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(A Double Blind, Peer Reviewed Bi- Annual Journal)

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Chief Editor

Professor N. Venkiteswaran

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EDITORIAL

This volume is a compilation of four research articles and a perspective paper spanning through different areas like Human Resource, Marketing and Banking. Two of the research articles are the outcome of research projects funded by Indian Council of Social Science Research. The first one by Rajamohan and Joel Jebadurai discusses about various cost involved in seafood export with reference to Tamil Nadu. The second one by Neelamegam is a perception study on service quality at Madurai division of Southern Railway.

Surajit Das and Tapash Ranjan Saha discuss the benefits of International Financial Reporting Standards (IFRS) adoption in India and Udayan Basu, in his perspective note does a critical evaluation of the Marginal Cost of funds based Lending Rate (MCLR). Ashwini Mehta, Yogesh Mehta and Anukool Manish have done an interesting study on emotional intelligence among executives of select manufacturing industries of India. We thank the authors for their contribution and look forward to your feedback on this issue.

We wish you a happy scholarly reading.

Editorial Team

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Articles….

RBI was facing a good deal of criticism because commercial bank's lending rates were not decreasing as fast as some groups expected it to come down. With a view to overcoming such criticism, RBI wanted the efficiency of monetary policy transmission to improve and prescribed a formula whereby commercial banks could work out a Marginal Cost of Funds based Lending Rate (MCLR). This paper by Dr. Basu undertakes a critical evaluation of the two equations used by RBI and find that there is some lack of overall compatibility in the entire process.

Grouping of Cost Involved in Seafood Export of Tamil Nadu- Exploratory Factor Analysis

S.Rajamohan and D.Joel Jebadurai

DOI: 10.23837/tbr/2017/v5/n2/164224

Abstract

Cost plays an important role in every aspects of the product from the processing to till packaging of the product. Seafood manufacturers are adopting the strategy to reduce the cost of the product upto their maximum effort. The efforts are mainly for the reasons of reduce the cost of product and offer the product with low cost. The researcher has identified twelve cost involved in the processing plant of the exporter to reach the goods in the hands of the importer. The survey conducted with the 230 seafood exporters of Tamil Nadu by using the simple random sampling method. The researcher found the four groups among the twelve costs involved in seafood export by applying the exploratory factor analysis. The researcher would like to thank the authorities of Indian Council of Social Science Research for providing fund to complete the research work successfully.

Keywords: *Cost, Seafood, Factor analysis*

1. Introduction

In the international market, exchange of goods is possible only through fixing the cost of the product. Cost is the sacrifice made for various monetary activities involved in seafood export. In recent days, seafood exporters are cost maker for the product they are exported. It is because of the seafood products exported from Tamil Nadu having the higher demand in the market. But the raw fish availability makes a significant impact on the cost of the seafood.

Types of cost

Cost is an amount that has to pay in terms of monetary valuation of such as material, effort made by the labour and so on for to obtain something. The followings are the cost involved in the export process.

Raw material procurement cost

Raw material procurement is a predominant cost involved in the seafood export. It occupy major portion of the total cost involvement in the export. In seafood the raw fish cost is high due to the reasons of scarcity and non-availability of the expected size of the fish.

Labour cost

Labour costs contribute the significant impact on the seafood export. Seafood companies are selecting the labour from the nearby rural women only for the processing work. The amount paid them as a wages are also nominal level only.

Customs clearance expenses

Customs duty is paid for to obtain the clearance from the customs authority for the export. It is decided by the customs authority. But it is decided based on the value of seafood products exported to the international market.

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Cargo handling expenses

It is an expenses incurred in the process of loading and unloading of goods in various places such as factory, berthing place in the port and customs verification in the importers place.

Marine insurance premium

Marine Insurance is paid to the exported goods for the purpose of safeguard the goods from any cyclone and environmental evils.

Transportation expenses

Transportation costs contribute the significant parts in the total cost of the product. There are different types of transportations involved in the export. For the purpose of transport the goods from exporter go down to harbour some kinds of charges involved, that is comes under the transportation charges. The cost of the transport is moderately involved in the export.

Port usage cost

Port is the place to boarding the seafood in the ship for to transport the buyer place. For the purpose of using the port for loading the goods usage cost to be paid to the authorities.

Electricity cost

Electricity is important in every parts of the export process of seafood. It is needed for the purpose of sustain the seafood in freezing condition without perish in very short time. So, the electricity cost is higher for the seafood companies.

Warehouse rent

Every seafood exporters are having their own go down for to safeguard the seafood. If the exporter doesn’t have a go down means, they utilise the private go down service operators. For that purpose they have to pay the rent to the warehouse service provider.

Freight charges

Charges that have been paid for the transportation of the goods from the shipping yard to the importers place are called as freight charges.

Container usage cost

Containerization is important to reach the goods in the hands of importers in good conditions. Reefer container is used for the seafood exporting. For the purpose of utilizing the container the trade party have to pay the amount.

Packaging cost

Packaging cost is involved in the final stage of the seafood export. The packaging cost of seafood is depends on the types of seafood products exported and the country chosen for the trade.

Factor influencing the cost level of the seafood

The following are the factors determining the level of cost of the seafood products in the international market.

1. INCO Terms
2. Availability of the fish
3. Competition in the market
4. Credit period offered to the importer
5. Payment system

2. Objectives of the Study

- To study the various cost involved in seafood export
- To find out the groups among the cost involved in seafood export

3. Methodology

The study is primarily based on the primary data. It is collected from the seafood exporters of Tamil Nadu by using the interview schedule. Simple Random Sampling method is used to collect the 230 responses from the total of 283 seafood exporters in Tamil Nadu. The total number of respondents list has been collected from the Marine Product Export Development Authority Websites. Exploratory Factor analysis method is used to find out the group among the various types of cost involved in the seafood export.

