study.

Research Gap

This study endeavors to identify and subsequently analyze the attributes of a mutual fund that influences the behavior of retail investors in selection of mutual funds. There exists a multitude of studies analyzing the characteristics of mutual funds but the perceptions and behavioral patterns of investors with regards to mutual funds has yet to be thoroughly explored. While some researchers have studied the different dimensions of investors' socio-economic profiles of investment in mutual fund schemes, we have extrapolated the important factors that influence their investment decisions and choice of mutual fund. Moreover, the previous studies gave a mixed

outcome with no concrete results to base the design of a mutual fund upon. In view of this there is ample scope for a new study to analyze and study the perceptions of retail investors.

Research Objective and Hypothesis

Objectives: To identify the factors influencing the perception of investors towards Mutual Funds

H₁: Demographic profile of the investors plays a significant role on investor's perception.

H₂: Factor perceptions have a significant positive effect on investor's purchase intent towards Mutual Funds.

Rationale of the Study:

First and foremost it was important to identify and study the various factors impacting the behavioral perception of the retail investors. Secondly there was little research on the correlation between the demographic profile of investors and investor's selection of mutual funds. Hence, it was important to probe this area and discover the nature of such a correlation, if any existed.

Last but not the least, it is of paramount importance to see the investor's point of view and determine which attributes of a mutual fund were investors gave the most importance to.

Research Methodology

Data collection: For understanding out the behavioral perception investors relating to buying a mutual fund product, the population was defined as residents of metro city (Kolkata), who have Mutual fund / life insurance policy in any company or has the desire to invest in mutual fund. The data was collected with the help of a questionnaire.

Questionnaire design: The questionnaire consists of two parts – personal details and investor opinion related to buying mutual fund products. The questionnaire consists of 22 questions to test the behavioral perception.

Research Design: Descriptive Research Design has been used for this research

Table 1.1 Sampling Plan

1	Sample Size	100 samples
2	Sampling Units	Respondents from different background i.e. students, businessman, professional, service, employees, housewives etc.
3	Sampling Methods	Non Probability Convenience Method
4	Sampling Area	Metro City (Kolkata)

Demographic Profile

Table 1.2: Demographic Profile of Respondents

Variable	Categories	Frequency	%
Gender	Male	75	75
	Female	25	25
Age	24-30	37	37
	31-40	26	26
	41-50	12	12
	51-60	20	20
	60+	5	5
Education	Secondary	4	4
	Higher Secondary	3	3
	Graduate	38	38
	Post Graduate	54	54
	Ph. D	1	1
Occupation	Business Self Employed	13	13
	Government Service	12	12
	Housewife	1	1
	Private Company	50	50
	Professional	24	24
Household Income per annum	Less than 2 Lakh	17	17
	2 to 5 Lakh	26	26
	5 to 10 Lakh	32	32
	Greater than 10 Lakh	25	25

Source: Primary Data

Data Analysis: Reliability Test

Table 2.1: George and Mallery (2003) Provided the following rule of thumb:

>= 0.9	>= 0.8	>= 0.7	>= 0.6	>= 0.5	<0.5
Excellent	Good	Acceptable	Questionable	Poor	Unacceptable

Table 2.2 Reliability Analysis for Mutual Fund Attributes Influencing Investor’s Decisions

Reliability Analysis – Scale (Cronbach’s Alpha)					
Statistics for Scale	Mean	Variance	SD	No of Variables	
	86.06	102.96	10.15	22	
Item Mean	Mean	Minimum	Maximum	Range	Max/Min
	3.912	3.480	4.090	0.610	1.175
Item Variances	Mean	Minimum	Maximum	Range	Max/Min
	0.817	0.484	1.343	0.859	2.772
Item Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach’s Alpha If Item Deleted
Entry and Exit Load	82.580	96.024	0.247	0.462	0.868
Manager Reputation	82.480	97.767	0.234	0.475	0.866
Tax Incentives	82.130	95.326	0.350	0.503	0.862
Scheme Rating	82.060	95.754	0.376	0.586	0.861
NAV Disclosure	82.140	99.475	0.192	0.438	0.866
Fringe Benefits	82.460	92.978	0.481	0.573	0.858
Historical Performance	82.040	98.968	0.254	0.411	0.864
Diversified Portfolio	82.000	90.707	0.661	0.677	0.851
Economy Growth	82.250	94.149	0.461	0.580	0.858
Liquidity Options	82.060	96.865	0.359	0.537	0.862
Customer Service	81.970	94.615	0.531	0.601	0.857

Capital Appreciation	82.060	94.522	0.499	0.563	0.857
Experienced Agent	82.030	93.565	0.506	0.571	0.857
Low Risk	82.250	94.715	0.367	0.523	0.862
SIP	81.990	94.394	0.471	0.554	0.858
Grievance Redressal	82.090	92.891	0.556	0.572	0.855
Promotional Material	82.150	94.937	0.399	0.585	0.861
Willingness to buy MF	82.150	90.795	0.619	0.776	0.853
May Buy MF	82.090	94.850	0.427	0.695	0.860
Will Recommend	82.110	89.695	0.641	0.787	0.851
Regulatory Control	82.010	93.222	0.572	0.703	0.855
Environmental Forces	82.160	91.085	0.550	0.662	0.855

Objective: To identify the factors influencing the perception of investors towards Mutual Funds.

The 22 identified attributes of mutual funds were analyzed for their importance. The analysis reveals that the investor considers most of the almost all of the attributes important in his selection of the fund/scheme. Hence, to identify the investor's underlying fund selection criteria, Factor Analysis was done using Principal Component Analysis.

Table 3.1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.713
Bartlett's Test of Sphericity:	Approx. Chi-Square	891.699
	df	190
	Sig.	.000

From table 3.1 we can see that the approximate chi square statistic is 891.69 with 190 degrees of freedom, significant at .000 levels, indicating sufficient correlation. The KMO statistic (0.713) is also large (>0.5), indicating adequate sampling. Hence factor analysis is considered as an appropriate technique for further analysis of data.

Table 3.2: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.700	28.499	28.499	5.700	28.499	28.499	3.907	19.535	19.535
2	2.207	11.035	39.534	2.207	11.035	39.534	3.316	16.580	36.115
3	1.965	9.825	49.359	1.965	9.825	49.359	1.966	9.831	45.946
4	1.399	6.995	56.354	1.399	6.995	56.354	1.592	7.960	53.907
5	1.213	6.066	62.420	1.213	6.066	62.420	1.458	7.291	61.197
6	1.166	5.830	68.250	1.166	5.830	68.250	1.410	7.052	68.250
7	.966	4.828	73.078						
8	.895	4.475	77.553						
9	.740	3.700	81.252						
10	.585	2.923	84.176						
11	.525	2.625	86.800						
12	.515	2.576	89.377						
13	.434	2.170	91.547						
14	.421	2.106	93.652						
15	.321	1.605	95.257						
16	.286	1.431	96.688						
17	.199	.995	97.683						
18	.181	.906	98.589						
19	.160	.799	99.388						
20	.122	.612	100.000						
Extraction Method: Principal Component									

On the basis of Varimax Rotation with Kaiser Normalization, 20 factors have emerged. From Table 3.2 it is found that six factors are explaining about 68.25% of the variance. Each factor is constituted of all those variables that have factor loadings greater than or equal to 0.5.

Table 3.3 Factor Analysis Results: Mutual Fund Attributes Influencing Investor’s Decisions

Fund Attributes	Item	Eigen Values	Factor Loading	Variance Explained (%)	Cronbach Alpha and Kaiser-Meyer-Olkin MSA
Item Total (20 Items): Bartlett’s Test of Sphericity 0.000				68.25	0.864
Internal Fund Qualities	Good Environmental Factors	3.301	0.765	16.506	0.865
	Grievance Redressal Systems		0.742		
	I Will Buy MFs In		0.735		

	The Future				
	Capital Appreciation		0.719		
	I Will Recommend MFs To People		0.711		
	Diversified Portfolio		0.667		
	Liquidity Options		0.590		
Purchase Intention	I May Buy MFs In The Future	1.639	0.822	8.194	0.803
	Regulatory Control of MFs		0.804		
	Promotional Material Of MFs		0.699		
	Experience of Agent/Broker		0.657		
	SIP to control personal expenditure		0.590		
Fund Incentives	Tax Incentives	8.560	0.753		0.603
	Low Entry and Exit Loads		0.726	42.799	
	Long Term Stable Growth of the Indian Economy		0.569		
Fund Reputation	Scheme Rating	3.606	0.797	18.03	0.603
	Manager Reputation		0.785		
Risk	Low Risk compared to Equity Trading	1.728	0.704	8.642	0.411
	Frequent Disclosure of NAV		0.586		
Historical Performance	Historical Performance of the MF	1.166	0.878	5.830	

The factor analysis results in table 3.3 reveals that several of the factors can be grouped based on their characteristics. Six distinct groups have emerged. The first is Internal Fund Qualities with Good Environmental Factors as the factor with the highest loading (0.765). The second group refers to the Purchase Intention of the Investor with the statement, “I may buy Mutual Funds in the future”, as the most significant factor (0.822). Fund Incentives is based on Tax Incentives (Factor Loading of 0.753) offered by a mutual fund and was considered to be an important attribute by most retail investors. The fourth group was Fund Reputation where Scheme Rating

had the highest factor loading (0.797). Risk was the fifth group based on the comparative risk of mutual funds when compared to other schemes of investment (0.704) while historical performance was the final group (with a factor loading of 0.878).

H₁: Demographic profile of the investors plays a significant role on investor’s perception

Analysis of variance (ANOVA) is a method for testing the hypothesis that there is no difference between two or more population means (usually at least three). It tests whether there is a significant difference in dependent variables among multiple groups of categorical variable.

H_{2a}: Role of gender on investor’s perception
 [Table 4.1 Gender and factors identified]

	Internal Fund Qualities			Purchase Intention			Fund Incentives			Fund Reputation			Risk			Historical Performance		
	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD
Male	75	3.996	0.75	75	4.078	0.75	75	4.003	1.10	75	4.081	0.75	75	3.86	1.10	75	4.05	0.75
Female	25	3.822	1.25	25	3.814	1.25	25	3.878	0.75	25	3.85	1.25	25	3.898	1.25	25	4.05	0.75
Total	100	3.903	1.10	100	4.008	1.10	100	3.990	0.88	100	4.008	0.88	100	3.881	1.10	100	4.00	0.75
ANOVA																		
df	1			1			1			1			1			1		
F	0.310			0.72			1.01			2.54			0.16			0.25		
p-value	0.577			0.397			0.318			0.114			0.692			0.6211		

Here Males found the factors mentioned more important than Females for all categories except Risk where females attribute more importance. In Historical performance, the means are equal and hence both genders allocate equal importance. Though the differences in the mean score of males and females are not significant an indicative significance prevails (F= 0.310, p=0.577; F=0.72, p=0.397; F=1.01, p=0.318, F=2.54, p=0.114; F=0.16, p=0.692; F=0.25, p=0.6211).

H2_b: Role of age on investor’s perception
 [Table 4.2 Age and factors identified]

	Internal Fund Qualities			Purchase Intention			Fund Incentives			Fund Reputation			Risk			Historical Performance		
	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD
24-30	37	3.6	1.17	37	3.8	1.05	37	3.6	0.95	37	4.0	0.93	37	3.8	0.99	37	3.9	0.91
31-40	26	4.1	0.91	26	4.0	0.87	26	3.8	0.82	26	3.8	0.75	26	3.6	1.0	26	4.0	0.6
41-50	12	3.8	1.27	12	4.3	0.62	12	4.0	1.04	12	3.8	1.22	12	3.7	1.3	12	4.2	0.72
51-60	20	4.3	0.72	20	4.0	0.66	20	4.6	0.89	20	4.4	0.67	20	4.0	0.6	20	4.2	0.37
60+	5	4.0	0.0	5	4.2	0.45	5	4.2	1.3	5	4.0	0.71	5	4.2	0.45	5	4.0	0.0
Total	100	3.9	1.03	100	4.0	0.88	100	3.9	0.98	100	4.0	0.88	100	3.8	1.01	100	4.0	0.7

ANNOVA						
df	4	4	4	4	4	4
F	1.92	0.72	3.36	1.39	0.66	0.62
p-value	0.1136	0.5782	0.0128**	0.2449	0.6211	0.6515

Here the age group 51-60 and 41-50 found to be most significant with generally higher means in all categories. Though the differences in the mean score of males and females are not significant an indicative significance prevails (F= 1.92, p=0.1136; F=0.72, p=0.5782; F=3.36, p=0.0128, F=1.39, p=0.2449; F=0.66, p=0.6211; F=0.62, p=0.6515). Fund Incentives has a p-value less than 0.05 and is significant.