4. Results and Discussions

Cost Levied on Seafood Export –Factor Analysis

Cost refers to monetary valuation or the amount that has been paid for the purpose of produce the products. Cost plays the significant role in the fixation of the price of goods. If the cost of the product is high, definitely it will have a higher impact on the price of goods. The researcher has identified major twelve cost involved in the seafood export. It involved from the processing to hand over the seafood in the boarding of ship. The respondents are asked to provide their opinion in the scaling of very high, high, medium, low and very low column. The researcher has used the multivariate technique by name factor analysis in order to classify the related variables.

Factor analysis consist of Kaiser-Mayer-Olkin (KMO) and Bartlett's test, principal component extraction method with the rotation of Varimax with Kaiser Rotation method with the objective of to identify the groups among the cost and find out the significance of the cost involved in the seafood export.

There are 12 cost involved in the seafood production to export. These costs are correlated with each other. In order to group the related variables, the researcher has decided to use the factor analysis. Before grouping the variable, the normality has to be ascertained. Hence for ascertaining the normality KMO has been used. The (KMO) measures of sampling adequacy index used to examine the whether the data are appropriate to examine the factor analysis. The values are range between 0.5 and 1.0 indicates the factor analysis is appropriate. The values below 0.5 imply that the factor analysis is not appropriate, either to collect more data or to rethink which variables to include. If the KMO value lies between .7 and .8 is good for factoring.

Bartlett's test of sphericity is a test in statistics used to examine the shape of normal distribution and also verify the smoothness of the curve. Table.1 explains two tests they are Kaiser-Mayer-Olkin (KMO) Measures of Sampling Adequacy and Bartlett's test of sphericity. It gives the statistics of KMO, Bartlett's test of sphericity and chi-square analysis of association, degrees of freedom and the probability value.

Table.1 Cost Involved in Seafood Export-Kaiser-Meyer-Olkin (KMO) and Bartlett's Test

KMO and Bartlett's test		
Kaiser-Mayer-Olkin (KMO) Measures of Sampling Adequacy		**.765**
Bartlett's test of sphericity	Approx. Chi-square	**503.168**
	Degrees of freedom	**66**
	Sig.	**.000**

Source: Primary Data

Table.1 shows that the KMO value of 0.765, which indicates that the degrees of common variance among the variables is quite high, therefore factor analysis can be conducted.

Cost Involved in Seafood Export- Principal Component Analysis

The principal component analysis has been administered for grouping the factor of the various cost involved in the seafood export process. It is a method of data reduction. The proportion of the variance of particular item due to common factor is called as communality. The initial value of the communality in a principal component analysis is 1. The cost involved in the export process is placed in the components column. The extraction communalities estimate the variance in each variable accounted for the factors in the factor solution. The value is less than .5 indicates variables that do not fit well with the factor solution and should possibly be dropped from the analysis. Table.2 shows the extraction value of the respondents cost involved in the export process.

Table.2Cost involved in seafood export-communalities

Components	*Initial*	*Extraction*
Raw material Procurement cost	1.000	.638
Labour cost	1.000	.508
Customs clearance expenses	1.000	.548
Cargo handling expenses	1.000	.580
Marine insurance premium	1.000	.586
Transportation expenses	1.000	.715
Port usage cost	1.000	.675
Electricity cost	1.000	.609
Warehouse rent	1.000	.633
Freight Charges	1.000	.683
Container usage cost	1.000	.500
Packaging cost	1.000	.601
Extraction method: Principal Component Analysis		

Source: Primary data

Table.2 explicates the variance of the 12 variables ranging from .500 to .715. It shows that the 12 variables exhibit the considerable variance from 50 percent to 70 percent. Hence it could be concluded that all these 12 variables are capable of segmenting themselves with respect to the cost levied on export to form the predominant factors.

Cost Involved in Seafood Export-Total Variance

The total variance analysis is important to know the rotated sum of square value. The rotated four factors are determined based on the total Eigen values of the factor should be greater than one. The total cumulative variance explained by the total percentage of variance by each retained four factors. Table.3 gives the individual variances of the predominant factors emerged out of 12 factors.

Table.3Cost Involved in Seafood Export- Total Variance

Cost	*Initial Eigen Values*			*Rotation Sums of Squared Loadings*		
	Total	*% of Variance*	*Cumulative %*	*Total*	*% of Variance*	*Cumulative %*
Raw material procurement cost	3.329	27.739	27.739	2.355	19.623	19.623
Labour cost	1.473	12.278	40.017	1.802	15.015	34.638

Customs clearance expenses	1.100	9.710	49.186	1.479	12.327	46.965
Cargo handling expenses	1.074	8.951	58.137	1.341	11.172	58.137
Marine insurance premium	.887	7.389	65.526			
Transportation expenses	.756	6.302	71.827			
Port usage cost	.709	5.911	77.739			
Electricity cost	.630	5.254	82.992			
Warehouse rent	.623	5.192	88.184			
Freight charges	.568	4.732	92.916			
Container usage cost	.516	4.301	97.217			
Packaging cost	.334	2.783	100.00			
Extraction Method: Principal Component Analysis						

Source: Primary data

As could be seen from Table.3 is that, Eigen values are greater than one for four factors. From this, it is confirmed that, the twelve costs are grouped into four predominant factors. The rotated sums of squared loading are greater than 50 percent. The 12 variables are reduced into four predominant factors with the individual variances 19.623, 15.015, 12.327 and 11.172. It is also found that the total variance of the 12 variables is found to be 58.137 percent which is greater than the bench mark of 50 percent. Moreover, it confirms that the factor segment is the meaningful one.