H_{2c}: Role of education on investor’s perception
 [Table 4.3 Education and factors identified]

	Internal Fund Qualities			Purchase Intention			Fund Incentives			Fund Reputation			Risk			Historical Performance		
	N	Mean	S.D	N	Mean	S.D	N	Mean	S.D	N	Mean	S.D	N	Mean	S.D	N	Mean	S.D
Secondary	4	3.573	1.73	4	3.896	0.76	4	4.082	0.22	4	3.088	0.22	4	2.881	1.71	4	4.500	1.70
Higher Secondary	3	3.000	2.000	3	4.315	1.55	3	4.315	1.55	3	5.000	0.000	3	3.333	2.000	3	4.000	1.73
Graduate	38	3.998	0.988	3	3.887	0.77	3	3.861	1.01	3	3.889	0.11	3	4.000	0.990	3	3.899	0.78
Post Graduate	54	3.996	0.966	5	4.181	0.81	5	4.291	0.81	5	4.277	0.77	5	3.883	0.993	5	4.152	0.82
PHD	1	4.000	0.000	1	4.000	0.000	1	4.000	0.000	1	5.000	0.000	1	5.000	0.000	1	4.000	0.000
Tot	10	3.173	1.173	1	4.000	0.000	1	3.000	0.000	1	4.000	0.000	1	3.173	1.173	1	4.000	0.000

al	0	9	0	0	0	8	0	9	9	0	0	8	0	8	0	0	7	
	3	0	0	8	0	8	0	8	0	8	0	8	0	1	0	0	0	
ANNOVA																		
df	4			4			4			4			4			4		
F	0.76			0.51			2.48			4.29			2.06			1.08		
p-value	0.5513			0.7307			0.0488**			0.0031**			0.0918			0.3722		

Here the opinions of education level of individuals at Higher Secondary and Post Graduate levels are found to be most significant with generally higher means in all categories. Though the differences in the mean score of males and females are not significant an indicative significance prevails (F= 0.76, p=0.5513; F=0.51, p=0.7307; F=2.48, p=0.0488, F=4.29, p=0.0031; F=2.06, p=0.0918; F=1.08, p=0.3722). Fund Incentives and Fund Reputation has a p-value less than 0.05 and is significant.

H2_d: Role of occupation on investor’s perception
 [Table 4.4 Occupation and factors identified]

	Internal Fund Qualities			Purchase Intention			Fund Incentives			Fund Reputation			Risk			Historical Performance		
	N	Mean	S D	N	Mean	S D	N	Mean	S D	N	Mean	S D	N	Mean	S D	N	Mean	S D
Business Self Employed	13	3.8	1.34	13	4.2	0.69	13	4.1	1.04	13	3.8	0.83	13	3.5	1.33	13	3.9	0.86
Government Service	12	4.0	0.74	12	4.1	0.79	12	3.7	0.99	12	3.9	0.90	12	4.0	0.65	12	4.1	0.51
Housewife	1	5.0	0.0	1	4.0	0.0	1	3.0	0.0	1	3.0	0.0	1	5.0	0.0	1	4.0	0.0
Private Company	50	3.6	1.10	50	3.8	1.06	50	3.9	0.93	50	4.0	0.95	50	3.7	1.07	50	4.0	0.80
Profession	24	4.4	0.45	24	4.1	0.54	24	4.2	1.00	24	4.1	0.74	24	3.9	0.77	24	4.1	0.44

al			0			8			9			4			2			5
Total	1000	393	1000	1000	4000	0808	1000	3998	0908	1000	4008	0808	1000	3901	1000	4000	0700	
ANOVA																		
df	4			4			4			4			4			4		
F	2.98			0.55			0.93			0.72			1.80			0.26		
p-value	0.0231 **			0.6978			0.4491			0.5816			0.1344			0.9042		

Here the opinions of respondents who are Professionals, Housewives, Self Employed or running a Business are found to be most significant with generally higher means in all categories. Though the differences in the mean score of males and females are not significant an indicative significance prevails (F= 2.98, p=0.0231; F=0.55, p=0.6978; F=0.93, p=0.4491, F=0.72, p=0.5816; F=1.80, p=0.1344; F=0.26, p=0.9042). Internal Fund Qualities has a p-value less than 0.05 and is significant.

H2_e: Role of income on investor’s perception
[Table 4.5 Income and factors identified]

	Internal Fund Qualities			Purchase Intention			Fund Incentives			Fund Reputation			Risk			Historical Performance		
	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD	N	Mean	SD
< 2 Lakh	17	3.35	1.07	17	3.79	0.70	17	3.75	0.94	17	4.19	0.93	17	3.76	1.00	17	4.17	0.78
2-5 Lakh	26	4.11	1.16	26	4.61	0.98	26	3.77	0.97	26	3.77	1.00	26	4.06	1.00	26	3.99	0.95
5-10 Lakh	32	3.99	0.93	32	4.61	0.76	32	3.99	0.91	32	4.61	0.69	32	3.77	0.99	32	4.00	0.54

h																		
> 10 Lakh	25	4.1	0.88	2.5	3.8	1.04	2.5	4.5	0.87	2.5	4.1	0.95	2.38	1.07	2.5	4.1	0.49	
Total	100	3.9	1.03	1.0	4.0	0.88	1.0	3.9	0.98	1.4	0.88	1.38	1.1	1.0	1.0	4.0	0.70	
ANOVA																		
df	3			3			3			3			3					
F	2.73			0.60			5.10			1.12			0.80			0.50		
p-value	0.0479*			0.6142			0.0026**			0.3465			0.4952			0.6856		

Here the income of individuals ranging from 5-10 lakh is found to be most significant with generally higher means in all categories. Though the differences in the mean score of males and females are not significant an indicative significance prevails (F= 2.73, p=0.0479; F=0.60, p=0.6142; F=5.10, p=0.0026, F=1.12, p=0.3465; F=0.80, p=0.4952; F=0.50, p=0.6586). Fund Incentives has a p-value less than 0.05 and is significant.

H₂: Factor perceptions have a significant positive effect on investor’s purchase intent towards Mutual Funds.

The identified elements of factor perception are regressed for purchase intention. The explanatory variables include internal fund qualities, fund incentives, fund reputation, risk and historical performance. The regression model is meaningful since it has significant F statistic. Among the explanatory variables, fund reputation (p<0.05) are statistically significant, where as internal fund qualities (p = 0.06>0.05) is close as per estimates stipulates an indicative significance.

Table 5.1: ANOVA

ANOVA	df	SS	MS	F	Significance F
Regression	5	8.1964	1.6393	2.2425	0.0564
Residual	94	68.7136	0.7310		
Total	99	76.9100			

Source: Primary Data

The multiple correlation coefficient [R = square root of R²] 0.3265 indicates that the correlation among the independent (factor perception) and dependent variables (purchase intention). Estimate of the variation of the observed is 0.8550. The Coefficient of determination measured a 10.66 % of the variation in the dependent variable is explained by the independent variables. The adjusted r – square explain the explanatory power of the model where Adjusted R² < R.

Table 5.2: Regression Summary

<i>Regression Statistics</i>		<i>Standard</i>				
		<i>Coefficients</i>	<i>Error</i>	<i>t Stat</i>	<i>P-value</i>	
Multiple R	0.3265	Intercept	2.1467	0.7105	3.0215	0.0032
R Square	0.1066	Internal Fund Qualities	0.1719	0.0909	1.8905	0.0618
Adjusted R Square	0.0590	Fund Incentives	-0.0926	0.0975	-0.9504	0.3444
Standard Error	0.8550	Fund Reputation	0.2294	0.1057	2.1698	0.0325
Observations	100	Risk	0.0800	0.0897	0.8921	0.3746
Durbin-Watson Statistic	1.9017	Historical Performance	0.0733	0.1252	0.5852	0.5598

Further correlation is performed to study the relationship between factor perception to mutual fund and impact on purchase intention. All the factor elements have positive and significant effect.

Table 5.3: Correlation between elements of factor perception and purchase intention in mutual fund

Factor Perception Element	Internal Fund Qualities	Fund Incentives	Fund Reputation	Risk	Historical Performance
Purchase Intention	0.197	0.044	0.222	0.175	0.083

Interpretation

The factor analysis on investor’s perception to mutual fund investments has identified 6 major factor attributes. On a detailed analysis it was found that demographic of the respondent plays a significant role. The interpretation and conclusion are as follows:

Table 6.1 : Role of age on investor’s perception to fund incentive											
Post hoc analysis: p-values for pairwise t-tests						Tukey simultaneous comparison t-values (d.f. = 95)					
Mean	3.6	3.8	4.0	4.2	4.6	Mean	3.6	3.8	4.0	4.2	4.6
Age	24-30	31-40	41-50	60+	51-60	Age	24-30	31-40	41-50	60+	51-60
24-30						24-30					
31-40	0.6149					31-40	0.50				

41-50	0.2601	0.4805				41-50	1.13	0.71			
60+	0.2182	0.3471	0.6882			60+	1.24	0.94	0.04		
51-60	0.0008	0.0060	0.1100	0.4552		51-60	3.48	2.81	1.61	0.75	

Comment: The role of age of investors on investors perception to fund incentive reveals that there is a considerable level of significance between the age group 24 to 30 (Mean 3.6, p = 0.008) and age group 31 to 40 (Mean 3.8, p = 0.0060) with 51 – 60.

Table 6.2: Role of education on investor’s perception to fund incentive

Post hoc analysis: p-values for pairwise t-tests						Tukey simultaneous comparison t-values (d.f. = 95)					
Mean	3.6	4.0	4.0	4.2	4.3	Mean	3.6	4.0	4.0	4.2	4.3
Education	Graduate	Secondary	PHD	Post Grad	High Sec	Education	Graduate	Secondary	PHD	Post Grad	High Sec
Graduate						Graduate					
Secondary	.3721					Secondary	0.90				
PHD	.6428	1.000				PHD	0.47	0.00			
Post Grad	.0029	.7354	.8622			Post Grad	3.06	0.34	0.17		
High Sec	.1734	.6467	.7617	.7678		High Sec	1.37	0.46	0.30	0.30	

Comment: The role of education of investors on investors perception to fund incentive reveals that there is a considerable level of significance between the group of Graduates (Mean 3.6, p = 0.0029) with Post Graduates.

Table 6.3: Role of income on investor’s perception to fund incentive

Post hoc analysis: p-values for pairwise t-tests					Tukey simultaneous comparison t-values (d.f. = 95)				
Mean	3.5	3.7	3.9	4.5	Mean	3.5	3.7	3.9	4.5
Income	<2	2-5	5-10	>10	Income	<2	2-5	5-10	>10
<2					<2				

2-5	.5722				2-5	0.57			
5-10	.2145	.4545			5-10	1.25	0.75		
>10	.0009	.0018	.0102		>10	3.42	3.21	2.62	

Comment: The role of income of investors on investors perception to fund incentive reveals that there is a considerable level of significance between individuals earning <2 Lakh (Mean 3.5, p = 0.009) and 2 to 5 Lakh (Mean 3.7, p = 0.0018) with those earning >10 Lakh.

Table 6.4: Role of education on investor’s perception to fund reputation

Post hoc analysis: p-values for pairwise t-tests						Tukey simultaneous comparison t-values (d.f. = 95)					
Mean	3.0	3.8	4.2	5.0	5.0	Mean	3.0	3.8	4.2	5.0	5.0
Education	Graduate	Secondary	PHD	Post Grad	High Sec	Education	Graduate	Secondary	PHD	Post Grad	High Sec
Graduate						Graduate					
Secondary	.0810					Secondary	1.76				
PHD	.0074	.0228				PHD	2.74	2.32			
Post Grad	.0020	.0139	.0911			Post Grad	3.18	2.51	1.71		
High Sec	.0323	.1413	.3183	1.0000		High Sec	2.17	1.48	1.00	0.00	

Comment: The role of education of investors on investors perception to fund reputation reveals that there is a considerable level of significance between the group of Graduates (Mean 3.0, p = 0.0074) with PHD and between the group of Graduates (Mean 3.0, p = 0.020) with Post Graduates.

Table 6.5: Role of income on investor’s perception to internal fund qualities

Post hoc analysis: p-values for pairwise t-tests					Tukey simultaneous comparison t-values (d.f. = 95)				
Mean	3.3	3.9	4.1	4.1	Mean	3.3	3.9	4.1	4.1
Income	<2	2-5	5-10	>10	Income	<2	2-5	5-10	>10

<2					<2				
2-5	.0449				2-5	2.03			
5-10	.0141	.5211			5-10	2.50	0.64		
>10	.0103	.4270	.8786		>10	2.62	0.80	0.15	

Comment: The role of income of investors on investors perception to internal fund qualities reveals that there is a considerable level of significance between individuals earning <2 Lakh (Mean 3.5, p = 0.0449) with those earning 2-5 Lakh and individuals earning <2 Lakh (Mean 3.5, p = 0.0141) with those earning 5-10 Lakh individuals earning <2 Lakh (Mean 3.5, p = 0.0103) with those earning >10 Lakh.

Table 6.6 : Role of occupation on investor’s perception to internal fund qualities

Post hoc analysis: p-values for pairwise t-tests						Tukey simultaneous comparison t-values (d.f. = 95)					
Mean	3.6	3.8	4.0	4.4	5.0	Mean	3.6	3.8	4.0	4.4	5.0
Occupation	Pvt Co	Business	Govt Service	Professional	Housewife	Education	Pvt Co	Business	Govt Service	Professional	Housewife
Pvt Co						Pvt Co					
Business	.4654					Business	0.73				
Govt Service	.2359	.6990				Govt Service	1.19	0.39			
Professional	.0017	.0979	.2373			Professional	3.24	1.67	1.19		
Housewife	.1712	.2647	.3348	.5655		Housewife	1.38	1.12	0.97	0.58	

Comment:

The role of occupation of investors on investors perception to internal fund qualities reveals that there is a considerable level of significance between the group of people working in Private Companies (Mean 3.6, p = 0.0017) with Professionals.

Conclusion:

Hence, after thorough analysis of the collected data and deep diving into the behavioral traits of investors, we found that there were six major areas of significance. The age group of investors is a primary determinant on how important the investors find incentives, with the younger groups leaning towards giving fund incentives more worth. A similar relation was also obtained with the income level and educational background of people influencing their choice of mutual funds. Other significant attributes of a mutual fund that determine investor selection were found to be the reputation of the scheme and internal fund qualities such as a diversified portfolio and liquidity options. The behavior of investors remained mostly identical across gender with both men and women exhibiting the same type of decision making and giving importance to similar attributes. Historical performance and risk analysis were deemed to be important but as investors did not possess specialized knowledge about schemes, they were found to mostly rely on an agent or broker for analyzing the underlying mathematical probabilities of a fund giving good returns in the long term. Limitation: The study proved to be important as it revealed several behavioral commonalities amongst different cross sections of investors. However, the sample size was small and the area of survey was limited to the city of Kolkata. The scope of the study needs to be expanded with a national level survey sampling various groups of populations from across the country.

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Integration of Mexico-Japan in the Economic Association Agreement: it's Effects on the Mexican Trade Balance, 2005-2017

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Abstract

This research seeks to analyze the effects of the Mexican trade balance on the basis of the Mexico-Japan Economic Partnership Agreement period 2005-2017. The research question is: what are the effects of the Mexican trade balance during the period 2005-2017 in terms of AAEMJ? The research method used is empirical-analytical and documentary, it is obtained, that the AAEMJ has strengthened the economic relationship between both countries; however, it has a trade deficit with Japan of 12 million dollars, the growth of imports is due to Establishment of Japan's FDI in Mexico. Mexican exports need support and development programs.

Keywords: AAEMJ, Mexican trade balance, FDI.

JEL: F01, F14, F15.

Introduction

April 1, 2017 marked the 12th anniversary of the entry into force of the Economic Association Agreement (EPA) Mexico-Japan. During this period, bilateral trade increased to almost 7 million dollars until 2016, compared to the 2005 figure; however, Mexico maintains a trade deficit of almost 13 million dollars with Japan until 2016. The importance of the AAEMJ is to create a strategic partnership that strengthens bilateral activities such as trade and investment, through the improvement of business, education, job training, support for small and medium enterprises (SMEs); which includes rules of origin and customs procedures, sanitary and phytosanitary regulations, investment, services, competition and bilateral cooperation.

For Mexico, the AAEMJ represents an important opportunity to boost exports to the Japanese market and attract investment to increase production, employment, and competitiveness. In addition to encouragement by Japan to SMEs through cooperative support. For Japan, the condition of the agreement is to take advantage of the country as a platform to export to the United States, Europe and South America.

The current investigation consists of the antecedents of the problem which are first given to delimit it, then a justification is made, the variables and hypotheses are raised, to later establish the objectives of the investigation; later, a conceptual and empirical theoretical revision of the literature is made; the context is established with the unit of analysis and the method is developed. Finally, the results are presented with their conclusions.

Background

The Mexico-Japan Economic Association Agreement (AAEMJ) was signed on September 17, 2004 and entered into force as of April 1, 2005. This Agreement links us to the second largest economy in the world, and contributes to increase the production, employment and competitiveness "(CONAPO, 2004, p.1). From the external debt of 1982, the economic policy of Mexico adopted an export-oriented industrialization model, seeking the development of its economy through the capture of foreign direct investment (FDI) from multinational companies and the export of industrial products. "Mexico is open to receiving FDI through the elimination of trade barriers, the establishment of a maquiladora regime, etc." (Tokoro, 2006, page 49). As effects of Japanese Foreign Direct Investment (FDI) placed in Mexico has achieved high percentages, becoming Japan as the second destination for Mexico of exports and the first investment partner in Mexico.

Pro Mexico (2017) mentions that as a result of the signing of the AAEMJ, a considerable amount of trade has been obtained between both countries, having grown by 73.4%, from 12,758 million dollars in 2004, to the aforementioned 22,129 million dollars in 2015. In recent years, Japan has become the second destination for Mexico of agricultural and food exports. Japanese foreign direct investment has had a great impact in Mexican territory, mainly for Japanese companies with an investment of 20,000 million dollars. In 2015, foreign direct investment in Mexico was \$ 1,329 million, which made Japan the first Asian investment partner and third worldwide with 4.7% of the total.

Japanese companies promote the creation of employment sources in Mexico, in addition to the technological transfer that contributes to improve the quality of life of the communities where they are established. However, the result of the trade balance

is deficit within the Mexican economy, due to the growth of imports that come from Japan, for the establishment of industrial plants subsidiary of Japanese companies. Tokoro (2006) points out that however, for ten years the deficit of the bilateral trade balance is four times more favorable to Japan. Exports to Japan have not grown in recent years, which show that there has only been one import opening that only benefits Japanese trade.

The strategic sectors in Mexico show a great disparity to Japan, since they show the great Japanese development and the weak Mexican economy. Mexico is in charge of providing raw materials for Japan, mainly food and agriculture; Japanese electrical/electronic products participate in an important way in the Mexican market.

Delimitation of the problem

The present investigation delimits for its application of study the international context Mexico-Japan in the international relation that occurs through the Agreement of Economic Association with the objective of analyzing and identifying its effects in the Mexican trade balance. The country of Mexico, as a result of the elimination of trade barriers to the Japanese country, has resulted in an increase in Japanese FDI, causing an increase in imports in Mexico, maintaining rates with ups and downs and a decreasing trend in international trade.

According to Okabe & Carrillo (2009), in the period 2003-2013, both exports and imports show an intermediate growth, representing 1.21 percent of all non-oil exports from Mexico in 2003, which increased in the 1.59 percent in 2008. However, as of 2008 exports to Japan begin to decline, presenting a deficit trade balance at an average of 11,937 million dollars per year.

Mexico maintains a deficit trade balance against Japan at an average of close to 13,000 million dollars per year until 2016, due to import requirements in the assembly of manufacturing industries, as well as imports of automobiles. It should be noted that domestic exporters are not taking full advantage of the agreement. Japan granted Mexico annual quotas of products that can be exported without paying a tariff and that are not being used 100%, as would be the case of leather, footwear and honey products among others (Okabe & Carrillo, 2009, 117). The lack of development in infrastructure, transportation costs, the inaccuracy of information to carry out exports, such as the lack of investment in maritime ports, leads to operational deficiencies that become an export obstacle for Mexican SMEs.

According to the previous approaches, the research tries to answer the following questions:

- A. What behavior has the Mexican trade balance had during the period 2005-2017 according to the Agreement of the Mexico-Japan Economic Association?
- B. How is Mexico's international competitiveness compared to Japan in the period 2005-2017, depending on the business opportunities, institutional framework and macro-economics of the country?
- C. What is the economic growth that Mexico has had during the bilateral relationship with Japan period 2005-2017, according to the business opportunities, institutional framework and macroeconomics of the country?

Justification

Currently, international economic and trade relations between countries play a very important role. An influential factor to carry out free trade is globalization through international treaties or agreements. The AAEMJ opens the possibility of increasing the trade of products and services between both countries in order to complement the advantages and disadvantages of the parties. The bilateral relationship set forth in this agreement shows negative results in macroeconomic terms since 2008.

Therefore, this issue deserves to be addressed in order to seek a definitive solution to the silver problem. The study is focused on carrying out an analysis of the AAEMJ and determining the causes of the results that the Mexican trade balance throws in terms of the international commercial relationship with Japan. In order to generate proposals for improvement that benefit companies doing international business with the eastern country.

Variables and hypothesis of work

A. General hypothesis: The Mexico-Japan Economic Association Agreement does not have a positive influence on the commercial balance.

B. Specific hypotheses:

Business opportunities impact the balance and imbalance of the country.

The institutional framework influences the international competitiveness of a country.

Macroeconomics in a country determines its economic growth.

The main aspects that are the object of search and analysis through the investigation are graphically represented below:

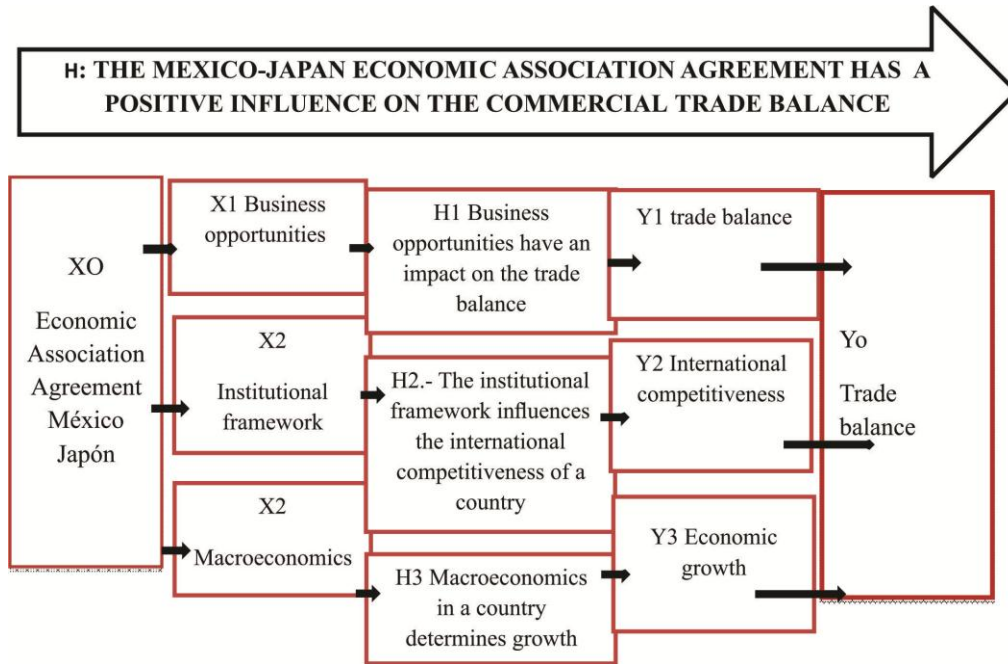


Figure 1.- Research construct [Source- Own elaboration].

Research objectives

The current investigation correspond the following objectives:

General objective: To analyze the result of the Mexican trade balance during the 2005-2017 period according to the Mexico-Japan Economic Association Agreement.

Specific objectives:

1. To determine the result of the balance of payments in Mexico period 2005-2017, according to the business opportunities, institutional framework and macroeconomics of the country.
2. To analyze competitiveness in Mexico in the 2005-2017 period, based on business opportunities, institutional framework and the country's macroeconomics.
3. To identify economic growth in Mexico period 2005-2017, based on business opportunities, institutional framework and macroeconomics.

Referential framework

To enter the research, it is necessary to expose the basic concepts and main theories of the research variables. In the first place, the concept of the Economic Partnership Agreement Mexico Japan is explained, ending with the commercial balance.

A. Mexico Japan Economic Association Agreement

The Mexico Japan Association Agreement aims to improve economic relations between Mexico Japan through Japanese investment and the increase of Mexican exports. Delgado (2009) details the Mexico Japan Economic Association Agreement: The Mexico Japan Economic Association Agreement was signed on September 17, 2004, by Prime Minister Junichiro Koizumi and President Vicente Fox, during the state visit made by the ruler Japanese to Mexico. The document was approved in the Mexican Senate on November 18 of the same year, and entered into force on April 1, 2005.

The Mexico-Japan Economic Partnership Agreement has as a priority the unblocking of bilateral trade between Mexico and Japan, through the liberalization of economies. García (2010) defines the Mexico Japan Economic Association Agreement as the Mexico Japan Economic Association Agreement was signed on September 17, 2004 and entered into operation on April 1, 2005. The objective of the EPA is to promote trade liberalization and the investment between Mexico Japan.