Cost Involved in Seafood Export-Rotated Component Matrix

The rotated sum of square value indicates the cumulative percentage of variance is 58.137. Hence the factorization is more suitable for the cost involved in seafood export. Table.4 explains the value of rotated component matrix for the cost involved in seafood export.

Table.4Cost Involved in Seafood Export-Rotated Component Matrix

Factors	Components			
	1	2	3	4
Raw material procurement cost	.811			
Warehouse rent	.782			
Packaging cost	.695			
Labour cost	.620			
Freight charges		.725		
Customs clearance expenses		.624		
Marine insurance premium		.606		
Container usage cost		.556		
Electricity cost			.776	
Cargo handling expenses			.639	
Transportation cost				.806
Port usage cost				.750
Rotation Method: Varimax with Kaiser Normalization Rotation Method				

Source: Primary data

Table4 portraits that the various types of cost are categorized into four factors. First factor consist of four variables namely raw material procurement cost (.811), warehouse rent (.782), packaging cost (.695), labour cost (.620) and all these factors are termed as “Processing Cost”.

Second factor consist of freight charges (.725), customs clearance expenses (.624), marine insurance premium (.606) and container usage cost (.556). All these cost are known as “Clearing and Forwarding Cost”.

The third factor is generated with two variables namely electricity cost (.776) and cargo handling expenses (.639). These factors are collectively called as "Utility Cost". Fourth factor comprises of two factors such as transportation cost (.806) and port usage cost (.750). These two factors may be called as "Service Cost".

5. Conclusion

The researcher has found the five groups in the twelve costs involved in the seafood export. The seafood companies operated in Tamil Nadu may be focused on the major four groups of cost for the smooth flow of trade and make the gain in the market.

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Passengers' Perception of Service Quality: A Study With Reference to Madurai Division of Southern Railway

R.Neelamegam
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Abstract
After globalization, service quality has assumed greater significance in rail transport owing to rail passengers' expectation of improved service quality in Indian Railways (IR), as well as existence of keen competition from the road transportation sector. Service quality is a business management term used to indicate achievement in service. Usually, service quality yields comfort to the passengers; it would delight them when the passengers' perception of service quality exceeds their expectations. In this context, service quality comes under the scanner of a comparison of passengers' expectation with performance of Madurai Division of Southern Railway (SR) Zone of Indian Railway. This research paper is an outcome of the present author's research project sponsored under ICSSR's Senior Fellowship.

Keywords: *Service quality, Perception and expectation of service quality, Gap analysis, Dimensions of service quality, Southern railway*

1. Introduction

Indian Railway (IR) is the public enterprise, owned and run by the Union Government through the Ministry of Railway. The IR is one of the world's largest public utility services in terms of the number of employees and rolling stock. For administrative convenience, IR is divided into 17 zones including Southern Railway (SR) zone; these zones are further subdivided into divisions. At present, the SR has six railway divisions such as Chennai, Madurai, Palghat, Salem, Trichy and Trivandrum. Madurai Railway Division was formed in 1856; it spans over 1,356 kilometres making it the largest railway division of SR[1]. At present, the Madurai division covers 11 districts in Tamil Nadu and one district in Kerala. Under the modern consumerism, rail passengers are craving for quality service from the SR/IR. The Ministry of Railway has to ponder over the service quality of SR/IR where for mass movement of men and materials, rail transport is highly suitable.

2. Review of Literature

Rajeswari and Santa Kumari (2014) investigated the passengers' perception of service quality of Indian Railway. They applied a modified SERVQUAL instrument including eight service quality dimensions. Results indicated that passengers perceived the quality of service delivered was not satisfactory.Hemant Sharma and Sonali Yadav (2013) in their paper on "Service quality improvement-An empirical study of Indian Railways" found the customers' perception of service quality with the SERVQUAL instrument in terms of five dimensions of service quality, i.e., tangibles, reliability, responsiveness, empathy, and assurance.Balakrishnan's study (2012) focused on service quality attributes impacting passenger satisfaction with rail service. He concluded that the railway administration had failed to take necessary steps for the improvement of services towards their passengers.

BodhibrataNag (2012) discusses the measures adopted to check malpractices in public procurement in the Indian Railways. He points out that internal and external check by independent bodies and strong

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organizational structures have contributed to procurement processes safeguarding institutional interests.

Rajasekhar and Devi Prasad (2011) explored the concept of rail transport service quality with the standard scale of SERVQUAL developed by Parasuraman et al. They concluded that raising the service quality is one of the ways to improve the competitiveness of passenger's traffic. Ngatia et al (2010) concluded that safety and travel cost are the significant variables of service quality in travel industry. Chopra Vikram (2009) describes the achievements of passenger reservation system. The improvement in unreserved ticketing has become a boon for ordinary passengers. The present study deviates from the earlier studies by developing a new multi instrument, i.e., R-S QUAL (and is not based on the standard SERVQUAL scale developed by Parasuraman and others) to measure service quality of SR by gap analysis-mean value analysis.

3. Statement of the Problem

Improvement in service quality of SR/IR is severely hampered by funds crunch. A large part of revenue of IR is obtained from freight traffic and the passenger fare is cross subsidized with profit earning freight traffic. To worsen the situation, the IR is losing freight traffic to road transportation. Table 1 shows the net loss of Southern Railway (SR) zone of IR for the period 2011-2012 to 2013-2014.

Table 1Net loss of Southern Railway Zone of IR year wise

Year	Gross earnings (Rs. in 000')	Working expenses (Rs.in 000')	Net earnings/ (Rs.in 000')
2011-2012	56,08,07,60	68,74,32,58	-16,66,24,98
2012-2013	60,28,75,34	78,73,20,46	-18,44,45,12
2013-2014	68,45,54,54	90,48,12,96	-22,02,58,42

Source: www.Indianrailways.gov.in

The above discussion/analysis pinpoints lack of funds of IR/SR. the government of India cannot shut its eyes on improving the service quality of SR/IR citing the case of funds crunch. The Ministry of Indian Railway has to balance both these aspects, namely, augmenting its financial resources and upgrading its service quality.

4. The Objectives of the Study are

- To study the passengers' perceived level of service quality in Madurai division of Southern Railway zone of IR.
- To study the passengers' expected level of service quality in Madurai division of SR.
- To identify priorities for improvement (PFI) in service quality attributes in the study division for SR by performing gap analysis.

5. Data and Methodology

The study depended primarily on primary data which were collected through a structured and an undisguised questionnaire. The researcher combined random sampling method with non random sampling method for selecting 434 sample passengers in the study division of SR. Statistical formula was used for determining the sample size. The sample survey was conducted for a period of nine months, in 2016-2017. Relevant statistical tools such as percentage calculation, weighted average, confirmatory factor analysis (CFA) and paired t-test were applied. Gap analysis was made to find the difference between passengers' perceived mean value and expected mean value in service quality attributes of SR.

Hypotheses:
H_{01}: There is no difference between expected level and perceived level of rail passengers in terms of the dimension 'basic amenities' in SR.
H_{02}: There is no difference between expectation and perception of passengers in terms of dimension modern amenities in Madurai division of SR.
H_{03}: There is no difference between expectation and perception of passengers for the dimension ticket booking facilities of SR.
H_{04}: There is no variation between expectation and perception of passengers for the dimension service operational activities of SR.

6. Results and Discussion

Service quality denotes a gap between one's perceived and expected level of service. Most studies in the area of service quality have been based on the model developed by Parasuraman et al. (1985, 1988) which makes a comparison of customer expectation and perception of service delivery. In 1988, they modified the previous ten dimensions to five dimensions of service quality, i.e., reliability, assurance, tangibles, empathy and responsiveness or 'RATER' scale. Parasuraman, Zeithaml and Berry evolved a 22 item multiple attribute scale termed SERVQUAL to measure service quality in service and retail concerns; the SERVQUAL scale measured service quality along five district dimensions/factors, namely, Reliability, Assurance, Tangibility, Empathy, and Responsiveness (RATER) by performing gap analysis.

It is to be noted that several authors in their studies have used SERVQUAL scale with the above mentioned five dimensions to measure service quality in trading and financial concerns; at the same time, several others have objected to SERVQUAL instrument to measure service quality. In his ICSSR's sponsored project, the present author has conceptualized rail passengers' perception of service quality as their level of experience with service quality attributes and their expectations as how these attributes are considered important by the passengers in Madurai division of SR. In this context, it is apt to note that the renowned author Cross by (1979) defined service quality in this sense, namely, "service quality is the conformance to requirements".

Service quality in India railway- a mammoth public utility concern is totally different from any other product/service environment. The present author has evolved a 29 item multiple attribute scale compressed into two main dimensions(captioned "R-SQUAL") as the base to measure service quality in Southern Railway.

The two main dimensions are: 1.Passenger amenities and 2.Service operational activities. To have a realistic approach, the first main dimension was subdivided into three sub dimensions, namely, (a) Basic amenities; (b) modern (tech driven) amenities and (c) Ticket booking facilities. The other main dimension, i.e., service performance activities does not have any subdivision. Thus ultimately, the gap analysis- mean analysis was used to measure the four dimensions of service quality in Madurai division of SR.

Reliability Test of Service Quality Dimension/Constructs
According to Bruce Thompson (2002) reliability refers to the extent to which a scale produces consistent result if repeated measurements are made. Cronbach's alpha is the most widely used measure of reliability, used as a lower bound estimate of the reliability of the constructs. George and Mallery (2003) provide the following rules of thumb: ≥. 8 is good; ≥.7 is acceptable; and ≥. 6 are questionable. There are four dimensions of service quality: 'Basic amenities' have 10 attributes/variables such as drinking water facility in the station, toilet facility, lighting and fans,

platform shelters, cleanliness in the station and coaches, seating facilities, foot over bridge facility, trolley path facility, adequacy of parking space, and availability of autos and public transport buses.

'Modern Amenities' encompasses six attributes such as touch screen facility, coach indication board, mobile phone charger facility, display of name chart in reserved coaches, escalator facility and Wi-Fi facility. Ticket booking facilities have five attributes such as online booking, booking facility in advance, seasonal ticket facility, ticket cancellation, and Tatkal scheme booking facility.

'Service operational activities' include eight attributes such as passenger fare, safety in journey, service frequency, punctuality in service, connectivity of trains, announcements about train timings, running of semi high speed trains and cooperativeness of railway staffs. Table 2 presents a summary of reliability statistics (Cronbach's alpha) run on SPSS.

Table 2 Summary of Reliability Statistics

S.No.	Dimension	No.of items in the dimension	Cronbach's alpha	
			Perception (Experience)	Expectation (Importance)
1	Basic amenities	10	0.823	0.847
2	Modern amenities	6	0.814	0.758
3	Ticket booking facilities	5	0.811	0.719
4	Service operational activities	8	0.861	0.859

Source: Primary data, Results calculated by author

A notable feature is that all the four dimensions have a value more than 0.7 and most are above 0.8 in passengers' perception and expectations of service quality of Madurai division in SR. It indicates that the scale items have good internal consistency. Further, the validity of the scale was tested by content validity by contacting the experts in the field.