The AAEMJ contemplates legal aspects that determine practices to promote socioeconomic relations between both countries and thus strengthen the diplomacy between both countries. The EPA contemplates the elements of a free trade agreement, as well as various provisions to intensify bilateral cooperation and promote social and economic rapprochement between both countries (Tapia, 2005, page 58). The Economic Association Agreement Mexico Japan entered into force on April 1, 2005. It has as its main objective, to originate the economic and social development between both countries and has elements to intensify bilateral cooperation and promote investment between Mexico and Japan.

B. Trade balance

Next, some authors of the state of the art who parley different concepts and the functions of the commercial Scale are announced: Robinson (1979) delimits that for any country an increase of the trade balance is equivalent to an increase of the investment, which usually leads (given the level of national investment) to an

increase in employment. The increase in the trade balance of a country at best does not affect the level of world occupation. The decline in a country's imports means the decline of exports from other countries, and the balance of the trade balance for the world as a whole is always equal to zero.

Clearly, Robinson explains that the trade balance can show positive and negative balances depending on bilateral trade. The main cause of the balance, are the investments that are established within a country, based on the growth of investments increase both exports and imports of a country. Paschoal (2000) defines the commercial balance as it generally includes the highest values of the balance of payments. That balance is defined as the difference between exports and merchandise imports. Regarding the value that exceeds that of imports, it is said that there is an active trade balance; in the opposite case, it is said that there is a passive trade balance.

The trade balance is a determinant of the economy of a country, which measures the number of exports and imports that a country makes in the exchange of goods and services, helps to determine a result whether positive or negative according to the flow of goods from a country. The commercial balance regulates in a general way the movement of trade flows, thus establishing a negative or positive balance depending on the increase in exports and imports made by a country abroad. Robert & Taylor (2011) defines that the balance is the price of the country's trade in terms of the difference between the total value of its exports and the total value of its imports (in general, both goods and services are included) The countries that import more than export they have a trade deficit (3).

The trade deficit is a result of the lack of self-sufficiency on the part of a country and little development, lack of productivity, inflation, and little support for companies are factors that lead to low export levels. Therefore, a country that does not produce according to the needs of the society that forms a country before a globalized world. It implies that the country requires buying goods and services abroad, for the benefit of countries with a gross domestic product and a high GDP per capita.

Finally, Vázquez & Madrigal (2007) mention that in the commercial balance a trade deficit or surplus may occur depending on foreign trade: It measures the differences between exports and imports of a country. There is a deficit when the balance of the trade balance is negative, that is, it is imported more than what is exported and a surplus when the value of exports exceeds imports (page 20). The trade balance records the number of exports and imports made in a country during a fixed period. Subsequently, it determines the balance of the trade balance by establishing a trade

deficit or surplus of a country. The final result of the Trade Balance affects the economic activity of a country.

Review of theories

Subsequently, the main theoretical complements of the variables are presented, which were considered by the classical and neoclassical theories. First, the complementary theories of the variable independent are shown.

Table 1. Theories of the Economic Association Agreement Mexico Japan

Author	Theory	Principles
David Ricardo (XIX Century)	The classical theory Comparative advantage	Countries have different economies, with different knowledge, different technical capacities and unequal endowments of productive resources. This leads to specialization, to lower prices of goods exchanged and to diversify the availability of goods. In this way, the countries that trade are mutually beneficial (Okabe & Carrillo, 2014, page 49).
Bertil Ohlin Eli Heckscher (1919)	Heckscher-Ohlin theory	Trade responds to differences in the relative productivities of labor, as well as to the endowment of resources that countries eventually highlight in their own economy. The interaction between both aspects provides an explanation to the pattern of international trade, in terms that a country exports the goods that are produced with intensive technologies.
Paul Samuelson y Ronald Jones (1971)	Theory of specific factors	1. To detect with greater emphasis the impacts of trade on the distribution of income, which are socially differentiated and decisive in the establishment of trade protectionist policies. Trade can influence the structure of production and, therefore, affect the demand for the factors of production, which do not move from one production sector to another immediately and without cost (Okabe & Carrillo, 2014, p. . 50).
Paul Krugman	New theory of international	1. Imperfect competition: shows the nonexistence of perfect competition, monopolies exist and are becoming stronger every day, as a

(1979)	trade	result: High technological advances, aggressive policies 2. Intra-industrial trade: Generates additional gains in trade, even greater than those generated by comparative advantages (Gracia, 2009, pp. 20-21).
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Source: Economic Association Agreement (Okabe & Carrillo, 2014), The New Theory of International Trade in the post modernization of the global economy (Gracia, 2009).

The classic theory of the comparative advantages of David Ricardo mentions that each country has different economies, which leads to the specialization of products or services, depending on the technological, industrial, labor capabilities, etc. According to the theory of Heckscher and Ohlin, the intensive technologies of each country determine the level of productivity of each country relative to work, where the price of the factors is impacted in the price of the goods, a country exports the goods that it produces according to the technological intensity of the country. The new theory of international trade by Paul Krugman mentions that it has two principles that are imperfect competition and intra-industry trade, involve greater technological progress, monopolies, aggressive policies of protectionism, foreign direct investment, etc. They are factors that impact on the competitiveness of countries, for international trade.

The theories that apply in this investigation are three, those of Krugman, David Ricardo and Heckscher & Ohlin; they determine and describe exactly the aspects established in the AAEMJ. These theories allow the analysis of the characteristics and results achieved in the AAEMJ.

Table 2: Theories of the trade balance

Author	Theory	Principles
North Douglas (1970)	Theory of the export base	1. The regions are open and, therefore, subject to changes of exogenous variables. 2. The regions produce certain types of main goods or services that tend to become an exportable good on which their growth depends (Gutiérrez, 2006, page 199).

<p>Krugman y Obstfeld (1953)</p>	<p>Standard model of trade</p>	<p>Differences in the frontiers of production possibilities, to which the production capacity of a country is limited, give rise to international trade. These productive possibilities give rise to a function of relative supply (between goods that can be produced) of a country. Global demand and relative supply determine the balance of world trade, that is, the terms of trade (terms of trade or relative prices) between goods exported and imported by countries that trade (Okabe & Carrillo, 2014, p. 50-51).</p>
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Source: Own elaboration with data from the book Mexico Japan Relations in the context of the Economic Association Agreement (Okabe & Carrillo, 2014).

The following theories were found for the variable (Y). The main theories on the commercial balance are analyzed, authors like North Douglas (1970) and Krugman and Obstfeld (1953) are mentioned; They explain how the growth or development of a country's production impacts on the behavior of the commercial balance. North Douglas (1970) states that the regions of today are economies open to globalization, an era that implies trade opening and determines that each country produces goods and services, and then trade with other countries. Krugman and Obstfeld (1953) explain in their standard model of trade, that each country has different capacities to produce, the level of productivity depends on the economic capacity, lack of technology, economic and social development of the country, which limits the capacity production of a country. Therefore, the demand and supply of goods and services determine the balance in trade with other countries. It is important to maintain balanced macroeconomic levels in order to increase or maintain a good international competitiveness that has an impact on the country's socioeconomic stability.

In this research the two theories are applied since they clearly describe how the economic indicators of a country cause effects in the commercial balance, such as GDP, International Trade, open economies, demand, supply, etc.

Empirical review

Table 3: Empirical review of the literature

Authors (Year)	Title of the research	Context	Method of research	Results
Rafael González Bravo (2013)	Advantages of the economic association Mexico Japan for the manufacturing exports of Mexican companies located in Jalisco Agreement of Mexico Japan	México Japan	Exploratory	The commercial balance of Mexico with Japan shows an imbalance. Mexico has not transcended as an exporter of raw materials and supplier of intermediate inputs. Few are the benefits for the Mexican economy. The main advantage for Mexican companies under the AAEMJ is the reduction of tariff rates. The disadvantages for Mexican exporters is the complication in customs procedures, as well as the lack of information on the Japanese market.
(2012)	Mexico Economic Association Japan: Trade creation and diversion analysis 1999-2009	Japan-México	Econometric analysis	The variables of interest confirm that, since its entry into force, the EPA has created trade between Mexico and Japan. The AAEMJ has also encouraged bilateral trade flows between non-member countries.

				<p>The size of the economy and the fact that countries share the border, encourage bilateral trade; while the distance of the countries affects trade between nations in a negative way. The AAEMJ has created trade, but it cannot be concluded if trade has been diverted for countries not members of the AAEMJ. They are considered complementary economies.</p>
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Source: Own elaboration

Contextual framework: Mexico-Japan Association Agreement its Effects on the Mexican Commercial Balance Period 2005-2017

The Mexico Japan Economic Partnership Agreement is signed by President Vicente Fox Quesada and Prime Minister Junichiro Kouizumi on September 17, 2004 and enters into force on April 21, 2005. According to Solís & Katada (2007), cited by Okabe & Carrillo (2014), find two reasons: the most important was to grant free access to the Mexican market to Japanese automobile manufacturers, to electronic products and others. As a fundamental part of any treaty, important rules and aspects to consider when signing an agreement must be constructed to establish the interests of both countries. Below, the commercial provisions that constitute the AAEMJ are presented.

A. Commercial provisions of the EPA

According to CONAPO (2004), it explains the dispositions to markets of goods that the AAEMJ implements within the agro-food and fishing sector, Mexico within this treaty plays a role of main exporter of agro-food products to Japan. (s.p). Japan is the third importer of agro-food products in the world, with annual imports of around 50

billion dollars of agro-food and fishery products. In the agro-food sector, Japan imports around 35 billion dollars, which is almost double the total trade of agro food products among the member countries of NAFTA (Canada, the United States and Mexico) (CONAPO, 2004).

In the negotiations of the EPA, real export opportunities were achieved where Mexico has great potential, through tariff and non-tariff advantages that allows increasing the participation in the Japanese market, with long-term legal certainty that no other country has to Japan. Mexico gained access to the Japanese market in products with great potential in this sector:

Table 4 Immediate access to the entry into force of the Agreement, for the following products:

Green coffee	Asparagus	Tequila	Lemons	Mango	Pectin	Fresh broccoli
Tomato	Avocado	Cabbage		Pumpkins	Eggplant	Legumes
Guava	Papaya	Mezcal	Wines	Tobacco	Egg	Albumin

Source: Own elaboration with data from CONAPO (2004)

A preferential access was negotiated with quotas for very sensitive products for Japan and of great interest for the Mexican productive sector. Quotas were obtained for the Mexican productive sector in the following products:

Table 5: Quota access

Access with quotas			
Pork meat	Beef	Chicken meat	Orange juice
Honey	Catsup	Pasta	Tomato puree
Sorbitol	Orange	Dextrins	Tomato sauce

Source: Own elaboration with data from CONAPO (2004).

Japan is one of the leading importers of fishery products in the world. Mexico negotiated that all products of interest are included in the Agreement, which represent almost 80% of Mexican exports of fishery products to Japan. Among the main products that have immediate tariff-free access are fresh and canned yellow fin tuna, shrimp, some crustaceans and mollusks and octopus. For sardines and squid, quotas were negotiated.

According to CONAPO (2004) for the automotive sector, of interest to Japan and sensitive to Mexico, the following scheme was negotiated: Japan was granted immediate access for only an amount equivalent to 5% of the domestic automobile market. Under the current regime for the promotion of the Mexican automotive industry, the equivalent of 3% of the national market is already free of duty.

The promotion of activities in areas such as support industry; small and medium businesses; promotion to trade and investment; These are provisions that allow the strengthening of economic relations between both countries, in terms of bilateral cooperation. Pro Mexico (2009) mentions the percentage of tariff liberalization with respect to Japan, and shows great immediate access free of duty: Japan immediately released 91% and in the medium term 4% of the tariff currently applied to Mexico for 95% of the tariff fractions. The remaining 5% of the tariff fractions consists of sensitive products. Japan grants immediate tariff-free access to Mexico under quotas: leather footwear and clothing apparel.

Mexico immediately released 44% of the tariff fractions that currently apply to Japan. Within this 44% of the tariff fractions are included mainly items that are not produced in Mexico and inputs for domestic industry, such as high-tech products. (s.p). Below is a list of Japanese products that have immediate access to Mexico:

Table 6: List of Japanese products with immediate access to Mexico

Capital goods	Electrical manufactures	Electronic equipment
Hydraulic turbines	Air generators	Computers
Certain compressors	Certain power generators	Printers
Mechanical cranes with or without boom	Sources / power amplifiers	Monitors
Forklifts	Illuminated indicators	Equipment to interconnect networks
Mechanical shovels	Audio and video switchboards	Telephone operator servers
Excavators	Audio conference generators	Mini telephones.

Source: Own elaboration.