The last but the most important step before performing gap analysis is testing the validity of the four dimensions/ constructs. The construct validity was carried out with confirmatory factor analysis (CFA). Performance of CFA revealed that all the29 attributes/items were highly aligned with their corresponding dimensions. As the validity of dimensions was confirmed, the researcher proceeded to perform gap analysis through mean analysis.

Gap Analysis-Mean Analysis

The R-SQUAL model is the right choice to find the perception and expectation of passengers. This model would show the service quality gap in the service provided by the SR. Certainly, the gap may be positive or negative. Gap analysis is the difference/gap between passengers' (numbering 434) perceived mean and their expected mean for the 29 attributes/items under the four broad dimensions/constructs. A positive gap value would show that the passengers' actual experience/perception is more than expectation, indicating good service (that attribute doesn't require improvement). A negative gap value denotes the passengers' experience is less than their expectation, indicating not a good/poor service (that attribute requires improvement by the Southern Railway). Both perceptions and expectations of passengers for the 29 service quality attributes subject to four dimensions were measured with a 5 point numerical scale to rate their level of perception/expectation. The expectation score one denotes very low level of expectation and 5 is very high level of expectation. For the perception, score1 is very low level of service quality experience and 5 denotes very high level of service quality experience. Service quality gap values are the difference between the passengers' perception and expectation scores

(P-E). The quality score measures the service quality gap or the extent to which expectations exceed perceptions. The more positive the P-E scores, the higher level of service quality received by the rail passengers, and vice versa. The details of the result of service gaps in all the 29 attributes under the four dimensions are presented in table 3.

Table 3 Gap Analysis with Paired Sample T-Test

S.No	Service quality dimensions	Variables/Attributes	Expectation (E) (Importance)	Perception (P) (Experience)	Gap (P-E)	t-test	Sig.
		I Passenger Amenities					
SQ1	Basic Amenities	1. Drinking water facility in the station	4.35	3.42	-0.93	13.055	.000
		2. Toilet facility in the station	4.27	3.12	-1.15	14.922	.000
		3. Lighting& fans in the station	4.26	3.20	-1.06	16.405	.000
		4. Shelters in the platforms	4.19	3.58	-0.61	9.836	.000
		5. Cleanliness in station & coaches	4.28	3.04	-1.24	16.838	.000
		6. Seating facility in the station &coaches	4.27	3.42	-0.85	12.466	.000
		7. Foot over bridge facility in the station	4.17	3.51	-0.66	10.318	.000
		8. Trolley path facility in the station	4.08	2.93	-1.15	14.308	.000
		9. Adequacy of parking space & parking charge	4.15	3.57	-0.58	10.621	.000
		10. Availability of auto & public transport buses	4.11	3.49	-0.62	9.669	.000
	Grand mean		4.213	3.328			
SQ2	Modern amenities	11. Touch screen facility in the station	4.15	3.44	-0.71	10.083	.000
		12. Coach indication board in the station	4.06	3.41	-0.65	9.154	.000
		13. Mobile phone charger facility in the station	4.16	3.35	-0.81	11.501	.000
		14. Display of name chart in reserved coaches	4.13	3.49	-0.64	9.000	.000
		15. Escalator & lift facility	4.11	3.09	-1.02	12.997	.000
		16. WI-FI Facility	3.96	2.91	-1.05	13.473	.000
	Grand mean		4.095	3.280			
SQ3	Booking Facilities	17. Online booking facility	4.11	3.73	-0.38	5.871	.000
		18. Booking ticket facility in advance	4.15	3.66	-0.49	7.581	.000
		19. Season ticket facility	4.13	3.59	-0.54	8.306	.000
		20. Ticket cancellation facility	4.14	3.42	-0.72	10.331	.000
		21. Tatkal& premium tatkal schemes booking facility	4.03	3.32	-0.71	11.644	.000
	Grand mean		4.112	3.544			
SQ4	II Service	22. Passengers' fare	4.29	3.56	-0.73	12.056	.000

	Operational Features	23. Safety in journey	4.30	3.23	-1.07	16.548	.000
		24. Frequency of service					
		25. Punctuality of service	4.19	3.39	-0.8-	12.890	.000
		26. Existence of connectivity of trains	4.25	2.97	-1.28	17.054	.000
		27. Announcements about train timing	4.17	3.31	-0.86	14.414	.000
		28. Running of semi high speed & high speed trains					
		29. Cooperativeness of staff	4.25	3.51	-0.74	12.615	.000
			4.18	3.20	-0.98	14.101	.000
			4.16	3.27	-0.89	13.306	.000
	Grand mean		4.224	3.305			

p- Value <0.05

A striking disclosure of the above gap analysis is that there is a negative gap (grey area) in all the 29 variables of the four service quality dimensions of Southern Railway. It means the passengers' level of experience/perception of service quality lags behind their expected level of the service quality for all the 29 attributes of service quality of Southern Railway.

Another important revelation is that individual attribute rise, the negative gap is wider in the attributes cleanliness in station and coaches (-1.24), followed by toilet facility (-1.15), trolley path facility (-1.15), and lighting and fans (1.06) under the dimension basic facilities. Similarly, the negative gap is wider in the attributes Wi-Fi facility (-1.05), and escalator facility (-1.02), in the dimension modern amenities. One could also observe the negative gap is bigger in the attributes punctuality of train service (-1.28), followed by safety in journey (-1.07) under the dimension service operational activities of SR. Thus, the study has pinpointed the deep grey areas in the individual attributes under the broad dimensions of service quality indicating priorities for improvement by the IR/SR.

Significance Testing

Test of significance is made for each of the pairs of attributes of service quality under the four dimensions. The null hypothesis of no difference/gap between each pair of attributes is verified by paired t-test at 0.05significance level. If there is no difference between the means, it shows that the passengers' experiences or perceptions are exactly as expected, and so the null hypothesis is accepted; otherwise, the alternative hypothesis is accepted.

From the observance of probability in the last column of the above Table 3, one can conclude that there is a difference (negative gap) in the mean of the pairs of all the 29 attributes of service quality dimensions; it means all the null hypotheses are rejected. Similarly, the null hypothesis of grand mean for each pair of all the four dimensions is verified by paired t-test (vide Table 4)H_0: There is no difference between expectation and perception of passengers in terms of the dimension basic amenities in Madurai division Southern Railway zone (of IR). Similar null hypothesis was formulated for the other three broad dimensions of service quality.

Table 4 Pair Differences between Perception & Expectation in Sq Dimensions of Southern Railway

Pair	Dimensions	Grand Mean value		Gap score (P-E)	Statistic	Sig.
		(P)	(E)			
Pair1	Basic Amenities Perceived-Basic amenities expected	3.328	4.213	-0.885	-54.328	.000
Pair2	Modern Amenities Perceived-Modern amenities expected	3.280	4.095	-0.815	-26.323	.000
Pair3	Booking facilities Perceived-Booking facilities expected	3.544	4.112	-0.568	-19.61	.002
Pair4	Service Operational features Perceived - Service Operational features Expected	3.305	4.224	-0.919	-41.263	.000

Source: Primary data

As the p-value 0.000 is far less than the significance 0.05, null hypothesis in terms of all the four broad dimensions are rejected. It means there are negative gaps in all the four pairs of dimensions of service quality of SR.

7. Suggestion and Conclusion

A remarkable revelation is that grand mean difference is bigger in two dimensions, namely, service operational activities and basic amenities with the larger negative (grand mean) value of -0.919 and -0.885 respectively. At this juncture, it is noticeable that individual pair of attributes in the dimension basic amenities, namely, cleanliness and toilet facility has registered a bigger negative gap; similarly, the individual pairs of attributes in the broad dimension service operational activities, namely, punctuality in service and safety in rail journey have shown a larger negative gap. The Ministry of Indian Railway should ponder over these negative gaps.

The crux of the problem is how to close the negative gaps in the service quality of IR/SR? Now the Indian Railway/Southern Railway are at cross roads. It is caught in between Schilla and Charybdis. That is to say, amid dire financial straits, the IR/SR has to overcome the lacunae in its service quality. The real situation is this- there is fierce competition in surface transportation; now the rail passengers are craving for improved rail service. Being so, the pragmatic solution lies in augmenting the revenue of SR/IR from passenger traffic, so that the rail passengers' expectations of robust service would be fulfilled.

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Benefits of Mandatory IFRS Adoption in India: A Study Based on the Perception of Indian Investors

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Abstract
The importance of international accounting practice studies has grown over the past few years in order to meet economic agent demands and to facilitate international business practices. With the growing economy and increasing integration among the global economies, Indian companies are also raising their capital globally due to diversification, cross-border mergers, investments or divestments.The motivation of this paper is to find out the benefits of mandatory IFRS adoption in India. A primary survey has been done to collect the investor's opinion about the benefits of IFRS adoption and apply different statistical technique to find out the statistical significance.

Keyword: *IFRS, IGAAP, Benefits, Investors, Statistical Technique*

1. Introduction

Since the advent of internet, the world has shrunk, distances have lost their importance and information has no more remained the differentiating factor. In this global arena one of the foremost requirements to operate a business successfully, is to have a good financial reporting system. If we believe in the old saying, "Accounting is the language of business," then the business enterprises around the globe should be speaking in same languages to each other while exchanging and sharing financial results of their international Business activities.

With the growing economy and increasing integration among the global economies, Indian companies are also raising their capital globally due to diversification, cross-border mergers, investments or divestments. At this point, it is the need of the hour to have globally set standards in all domains to avoid discrepancies and conflicts across boundaries and have a well-defined, structured policy framework throughout. International Financial Reporting Standards (IFRS) are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries.

In the year of 2014, Indian Ministry of Finance, ArunJaitley has proposed in his budget speech that from 2016-17, Indian companies have to apply new Accounting Standard (Ind-AS), which is substantially converged with International Accounting Standard, with voluntary adoption, permitted from a year earlier.

When a rule is mandatory, there is no other option but to accept it. But the question is what type of benefits Investors will get. There is no substantial evidence. On the basis of this question, in this paper, the researcher tries to find out the possible benefits of mandatory IFRS adoption from investors point of view.

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2. Literature Review

The following is a summary of research studies at international context under different part of section. There are mainly four streams of IFRS literature:

- First line of research examines the impact of IFRS on Financial components.
- Second way of research investigates the impact of IFRS on the earning quality of the organization.
- Third stream of research examines the challenges and benefits of IFRS adaptation.
- Fourth line of research investigates the conservativeness of IFRS and local standard for defining the profit and equity position of the companies.