Table 7- Mexico-Japan complementarity

JAPAN	
a)	Third world economy
b)	Population with an average age of 46 years
	Highly trained workforce
	Among the developed economies, Japan is the second largest source of foreign direct investment (FDI) globally
c)	Producer and exporter of high technology products
d)	High savings rates
	Importer of goods with medium-high technology such as electronics, household appliances, and the automotive sector
e)	Importer of 60% of their food consumption (third place in the world)
Source: Own elaboration with data from Pro Mexico (2009)	

Source: Own elaboration with data from Pro México (2009)

México	
	Fifteenth economy in the world
	Population with an average age of 27 years
	Abundant young and skilled workforce
	Thirteenth place as a pole of attraction for FDI worldwide and the third in Latin American
	Importer of high technology products.
	Producer and exporter of goods with medium-high technology and agro-food
	Need to complement national investment with foreign

Source: Own elaboration with data from Pro México (2009)

Some of the characteristics that differentiate Japan from Mexico

- 1) Japan is the second largest economy in the world (GDP per capita 34100 USd)
- 2) The population has an average age of 43 years and a highly educated workforce.
- 3) It is the eighth source of foreign direct investment (FDI) worldwide.
- 4) It is one of the countries with the highest savings rates.
- 5) Leading producer and exporter of high technology products.
- 6) It imports 60% of its food consumption (3rd importer worldwide).
- 7) It is the main market in Asia of Mexican exports.

The characteristics that differentiate Mexico from Japan:

- 1) Abundant young and skilled workforce of average age of 27 years.
- 2) Economy that needs increasing levels of FDI and domestic investment.
- 3) Importer of high technology systems and products.

- 4) Producer and exporter of value-added products and maquila resources.
- 5) Producer and exporter of agricultural products.

As a result of the AAEMJ, it is obtained that some agro-food and industrial products in tariff-free preferential access are shown in a table below:

Table 8. Agro-food and industrial products with preferential tariff-free access

Agro-food and industrial sectors:	Industrial sector:
Products with tariff preference within quota products	Tariff-free
Beef, pork, chicken and processed leather products	Meat and
Juice of concentrated orange and deconcentrated footwear	Leather
Fresh orange article	Leather
Agave syrup clothing accessories	Garments and
Natural honey	Sorbitol
Banana	Dextrins
Tomato juice without added sugar	Citric acid
Catsup	
Pasta and tomato puree	
Other tomato sauces	

Source: Own elaboration with data from Pro Mexico (2009).

Research methods

The type of research that is carried out in this study is of an empirical-analytical nature (quantitative) based on the investigation, analysis and verification of numerical data. This research is also documentary, since it focuses on research, interpretation of documents for the presentation of data and information. The data collection is carried out under a period of time, as far as a longitudinal investigation is concerned.

Design of the investigation.

The collection of quantitative information is obtained by means of measuring instruments useful for obtaining numerical data, by means of a sequence of time.

Research instruments.

The instrument used in this research is the analysis of documents, because the case study that is addressed requires a process of interpretation and analysis of information. An analytical-synthetic process is carried out, because the information is studied, interpreted and synthesized to give rise to a new document that is easier to access and disseminate. For the statistical analysis, the Excel program is used and queries are made in Banxico, the World Bank and Macro Data where numerical data on the behavior of each of the indicators is determined; to then, represent the results by means of graphs and take them to the observation and analysis of the figures.

Analysis of results

Table 9 presents the results based on the documentary analysis on trade and investment, customs procedures and rules of origin and infrastructure: consecutively, the quantitative results of the statistical analysis are shown in graphs, on the number of exports and imports, inflation, infrastructure and Gross Domestic Product.

Analyzing the results, it is determined that the total trade of Mexico has increased 6,974,282 million dollars from 2005-2016 showing a growth of exports from Mexico to the Japanese country. However, the trade deficit that Mexico has with this country has been increasing with a value of 2, 372, 358 million dollars for the period 2005-2016.

Table 9. Indicator 1: Total trade and Mexican trade balance México-Japan

Year	Total trade	Mexican trade balance
2005	14,547,792	-11,607,768
2006	16,889,195	-13,701,119
2007	18,255,616	-14,430,342
2008	18,328,485	-14,236,415
2009	12,997,696	-9,796,514
2010	16,940,239	-13,089,131
2011	18,745,780	-14,241,206
2012	20,265,942	-15,044,458
2013	19,320,159	-14,832,059
2014	20,153,048	-14,936,096
2015	20,385,669	-14, 350,667
2016	21,522,074	-13,980,126

Source: Prepared by the authors with data from the World Bank (2016).

The Economic Association Agreement between Mexico and Japan has caused changes in foreign trade between both countries. As a result, a growing pattern of deficit bilateral trade for Mexico has been consolidated, derived from the importation of high-value industrial inputs and the export of agricultural products (García, 2010, s.p.).

Analyzing the results, it is determined that the total trade of Mexico has increased 6,974,282 million dollars from 2005-2016 showing a growth of exports from Mexico to the Japanese country; however, the trade deficit that Mexico has with this country has been increasing with a value of 2, 372, 358 million dollars for the period 2005-2016. Japan is the main beneficiary of the AAEMJ.

The great geographic distance and the so different cultures between both countries become an obstacle for Mexican exports. Figure 2 determines that the investment of manufacturing companies in Mexico has been increasing, putting into practice the interests agreed under the AAEMJ, the meaning of the great comparative difference of investment between both countries, is that Japan is a country with a stable, development and constant economic growth, while Mexico maintains problems in the Mexican economy. Okabe (2004) mentions that FDI in Japan has experienced a positive increase since the 1970s. But it seems that there are difficulties for mutual understanding because of the difference in culture and customs.

The increase in direct foreign investment in Mexico results in the increase of imports of electronics, technological products to project and execute the activities of Japanese manufacturing companies in Mexico. Emphasis has been placed on the establishment of clear and reliable rules for the certainty of the origin of goods, as well as clear guidelines to verify compliance with the provisions on origin.

In terms of bilateral cooperation, provisions have been defined that allows promoting the strengthening of economic relations between Mexico and Japan. In this way, it is intended to promote activities in specific areas of mutual interest such as: Support industry; small and medium businesses; promotion of trade and investment; science and technology, education and job training; tourism; farming; environment; intellectual property; and improvement of the business environment.

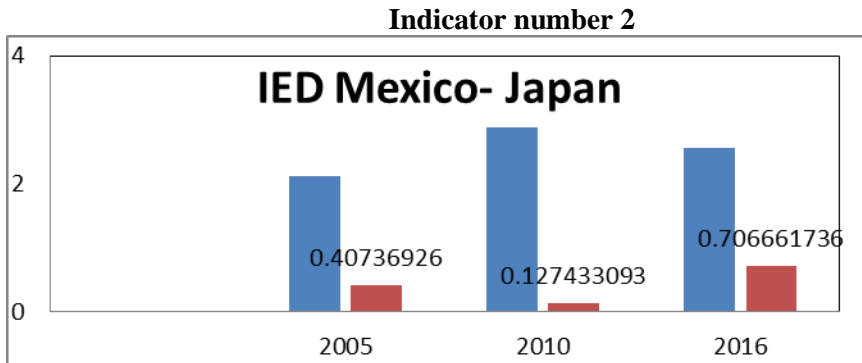


Figure 2. Direct Foreign Investment Mexico Japan
 Source: Prepared by the authors with data from the World Bank (2016)

Table 10. Indicator number 3. Customs procedures and rules of origin in the AAEMJ

<p>1. Sanitary and phytosanitary regulations It preserves the right of each State to adopt sanitary measures to protect human, animal or plant life or health against risks of diseases, pests, additives or contaminants.</p>	<p>5. Investment They emphasize the principles of national treatment most favored nation, prohibition of the establishment of minimum quantities of production, freedom of transfer prices and mechanisms for solving investor-state disputes.</p>	<p>9. Bilateral cooperation In the area of small and medium-sized enterprises, the intention is to intensify the cooperation links in science and technology, education and job training, the main objective is to take advantage of Japan's experience to help increase the competitiveness of Mexican companies.</p>
<p>2. Temporary entry of business people Entry and temporary migration of persons for business purposes. Migration authorities should not take more than 30 calendar days to issue</p>	<p>6. Government purchases Guarantees that the access of goods and services to Mexican and Japanese suppliers in the matter of government purchases are made in national</p>	<p>10. Tourism The tourist flows between both countries are tightened, take advantage of natural resources and cultural diversity and promote training; through cooperation in the tourism</p>

the document.	treatment. Mexico offers national treatment to the U.S.	sector.
<p>3. Safeguards They have a strictly tariff character and their maximum duration is four years and does not apply to the limited quotas the degree of openness in force in the national legislations.</p>	<p>7. Economic competition Arrangements were made regarding non-discrimination; transparency in the application of laws; treatment of confidential information.</p>	<p>11. Intellectual property Agreed to the geographical indication for tequila and mezcal. Likewise, cooperation actions were defined: exchange of information on activities to create public awareness, function of protection systems, political measures to apply intellectual property rights.</p>
<p>4. Services: The following services stand out: transport, professionals, telecommunications, distribution and tourism, etc. The principles stand out: National treatment, most favored nation and is consolidated.</p>	<p>8. Standards, technical rules and evaluation procedures. Provisions that induce technical cooperation between the governments of both countries are contemplated; determination of points of agreement and the creation of a subcommittee that reviews the implementation and resolution of disputes in the agreement.</p>	<p>12. Environment Sustainable development is promoted through activities such as the exchange of technology related to the improvement and preservation of the environment and the construction of human and institutional capacities, among others.</p>

Source: Prepared by the authors with data from the AAEMJ: International commercial relations for the 21st century (Tapia, 2005).

The development of cooperation links in science and technology, education, and job training, increases the quality of our workforce and, therefore, increases productivity

and competitiveness for the benefit of Mexican companies, promoting at the same time investment opportunities and the increase of bilateral trade.

The close cooperation in the tourism sector under the AAEMJ, achieves the increase of tourist flows between Mexico and the Japanese country; making use of natural resources and cultural diversity. This helps strengthen the Mexican tourism sector as a source of income and job creation for the country of Mexico.

Figure 3 clearly shows the level of infrastructure that corresponds to each country; it is observed that Mexico is below Japan, which means that Japan has greater ease and quality when carrying out merchandise trade. It can be considered that Mexico remains at a medium level until 2016, the increases in investment in infrastructure by the Mexican government as of 2007 have not been large changes, we see a growth of 3 in 2014, and however, for 2016 it reduced to 2.7.

Concluding that the lack of infrastructure is an obstacle for Mexican exports to grow which leads to the country's trade deficit. On the contrary, industries in Japan are located with the development of applied technology and production of goods with excellent quality indexes.

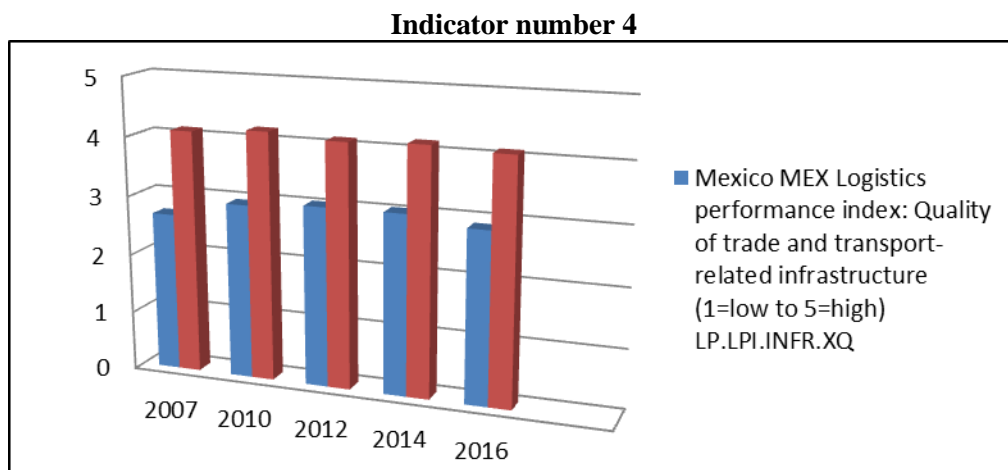


Figure 3. Logistics performance index: quality of infrastructure related to trade and transport (1 = low to 5 = high)

Source: Prepared by the authors with data from the World Bank (2017).

The following is a statistical analysis of the 2005-2016 period in the context of Mexico Japan based on bilateral trade.

Table 11. Indicator number 5, Number of exports and imports.