Impact of IFRS on financial components

Aga &Akta (2007) have done a research on first time adaptation of IFRS and its effect on financial ratio of Turkish listed firm. They have considered 147 firm and obtained data from their financial statement and applied pair t-test proving hypothesis. They have found that only the change in cash ratio and Assets Turnover Ratio are statistically significant, on the other hand Inventory Turnover Ratio and total liability ratio are not statistically significant for the entire sample. Callao et.al (2007) has done a research on effect of IFRS adaptation on the comparability and relevancy of financial reporting in 35 Spanish firms. They have implemented t-test and Wilcoxon signed-rank test for proving hypothesis.They unveil IFRS have a significant impact on six financial ratios and interim information of the Companies. Fulbier et.al (2009) unveils the effect of IFRS on 90 companies in Germany. The goal of this research is to find out the effect of accounting treatments for operating lease on financial statement position and key financial ratio. The conclusion of their paper is that material capitalization significantly impact on most of the companies, especially fashion and retail industry and the entire ratios. Lantto & Sahlstrom (2009) have conducted a study on the impact of IFRS adaptation on key financial ratio in Finland. They have analyzed the financial figures of 91 firms and found that most of the financial statements items differ significantly. The result shows that operating profit margin, return on equity, return on invested capital and gearing ratios have increased and P/E ratio, equity ratio and liquidity ratios are significantly decreased after adopting IFRS. Tsalavoutas& Evans (2010) have conducted a study on 238 listed Greek companies from 2005 and 2006.The motive of the study is to find out the impact of the transition to IFRS on financial statement. They have calculated ratios and considered some absolute financial number. They found that IFRS adaptation have a significant impact on companies financial position especially on gearing and liquidity ratios. Markelevich et.al (2010) has conducted a research on the impact of conversion from national accounting standard to IFRS in Israel. They have considered 536 organizations from different industry in Israel and calculated different type of ratios to find out the impact. They concluded that conversion of accounting standard made a significant impact on real estate sector. Beke (2011) has conducted a study on IFRS adaptation on 65 IFRS adopted firm and 260 local firms on Hungarian market. The motive of the study is to measure the difference between local rule and international standard. For that he has applied logistic regression model on different ratios. The result shows that IFRS adaptation had a significant impact on earnings ratio, solvency ratios and profitability ratios and the new standard make the financial statement more transparent and user friendly. Ahmed &Alam (2012) has done a research on the effect of IFRS adaptation on financial statement in Australia. The objective of this paper is to analyze the changes in accounting surplus, equity, Assets and Liabilities. They found some difference between two sets of accounting standard, Average surplus or loss has decreased, equity assets and liabilities have increased. But no major changes on overall financial position have found. Shi-hsingWeu (2012) has conducted a research on the impact of IFRS convergence on effectiveness of accounting information for share valuation in China. He found that IFRS convergence increase the value of Balance sheet items and enlarge variation across firm. But there is no difference in the expletory power of value relevance of accounting information in China. SilvaMacedo et.al (2013) has made an investigation to find out the impact of convergence to IFRS on the informational content of accounting in Brazil. They have calculated different ratio and employed K-S test for testing normality and wilcoxon sign test for testing the hypothesis. The result indicates that Assets turnover, Gross margin, Operating cash flow over total assets and Operating cash flow over stock holder equity are lower when using the data from the IFRS based financial statement. On the other hand Book value per share and EPS, the explanatory power of these ratios has been increased. Sovbetov (2013) disclosed that how IFRS impact on key financial ratios in UK market. In this study he has selected some area like profitability, efficiency & liquidity, capital structure and inventory. He applied regression equation on these nine ratios. He considered these ratios as dependent variables and total assets, market capitalization, stock and trade value and a dummy variable as independent variables. He observed that IFRS have significant impact only on ROA, PM ratio and no evidence of any impact on other seven. Ibiamke et.al (2014) has conducted a research on the effect of IFRS on financial ratios in Nigeria. They have used pair t-test for testing hypothesis and regression analysis to define the relationship between IFRS and local GAAP. Through t-test,they conclude that IFRS adaptation did not have any impact on profitability liquidity and market ratio. Jindrichovska & Kubickova (2014) have tried to find out the impact of IFRS on key financial ratio on Czech Republic. They have used t-test on mean differences and found that IFRS bring the changes on all the indicator of the financial situation of Companies. The change of examined indicator was both in positive and negative direction.

Impact of IFRS on the earning quality of the organization

Goncharov& Zimmermann (2007) have conducted a research on the effect of IFRS on earning quality in Germany. They found that earning management does not decrease under IFRS compare US GAAP.Jeanjean & Stolowy (2008) have done a research on IFRS adaptation and its effect on earning management. They have selected 1100 firms in three countries (Australia, France and U.K), they define the quality of financial report as a reduction of earning management and it's assess as the frequency of small profit compared to small loss. Through regression, they found that earning management remained same in Australia and United Kingdom after IFRS adaptation. However in France it appeared to increase. But overall conclusion of their paper was that earning quality was not improved by adopting IFRS. Major& Marques (2009) have done a research on effect of IFRS adaptation on corporate governance and financial performance of 80 listed Portuguese firms. He has followed the equation and considers the items of the equation prescribed by Portuguese securities Market commission. These are ROA as dependent variable and size, list, equity; total assets to equity are independent variables. Observation includes data in two accounting regimes; before and after adaptation of IFRS. They found that Co efficient for IFRS is not statistically significant, means level of compliance with the recommendation was still low. Houqe & Zijl (2010) have conducted a research on the effect of IFRS adaptation and investors protection on earning quality around the world. They have selected 46 countries around the globe. They found that earning quality has been increased by mandatory IFRS adaptation and this led to stronger protection to the investors. Ton (2011) has conducted a study on the effect of IFRS on earning management on Dutch listed Companies. He has used Modified Jones Model on 75 Dutch companies. They have not get enough evidence that IFRS is associated with a lower level of earning management also there is no difference between small and large companies on this point of view. Cain et.al (2011) unveils the effect of fair value measurement on accounting comparability in the U.K and Australia through IFRS. They have employed T index and found that comparability increase only for accounting area where IFRS requires fair value measurement. Rudra & Bhattacharjee (2012) have tried to find out how IFRS influence on earning management. In this research they have measured the opportunistic earning through Discretionary accrual and formulate a cross regression model. They conclude that high quality accounting standard does not lead to high quality reported information all time. It can true for some cases but not all cases. Manzano& Conesa (2014) have conducted a research on the impact of IFRS adaptation on earning management at Mexican companies. He has applied the upper version of comparability index, called convergence index, then formulate a equation where firm size, growth ,CFO, Assets, debt consider as a control variable of accounting conservativeness. They have also used Modified Jones Model (1991) to estimate the non-discretionary component of total accrual. The result of this study suggests that convergence of accounting standard have increased comparability of accounting earning.