Trade balance of Mexico with Japan. Values in thousands of dollars.				
Year	Exports	Imports	Total trade	Mexican trade balance
2005	1,470,012	13, 077, 780	14,547,792	-11,607,768
2006	1,594,038	15,295,157	16,889,195	-13,701,119
2007	1,912,637	16,342,979	18,255,616	-14,430,342
2008	2,046,035	16,282,450	18,328,485	-14,236,415
2009	1, 600,591	11,397,105	12,997,696	-9,796,514
2010	1,925,554	15,014,685	16,940,239	-13,089,131
2011	2,252,287	16,493,493	18,745,780	-14,241,206
2012	2,610,742	17, 655,200	20,265,942	-15,044,458
2013	2,244,050	17,076,109	19,320,159	-14,832,059
2014	2,608,476	17,544,572	20,153,048	-14,936,096
2015	3,017,501	17,368,168	20,385,669	-14, 350,667
2016	3,770,974	17,751,100	21,522,074	-13,980,126

Source: Own elaboration with data from Datosmacro (2017)

Table 11 shows that exports have been increasing since the entry into force of the AAEMJ, at the same time as imports made by the Mexican country, where imports (purchases abroad) are greater than exports (sales to external), consequently causing a deficit in the Mexican trade balance that has been increasing.

The Mexican economy is not capable of self-satisfaction and the balance with respect to what it produces is lower and this affects the economic activity of the country. The solution to this problem is to encourage Mexican exports through economic support, orientation programs to the customs procedure, investment in the infrastructure of trade and transport; also get the growth of trade in Mexico. Figure 4, indicates the transition of inflation during the period 2005-2015 of the countries Mexico and Japan. On the part of the Mexican country, it maintains an inflation above 6%, considering a high level, it is increasing until 2015; otherwise, Japan establishes inflation below Mexico, around 2%. The inflation maintained by Japan is considerable for the development, balance and economic growth of the Japanese. Mexico's high inflation is detrimental to the country's economy, causing the devaluation of the currency, decreasing the wages of workers, decreasing investments in the productive sector, rising interest rates and growing unemployment, affecting the level of life of Mexicans.

Indicator number 6

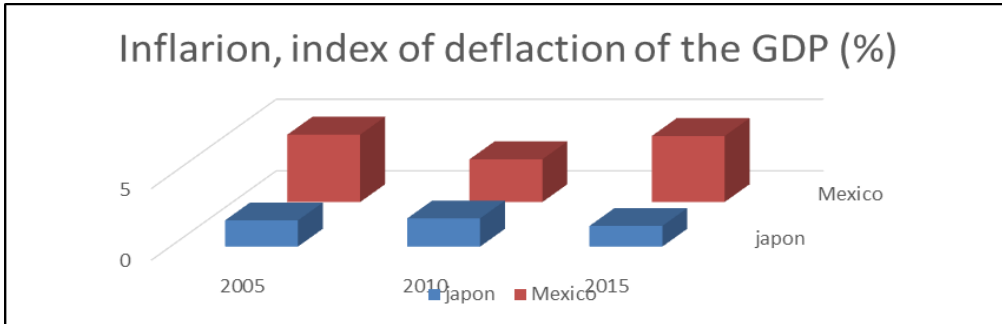


Figure 4. Inflarion México-Japan (2005-2016)
 Source: Own elaboration with date from Banco Mundial (2017).

Indicator number 7.

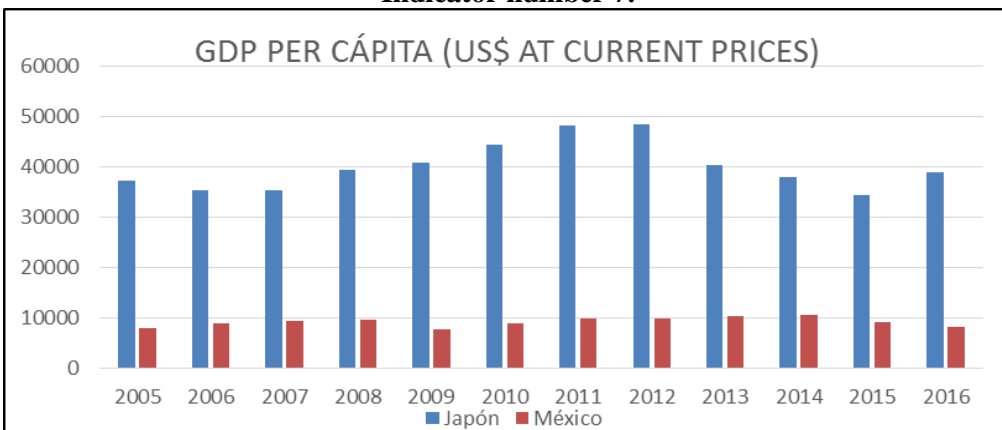


Figure 5. GDP per capita Mexico Japan, 2005- 2016
 Source: Own elaboration with data from the World Bank

Figure 5 shows the high growth of GDP per capita in Japan compared to Mexico. It shows that Japan's productivity and economic development is far superior to the economic and social conditions that exist in Mexico. Cause of this is the lack of employment and low growth in the Mexican economy, harming social welfare. In balance with Japan, this determines a high standard of living for the Japanese.

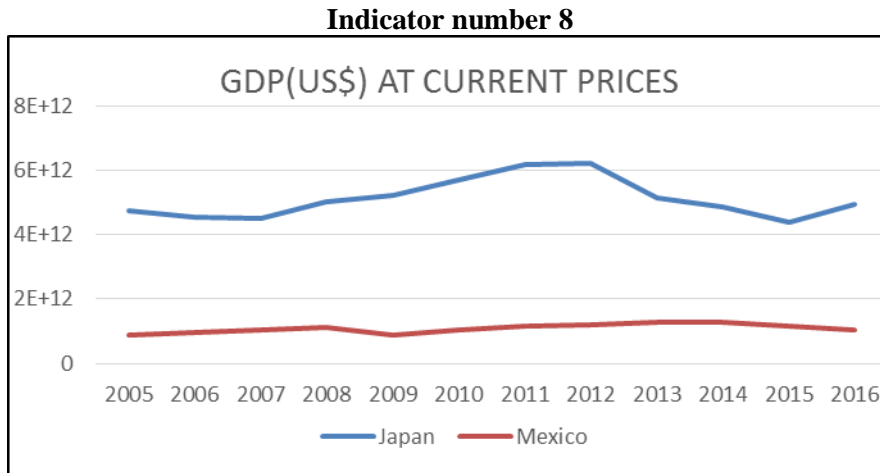


Figure 6. Mexico-Japan Gross Domestic Product, period 2005-2017
 Source: own elaboration with data from the World Bank (2017).

Figure 6 shows the Gross Domestic Product of Japan and Mexico during the period 2005-2016 revealing the great difference in the level of productivity of each country. Japan maintains a high GDP, which means an increase in economic activity, unemployment tends to decrease and per capita income increases. In the opposite case, Mexico in comparison has a very low GDP, the production of goods and services have not been sufficient, impacting the country's economic weakness.

Limitations: For the object of study of this investigation it was occupied that the aspects that make up the whole context were investigated, so that the documentary method was restrictive when investigating and collecting data to answer the study. The proposed variables did not result in positive or proportional effects in the Mexican trade balance.

Regarding the criterion of statistical analysis, it was easy to detect statistical data on the effects of the variables, and present them graphically to carry out the direct analysis and determine the result, which consequently makes it difficult to use the longitudinal criterion. through periods the study sample, which makes the study deeper and requires more time

Discussion

The hypothesis raised in this research assumes that the Mexico-Japan Economic Association agreement does not have a positive influence on the commercial balance.

Given that currently under the AAEMJ the Mexican economy has a deficit of 12 million dollars. It is verified with the hypothesis of the investigation that there are some advantages of the Economic Association Agreement Mexico Japan for the manufacturing exports of Mexican companies located in Jalisco confirming the same results of González Gálvez (2013). A relation between the objective of the hypotheses stated above of the empirical investigations is determined, and it is agreed that the AAEMJ as a result has not had positive effects in the commercial Balance, causing the trade deficit due to the imports made by the FDI Japan established in the country of Mexico or a possible trade diversion raised in the research Economic Association Mexico Japan: creation analysis and trade diversion 1999-2009.

The agreement with Japan has represented a link in the negotiation with Asia. It has also managed to consolidate an agreement with the second world economy, the twelve-year results that the AAEMJ entered into force do not show reciprocal benefits.

It is concluded that the Mexican Government's strategy is to attract Japanese investments that promote the economic and technological development of the country. The following recommendations are based and are impulsive factors to increase Mexican exports to Japan. In the field of trade, there is potential to increase the participation and presence of Mexican products in the Japanese market. It is necessary that the Government and the Mexican private sector diversify Mexican exports to Japan; to achieve an export use of agricultural products, it is required to increase incentives to exporting companies; In addition to improving inspections at customs and improving the infrastructure of roads, airports, etc.

The research on Mexico-Japan relations is really scarce due to the fact that the most attention of studies has been for Mexico-US relations. Therefore, this research focuses on these relationships. Since the entry into force of the EPA to date, foreign trade between Mexico and Japan has been growing favorably. However, it requires reconsideration on the advantages that the AAEMJ can offer as one of the alternatives for the economic development of both countries.

The investigation to the Mexico-Japan Economic Integration: its effects on the Mexican commercial balance, period 2005-2017, takes a focus of economic study and on the commercial relations that occur between countries. The future lines of research for this study are as follows: JEL: F01 - Global perspective, JEL: F14 - Studies on trade by country and industry, JEL: F15 Economic integration.

During the period of time used to carry out this investigation, certain limitations were presented; consequently, it was not possible to carry out an in-depth analysis of the object of study of the investigation. These limitations are classified into time, money, access to information and reliability. The time, is an important indicator for the application of a deep study in some investigation, therefore, the time destined to this investigation was very short, for the same reason they were conducted problems that made the search difficult.

Conclusion and recommendations

The expected impact of the Mexico-Japan EPA to increase trade between both nations does not seem clear 12 years after its entry into force. The participation of the commercial exchange maintains rates with ups and downs and a decreasing tendency. Mexico maintains a deficit trade balance against Japan at an average close to 13,000 million dollars. It should be noted that domestic exporters are not taking full advantage of the agreement; the actions achieved within the framework of the agreement on SMEs do not respond to the needs of this sector in Mexico.

The level of productivity of each country (GDP) impacts the growth and economic and social development of the country. Therefore, it is very important to be a self-sufficient country in the production of goods and services to establish stable economic indicators that do not affect the country's trade balance. Mexico for the benefit of the AAEMJ has increased its exports of food of agricultural and fishing origin. However, the total exported to Japan represents a deficit in the Mexican trade balance. On the other hand, Japan exports to Mexican territory have been products of information technology and transport equipment, including automobiles.

Mexico has attracted Japanese foreign investment, which is the cause of the trade deficit because the manufacturing companies installed in Mexico import intermediate inputs. The lack of development in infrastructure leads to operational deficiencies that become an export obstacle for Mexican SMEs. To increase the participation and presence of Mexican products in the Japanese market, it is necessary that the government and the Mexican private sector work in the development of exportable offer from Mexico to Japan oriented to: diversify Mexican exports to Japan; maximize the tariff preferences provided by the AAEMJ and achieve greater export exploitation.

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Reliance Jio: A Case of Disruption in Indian Telecom Industry

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Abstract:

Today's business environment is marked by fierce competition and to capture the market disruptive initiatives are being taken by various organizations. In this paper, at the beginning the basic beliefs of disruptive innovation have been discussed, followed by inspecting whether these disruption beliefs apply to Jio. It is an attempt to point out few common consequences in the theory's application like how, why and when the theory of disruption has significance taking the case of Reliance Jio. In this paper, the secondary data and evidences from the authentic news have been taken from company's website and also from reputed newspapers and news channels. It also includes review of the blogs and various research papers to come to the conclusion on how Jio has disrupted the Indian Telecom Sector.

Key Words: Disruption, Innovation, Jio, Telecom sector

INTRODUCTION:

Disruptive Innovation:

The idea about disruptive innovation was first coined by Harvard Professor Clayton Christensen in his book 'The Innovator's Dilemma (1997)'. Christensen adapted Schumpeter's idea into the present day world and classified innovations and new technologies as either *sustaining* or *disruptive*. Sustaining innovation talks about incremental improvement in the existing products and technologies in contrast the disruptive innovation questions established firms, products and business

models. Some of the examples are mobile phones replacing camera, calculator, alarm watch, etc. Disruption theory can be used to contour prevailing innovation ideas in methods consistent with the theory's prescriptions (Raynor, 2003).

A disruptive innovation supports creation of new market, new customer and new network and sooner or later disrupts an existing market repositioning an earlier product, market, technology. A disruptive innovation can be defined as a technology which initially underperforms along performance dimensions that mainstream customers have historically valued, while at the same time bringing new performance attributes to the market (Govindarajan and Kopalle, 2006a). Disruptive innovation has proven to be an influential tool of growth that is driven by innovation. There are many people who speak of disruption without having given any serious thought to it or having any real knowledge of it. Fact is that theory related to disruption has undergone a sea change in the last twenty years. The term 'Disruptive Innovation' is used by a number of researchers, writers, and consultants to describe *any* situation where successful businesses stumble as a result of disruption. Disruption is a process in which smaller company with limited resources challenges an established player. New entrants enter the market and deliver to the Customers better products or services required by the customer. This service or product attempts to reduce the pain that the customer has felt in using the existing product or service, being previously being supplied by mainstream players. Disruption can only happen if the quality of products of new players exceeds the quality of existing players and these essentially have to be sustainable innovations.

Disruption is a process in which a new business model is created. It is said that for organizations the gold lies in DISRUPT. DISRUPT can be elaborated as Derive, Include, Separate, Repurpose, Unite, Personalize and Transform the existing model by including all or some of even one of these. When a company tries to disrupt it is not the only one but simultaneously there are a number of other players trying to disrupt. However, sustainability will depend on the blue ocean strategy adopted by the company. To wade through red waters, companies are eliminating irrelevant features, reducing not so wanted characteristics and raising and creating such elements in their products and services which might give a distinct image to the organization.

Earlier it was felt that disruption can happen only in the lowest tier of established market but it has been found that the new players compete in entirely new markets as well. This has led to possibilities for the new player between low-end and new-market. We can now find some opposite examples also like Uber where it has built a position in mainstream market first (Christensen et al., 2015) so we can also say that

building a theory of Disruption is ongoing process (Christensen, 2006). Way of life has been changed by things like Artificial intelligence, robotics, internet of things etc. The dynamic nature of digital world has triggered disruption wherein old concepts are being replaced by newer ones and in turn affecting the economic activities.

Review of Literature:

Joseph Schumpeter (2003) in his entrepreneurial theory development highlights the origin, evolution, and disintegration of capital system through involvement of Entrepreneurs. For Schumpeter, creative destruction implies the **old order changes giving way to new theory through the process of industrial metamorphosis** **The changes in innovation activities explain the life cycle of an economy.** For a company to sustain it has to be in constant state of innovation through technological progress involving disruptive innovation.

Krstić and Tešić (2016) discussed on the disruption in Banking Sector due to digital technology and highlighted on issues related to the opportunities due to digitalization as well as threat of digitalization. Disruption leads to improved employee productivity as well as better Customer Service and satisfaction McQuivey, (2013). Innovations are happening constantly over the globe and every time with a greater impact and the only strategy available with the companies is to follow unconventional methods to remain sustainable (Downes and Nunes, 2014). Ondrus and Pigneur (2005) suggest that a disruption innovation in mobile payment market comprises of the six stages that includes Foothold market entry: Can the new player enter the peripheral market? Main market entry: Does the new player have to beat main market entry barriers? Customer attraction: Is there some value addition that the new player can offer which is different from the existing players? Customer switching: Can the customers switch to new player from existing player without much difficulty? Incumbent retaliation: Does the existing player have to face impediments to beat the new player? Incumbent displacement: Does the innovation dislodge existing player's products?

Methodology:

The study is based on secondary data, facts and figures collected from various sources. The study is more of qualitative nature and less of quantitative. In this study, an attempt has been made to understand the theory of Disruptive Innovation and linking it with the Case of Reliance Jio with the objective to know whether Jio has brought any disruption to the telecom sector.

To study the Reliance case, we have also examined the cases of other innovations that have disrupted the Indian economy in a similar manner and then focussing again on Telecom. The scope of study is limited to India and telecom sector. Since the Reliance Jio is new entrant in Indian Telecom, information source is more from the news article and less from research articles.

Research Analysis:

We are living in the era of digital revolution where the disrupting technologies are emerging on a daily basis. Areas like Artificial intelligence, Internet of things etc are some of the recent developments. Each and every Industry is moving towards digitalization, be it education sector, manufacturing sector or service sector.

A. Some of the Disruptive Innovations in India

- **Disruption in Pharma Industry:** One thing that pharmaceutical companies are keen to invest in is immunotherapy, which is a promising field. A lot of companies of Indian origin are in the process of creating a base for themselves in this field. Immunotherapy is built around building an immune system to fight diseases like cancer and autoimmune diseases. Curadev, Biocon, Aurigiene, Invictus Oncology and Apac Biotech are some of the companies that are engaged in doing pioneering work, and will contribute in a big way.
- **Disruption in E Commerce:** In the last few years the ecommerce sector has seen a massive growth. This has triggered the online commerce players to enhance the technologies to increase the online experience of both the buyers as well as the sellers. Airbnb and eHarmony service websites are enabling users to find if the profiles are authentic. Closer home start-up companies like Mantra, TookiTaki, and Lytkraft among others are geared to contribute in the near future.
- **Cyber Security:** With an inordinate amount of time being spent online the issues of cyber security become rampant. Though a lot of detection tools have been created in the area of cyber-attacks but companies are now working on smart analytics and big data security systems. This is being done with a view to help prevent false alerts. Interestingly companies like Data Resolve Technologies, Pristine Info Solutions, Secugenius Security solutions, and Mirox Cyber Security & Technology in India are into pioneering work in the area.
- **Disruption in Advertising:** Traditional ad firms relying solely on creative wisdom are a thing of the past. Algorithmic advertising is a forte of some of the Indian companies. InMobi, Komli, Tyroo, PubmaticMobobeat, ReduceData and AdPushup are some of the key players in advertising and monetization space. It is envisaged that there will be huge growth in algorithm buying and its real time advertisement will also gain momentum.

- **Disruption in Mobile based Health Devices:** Devices that can be worn on a person's body. Embedded into watches, devices attached to wearable, arms, legs, eye tracking devices are now in the market and will soon be commonplace. These would help measure sobriety, diagnose medical conditions, monitor patients etc.
- **Smart Data Storage:** Demand for data storage created by MyEasyDocs, DigiswitchInfotech and Bangalore-based CloudByte are innovative storage products.
- **Human-Machine Interface:** It is predicted that there will be more Indian companies that will create disruption in the form of machine-to-machine connectivity, as well in human-to-machine interface. Most promising Indian start-ups working in human-machine interface field are GridBots, Fin Robotics, nKonnnect and Solface. In Machine-Machine interface area CarIQetc.
- **Internet of Things:** Internet of Things is in its initial stage with the prospective to disrupt in the same manner as done by internet and mobile. Some Indian examples are-CarIQ, 2mpower Health Management Services, RHLVision Technologies, Smart-shoes Creator Ducere Technologies, Connovate Technology, Ineda Systems and Altizon Systems.

B. Reliance Jio and Disruption in the Indian Telecom Industry

The telecom sector in India has its own history of disruption in the form of reducing revenues through messaging apps, per second tariff plans, GPS, data pack, etc., but the entry of Reliance Jio has created an excitement among the customers by offering many things on a single platter. These are free voice calls, free incoming while roaming, very cheap 4G data, etc. This has resulted in strategic alliances within sectors. The shock created by Jio was so huge that within an hour of announcement all leaders of telecom sector lost a huge amount of market value and its own share prices fell by 2.7% as investors were not confident about the new business model.

An All-Together Different Model Created by Jio How?

The different model includes charging only for data at the cheapest rate and providing rest of the items, which includes free voice call, free roaming, variety of free apps, no black out days etc., free. Some of prominent features include:

1. Jio has highest 4G Network and is the only telecom giant providing 4G network across India with a customer subscriber of hundred million users across eighteen thousand cities and towns and approximate two lakh villages in India. Company is even prepared to take 5G and 6G load because of its data-centric approach.

2. It is the only company to start with Aadhar based instant SIM activation plan. The e- KYC approach adopted by Jio, with door delivery is very unconventional approach.
3. Jio has surplus funds for expansion along with huge start-up corpus to promote entrepreneurship around Jio platform.
4. Company is planning, beyond telecom, to provide automated home and automobile solutions and is spending extensively for its R&D.
5. Jio's LYF brand has comprehensive collection of reasonable 4G VOLTE smartphones.

The Challenges Faced by Jio's Model

1. Call failures because of non-cooperation from other service providers due to cut throat competition.
2. Data Speed of Jio is declining.
3. Failure of some of the Jio Apps like Jio TV
4. Penetration of 4G enabled handsets is very low and hence scaling-up is a big challenge.
5. Retaining customer after the freebies period is also a great challenge in a country like India.

Methods Adopted by Reliance Jio to Disrupt the Market

It came as a major surprise that Reliance Jio feature phone could disrupt Indian mobile market especially when android feature phones ruled the market share. Poor internet connectivity and substandard handsets were the woes cried out aloud by of the bottom of the pyramid of Indian feature phone users (approximately 50 crores in numbers) which were ignored by telecom companies. This was the catchment area of Jio Phones.

The Jio Phone with Jio plans is now making the telecom companies in India to re-plan everything by drastically changing the rules of the game.

Ways through which Reliance Jio's attempt to disrupt the market:

1. Not required to pay for calls: Reliance Jio is attracting the customers of feature phones by offering free voice calls. In other words, the Jio users would not be required to recharge or pay for voice calls.

2. Add 50 crore mobile data users: Jio Apps will enable the Jio users to use unlimited data resulting into internet addiction in phone. On delving deep into this

benefit offered by Jio we can come to understand that Jio Phone can possibly add up to 50 crore users to the World Wide Web.

3. Features Akin to Smartphone: The 4G VoLTE-enabled feature phones which are akin to smart phones could add a new segment in the handset market. This might give an idea to domestic handset makers to target this new segment by offering their products at lower costs by building on this innovation.

4. Mobile usage become more affordable: The game of price based competition become more intense amongst telecom players.

5. Consumers will watch more videos: An offshoot of access to unlimited data will be tremendous growth in video viewing in India. Apps like Jio Cinema, Jio TV will propel feature phone users to watch more videos.

6. Bulk Shift from 2G to 4G VoLTE: Jio Phone aims to make majority of 2G subscribers to shift to 4G VoLTE at one go.

7. The quality of low priced phones need to improve: The domestic handset players now also need to focus on quality along with low price in order to counter the offer made by Jio phones.

In the ultimate analysis it is foreseen that Reliance Jio Infocomm may disrupt India's Smartphone market. Low-cost 4G voice over LTE or VoLTE feature phones with free calls can be game changing. Jio's proprietary feature-rich Rs. 1000-1500 cell phones were recently launched. As reported in Financial express in November 2017, India has jumped to first position in data usage in a period of 1 year after Reliance Jio launched its 4G (LTE) services.

Telecommunication services have become a staple of the people in the recent past, providing as much utility as food, water, and electricity. It has yet to penetrate the rural areas in India completely, but the adaption rate is indeed rapid.

In this scenario, while Facebook and WhatsApp provided free communication services, Internet Service Providers and telecom agencies failed to provide reliable high speed connections and fleeced the consumers using an oligarchic establishment set-up till the bandwidth was divided.

Jio entered the market as a disruptive player hoping to even the odds and make the internet available to everyone instead of just the elite.

Besides, the next big invention might entirely disrupt the market for these giants, however tall they might stand. If something comes along that entirely revolutionizes the way we communicate, these companies do not stand much chance other than inadvertent adaptation, or failure. In a monthly report of January 2018, the Telecom Regulatory Authority of India (TRAI) mentioned that out of the more than 1.26 crore new telephone customers, 83 lakhs were added by Reliance Jio alone which is 65.8% of the total number of connections.

Some of the key achievements of Jio on completing one year in September 2017 are:

1. Jio is the only all 4G all IP network in the world:
2. Free Voice turn out to be a truth in India as the market place travels in the direction of data.
3. Data consumption through mobile in India went up and around from 20 crore GB per month to over 150 crore GB per month. Jio customers alone are consuming 125 crore GB of that data.
4. India moves to number 1 from number 155 in the world in context of Mobile Data Consumption.
5. Jio is only and first exa byte telecom network in World.
6. Streaming Video in excess of 165 crore hours/month.
7. Voice traffic greater than 250 crore minute/day.
8. Fastest ramp up of Subscribers in the world by any technology company. It added seven customers every second reaching 100 million customers in just 170 days with over 150 million customers on its network.
9. Data democratization: Tariffs have gone down tremendously and is now more affordable.
10. Jio users pay even lesser per GB per month with the current Rs 399 plan which offers 1 GB of high speed data per day for 84 days.
11. Improving speeds: The TRAI SpeedTest portal has steadily graded Jio as the perfect 4G network leader in coverage, usage and data speeds month after month.
12. Number of broadband customers: Post Jio the subscriber base has increased exponentially and as per TRAI data the wireless broadband subscriber count was over 282 million as on 30/06/17.
13. Tariff simplification: Prior to the entry of Jio in the market, there were more than 15000 plans but after Jio all major operators tried to use the simplified Jio model by reducing the options being offered.
14. Exponential growth of digital ecosystem: All content providers and key social media have seen greater user base in India. India has developed as most dynamic market for Google and Facebook. Also, 6mn JioPhone were sold on the very first day of its launch.

CONCLUSION:

Though Jio has turned nasty for the sector' with its destructive pricing strategies one cannot reject the statistic that Jio has digitally increased market size and has empowered the people by better quality of connected life, creation of jobs and entrepreneurship openings. Jio has not only disrupted the market with free calls, minimum data charges etc but with its Jio Handset Mobile phone in just Rupees 1500 it has started capturing the market share too. We can conclude that Jio has disrupted the Telecom Sector in India in a big way.

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A Study on Risk Taking Capabilities in Public Sector Organisations

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Abstract:

It is generally assumed that public sector managers tend to be less risk taking as compared with private sector managers. However, this may not be true in all cases. When managers do not take risk, it leads to managerial failure. The reasons of managerial failure are many; this paper delves into unwillingness to take risks as the cause of failure. Primary data collection was done from managers and officers working in public sector enterprises and significant results were obtained by data analysis.

Keywords: Risk taking, Managerial failure, ego issues, unwillingness, public sector.

Introduction:

According to American Marketing Association, 'Management is guiding human and physical resources into dynamic organizational units which attain their objectives to the satisfaction of those served within a high degree of moral and sense of attainment on the part of those rendering services'. The essence of management is the integration of human and physical resources in a manner that it leads to effective performance (Dewan, 2011).

The emergence of management as an essential, a distinct and a leading institution is a pivotal event in social history (Drucker, 2007). The formal management ideas came up in 18th century; prior to that management was practiced without theories. The most prominent changes in management came in 20th century, where Taylor; Henry Fayol contributed to management theories, much of the principles are still relevant. The earliest theory was proposed by F. W. Taylor, who started the Scientific Management movement, where his team studied the work processes scientifically. They studied how work was done and looked at how it affected the workers' productivity. Taylor focused on the principle that making people work as hard as they can was not as efficient as optimizing the way the work was performed.

These theories tend to produce successful managers. However, these theories do not work well in all situations. There are cases of managerial failure all across the world due to internal and external forces. While internal factors are within the control of the managers; external factors are beyond control. For instance, despite having good technical skills, a manager may fail due to lack of interpersonal skills.

There are many crises which are a sign of managerial failure (Loosemore, 2000). Managerial effectiveness relates to linkage between potential of a manager and control over situations. Managerial failure is the gap between potential and situations (Prasad and Gulshan, 2011). There are cases where most effective managers have failed to manage the affairs due to some reason or the other. The reasons of managerial failures are many. It may be due to ineffective communication practices, failure to delegate and empower, unwillingness to take risk, poor work relationship, poor planning, person job mismatch, role ambiguity etc. Risk taking propensity is one of the major criteria that an organization applies while evaluating the contributions of managers. As the managers reach higher positions in hierarchy, their risk taking propensity should be higher. Similarly, ego issues are also a major concern when it comes to managerial effectiveness.

Literature Review:

Bloch and Groth (1998) explored the reasons for managerial failure in Germany context. According to the authors, there are numerous problems with respect to German management, which are indisputably the major contributory factors to Germany's current difficulties, especially mass unemployment. The authors have considered a variety of issues in this context including the rampant and socially destructive preoccupation with cost cutting and rationalisation, negative managerial behaviour, the system of corporate governance, lack of innovation and finally, corruption and fraud.

Longenecker (2001) studied the Post-Soviet Russia and the reasons for managerial failure therein. The former Soviet Union is presently going through a period of unprecedented economic and organizational change. Based on a survey of Russian managers, the author concluded that in rapidly changing environments organizations frequently fail to develop managerial talent adequately increasing the likelihood of managerial failure. The study highlights major causes of managerial failure namely- Lack of experience, poor communication skills, lack of marketing skill and savvy, ineffective planning/control practices and lack of formal business training and education.

Brightman (2004) explored the area of managerial failure and its root causes. According to the author, a failed management relationship is a primary cause of poor performance, work dissatisfaction and loss of talent as well as other organizational ills. The author concludes that there is a direct relationship among the three causes. Dramatic improvement in management quality, with its associated operational and financial benefits, requires an accurate understanding of the core drivers of management failure.

Longenecker et al. (2007) have made most significant contribution by studying the causes and consequences of managerial failure in rapidly changing organizations. The authors collected data from 1040 managers from over 100 different U.S. manufacturing and service organizations to help identify the primary causes of managerial failure. It was found that the major cause of managerial failure is ineffective communication skills/practices. In most settings, managers will fail if they cannot communicate effectively. Other reasons were- poor work relationships, person-job mismatch, failing to set clear direction, failing to break old habits and adapt quickly, delegation and empowerment breakdown, lack of personal integrity and trustworthiness, unable to develop teamwork, unable to lead and motivate others, poor planning practices, failing to monitor actual performance and provide feedback, failing to remove performance roadblocks, ego and attitude problems, failing to select and develop good people and lack of or misuse of critical resources.

Bao (2009) compared public and private sector managerial effectiveness in China. The author explored the similarities and differences in terms of managerial effectiveness between public- and private-sector organisations from the dimensions of motivation, constraints and opportunities. The results show that there are various constraints on managerial effectiveness, which lead to managerial failure. Such factors are Lack of teamwork, Ineffective leadership of the organisation, Level of relevant people skills, Lack of resources, Lack of communication and Shortage of appropriate staff are the main difficulties faced by managers.

Ekaterini (2011) added insights into how organizations can diagnose if they have middle managers who are able to reach their objectives, to be outstanding in the competitive environment that they belong to, that is to give new roles and initiatives, using a qualitative approach. Qualitative evidence was found for managerial competences, values and the way these competences are related to effectiveness and job satisfaction.

According to a study by Bititci et al (2011) while operational and support processes deliver performance presently, it is the managerial processes that sustain performance

over time. The findings suggest that the managerial processes and their constituent managerial activities identified through the empirical research influence the performance of organisations as an interconnected managerial system rather than as individual processes and activities.

Hino and Aoki (2013) examined the leadership and managerial failure issues with consequences. They studied how knowing the causes of negative outcomes affects the evaluation of those outcomes and the extent to which leaders are blamed. Using an experimental situation with conditions of organizational failure, caused by leadership, employees and unavoidable external factors, the authors elaborated various internal and external factors leading to failure.

Bamel et al (2015) conducted an investigation into the interaction of three factors: ownership (public and private sector organizations), gender (male and female), and level of manager (senior, middle, junior) in relation to the concept of effectiveness in the Indian context. The authors offered insight into issues of managerial effectiveness and provides suggestions for managerial action.

Research Methodology:

Objective of Study: To study the impact of unwillingness to take risk on managerial failure in public sector.

Null Hypothesis: There is no significant difference of unwillingness to take risk on managerial failure in public sector.

Sample size: There were 200 respondents selected from two public sector organisations in Jaipur and Bhopal, the capital cities of MP and Rajasthan. These were the officers and managers working in public sector enterprises under state respective government. Secondary data were collected from sources like- Internet, books, newspapers, brochures, journals, magazines etc. Questionnaire was used to collect primary data, where there were 14 closed-ended questions measured on Likert scale. The questionnaire was pilot tested on few respondents and questionnaire was finalized. In this research, primary data collected was tabulated in Excel sheet and was analysed by using t-test.

Results and Discussion:

After applying test for testing null hypotheses, the results are as follows:

Hypothesis: There is no significant difference of unwillingness to take risk on managerial failure in public sector.

The above hypothesis states that unwillingness to take risk does not show any significant difference on managerial failure in public sector. It is been assumed in the study that managerial failure is not caused by unwillingness to take risk in the sectors considered.

Table 1: Descriptive statistics for unwillingness to take risk in public sector

GROUP	N	Mean	Std. Deviation	Std. Error Mean
Public Sector	200	11.40	2.351	.166

The table of descriptive statistic show the value of average, standard deviation & standard Error mean of unwillingness to take risk public sector. In case of public sector the value of mean and standard deviation of unwillingness to take risk are 11.40 & 2.351 respectively. The value of mean in public sector depicts that unwillingness to take risk may lead to managerial failure in public sector organizations. Also the smaller value of standard deviation shows the responses for unwillingness to take risk leading to managerial failure.

Table 2: Managerial failure of public sector through unwillingness to take risk

	t-test for Equality of Means				95% Confidence Interval of the Difference	
	T	Df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Unwillingness to Take Risk	68.573	199	.000	11.400	11.07	11.73

One sample t test is calculated to test the hypothesis as to whether there is managerial failure due to unwillingness to take risk or not. The significance value of T-test is .000 which is also less than .05, so there is significant difference of unwillingness to take risk on managerial failure in public sector. Thus the hypothesis stands rejected.

Conclusion:

Aversion to risks has been a common cause of failure irrespective of sectors of employment. However, in public sector jobs, this tendency has been witnessed more as compared with private sector jobs. In private sector, the level of autonomy seems to be higher, while in public sector, bureaucracy dominates the scene. In this environment of excessive addiction to rules and regulations, at times public sector managers feel difficulty to take risks. It often happens that the systems and processes of any organisation do not allow the managers to practice innovation; the rules and regulations are highly rigid and the practice of following the old norms is followed. In such condition, a manager which takes risks has the chances of failure. The study supports findings of prior studies by Longenecker et al. (2007), Hino and Aoki (2013) to a great extent.

The current study has delved into willingness to take risk as a reason of managerial failure in public sector organizations. The number of respondents selected for study was 200, which could be increased in further studies. There may be a possibility of biasness from respondents in filing the response. Further research can be done on large sample size in more cities and more states across the country. Causes of failure among supervisors may also be studied to get more comprehensive results. Comparative studies can be done with managers working in private sector as well.

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BOOK REVIEW

**E-MARKETING by Judy Strauss, Adel El-Ansary and Raymond Frost (2007)
Revised edition. New Delhi: Prentice Hall, p 578. Price Rs. 250.**

Internet has brought profound changes in today's business practices. The progress of a global economy greased by the Internet has resulted big changes in many countries. The book under review is a commendable effort by authors to give an insight into the world of electronic-marketing (E-marketing). As defined by the authors, E-marketing is the use of information technology in the processes of creating, communicating and delivering value to the customers. The book has been divided into four parts containing 14 chapters. The first part consists of three chapters. Chapter I deals with E-marketing in context where authors have introduced the concept by comparing the past, present and future of E-marketing. Chapter II puts forth the issue of strategic E-marketing. The e-business models have been explained by the authors in a comprehensible manner. Chapter III analyzes seven-step E-marketing plan beginning from situation analysis and ending at evaluation.

The second part of the book discusses E-marketing environment and issues connected with it. Chapter IV explores global markets and gives an appraisal of E-marketing strategies of various countries. The example of China has been discussed at this place. Chapter V discusses ethical and legal issues with respect to E-marketing. The issue of privacy has been raised in relation to ethical and legal concern. The online expression of spam, website content and expression directed to children are some of the critical areas pertaining to E-marketing.

Third part elaborates the E-marketing strategy of a firm by discussing the marketing knowledge and consumer behaviour. Chapter VI highlights the application of management information system for managing knowledge for the use of E-marketers. The steps of collecting primary and secondary data are discussed along with their pros and cons. Chapter VII presents customer profile in this century. The behaviour of customers towards Internet has been expressed with suitable examples. Technological, social, cultural and legal contexts are given due emphasis in the understanding of consumer behaviour. Chapter VIII presents segmenting and targeting strategies for E-marketers. The three-market structures: business market, government market and consumer market have been defined. Segmentation of the market on the basis of geography, demography and psychography has been elaborated. Chapter IX links the differentiation and positioning strategies for a firm. Differentiation on the basis of services, personnel, channel and image has been present in light of the E-marketing plans.

The last part of the book throws light upon E-marketing management with an example of Google. Various components of product benefits (attributes, branding, support services and labeling) are explained in this chapter. Chapter XI identifies fixed and dynamic pricing strategies for online selling. The viewpoint of buyers and sellers for online pricing has been elaborated in effective manner. Chapter XII discusses the distribution strategies for the Internet marketers. Types of intermediaries, length of channel and functions are elaborated to give an insight into the topic. Chapter XIII presents an overview of E-marketing communication issues. Integrated marketing communication model has been shown to propose marketing communication tools, media, goals and strategies. This chapter focuses on a very significant area of E-marketing: customer relationship management. The benefits of CRM to E-marketers have been explained with examples. The CRM vision, strategy, experience and organizational collaboration have been discussed in detail by authors. This book provides valuable insights for E-marketers right from conception to implementation. Step-by-step activities are elaborated in effective manner. The four P's of marketing have been presented in context to E-marketing in a reader-friendly style. The language of book is simple except the technological jargons, which are explained in separate sections of each chapter. Various examples of companies mentioned at the beginning of each chapter make it interesting for the reader in getting an insight into the topic.

The examples cited are mostly from the United States of America, where Internet penetration is very high. In a nutshell, this book provides a useful study material for graduate and post-graduate students of marketing specialization.

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