Challenges and benefits of IFRS adaptation

Ball (2005) has identified some key benefits behind the implementation of IFRS. He summarizes the factors as accuracy, Comprehensive and timely financial reporting, Reduce international barrier and fair value based accounting. Irvine &Lucas (2006) revile the impact of IFRS adaptation on United Arab Emirates. Through this descriptive study they have identified some points which are affected by IFRS adaptation. These are international trade, capital market, Big 4 international accounting firm. In this research they have outlined some challenges for implementing IFRS in developing countries like U.A.E. Gyasi (2009) have conducted a study on the topic of adaptation of IFRS in developing countries: The case of Ghana. He has identified several factors which are affecting the process of IFRS adaptation. These are Economic growth, Legal system, External environment, capital market, ineffectiveness of previous accounting standard etc. He conducted a survey on different companies in Ghana and then quantifies the opinion which helps to find out these factors. Apurva Chauhan (2013) conducted a research on IFRS convergence and its impact based on Wipro limited. She also identified some challenging factors for this convergence process in India. These are, training and education, Legal & regulatory consideration, taxation aspect and fair value measurement etc.

Conservativeness of IFRS and local standard for defining the profit and equity position of the companies

Tsalavoutas (2005) have done a research on the impact of IFRS and its effect of financial statement on Grease companies. He has employed Gray Index, one of the techniques to assess the impact on 12 different industries. He found that average changes of three sectors fall in the materiality band (5%-10%).These are retail, technology and food and beverage. The remaining sectors appear to have material effect for defining net income. Bertani& Rosa (2006) have conducted a research on Italian companies to know the conservativeness of the Italian Companies. They have applied Gray Index on reporting income and return on equity. They found that Italian GAAP is more conservative than IFRS. Patricia &Rui (2008) have done a research on the effect of IFRS on Portuguese companies. They have employed Gray Conservative Index. They classified the value from highly conservative (<.50) to less conservative (0.50).Then again classified it as per pessimistic, neutral and optimistic. They conclude with the result that 49% of the companies are pessimistic, 20% are neutral and 31% are optimistic for reporting profit. Punda (2011) conducted a research on impact of IFRS in U.K market by using Gray Conservative Index to measure the conservativeness of profit reporting and equity discloser. As per his paper, if the index value is less than 1,it indicates IFRS is less conservative and vice-visa. The result shows that, for reporting profit and disclosing equity, IFRS is less conservative compare to U.K GAAP. Dani Foo et.al (2012) conducted a study to find out the effect of convergence of IFRS in China. They have employed Gray conservative index to find out the difference. They have calculated Index of net earnings and equity for each company every year. They suggest that if the value of index varies in between .90 to 1.10,the local standard and IFRS are relatively equivalent for defining net income and net equity. They found net earning does not exceed 10% from 2002 to 2009 and for net equity also. Braun (2014) has done a research to find out the difference between local standard and IFRS on 42 countries around the world through Gray Index. He found that IFRS is more transparent and less conservative compare to local GAAP. Ibiamke et.al (2014) has conducted a research on the effect of IFRS on financial ratios in Nigeria. They have used pair t-test and Gray index to define the conservativeness between IFRS and local GAAP. Through Gray Index, they conclude that IFRS adaptation led to decrease in profitability liquidity and market ratio. George (2015)has conducted a study to examine the impact of IFRS for European and non-European countries. He has selected mainly four countries i.e., Germany, France, South Africa & Israel. By adopting Gray Index, He found that unlike Israel, European and South African companies experienced a positive change in equity and earning.

3. Objectives

The review of literature disclosed that where a country changed her accounting language from local standard to IFRS, the financial indicators as well as qualitative factors are also changed and generates several benefits to the users (Investors) of financial statement. So, on the basis of this concept, the objective of this study is to analyze the beneficial factors of mandatory IFRS adoption in India from investor's point of view.

4. Research Methodology & Hypothesis Development

Sample Design

To know the impact of mandatory adoption of IFRS and to study the perception regarding the benefits of IFRS adoption among the Investors in India, Share broking firm's official have been selected because they are the representatives of the investors.

Sample Size

To accomplish the objective, the researcher gathered the data from the official of the leading share broking firm. In that case, total sample size is Ninety one (91).

Data Analysis Technique: For analyzing the impact of mandatory adoption of IFRS on financial reporting quality and benefits of IFRS adoption, one sample t test and Chi-Square test has been applied.

Hypothesis

Hypotheses I

Ho: IFRS adoption will not increase Indian investors understanding of financial reports.
H_1: IFRS adoption will increase Indian investors understanding of financial reports.

Hypotheses II

Ho: IFRS adoption will not provide a better base to investors for taking decision.
H_1: IFRS adoption will provide a better base to investors for taking decision.

Hypotheses III

Ho: IFRS adoption will not make comparison of financial reports easier for the investors.
H1: IFRS adoption will make comparison of financial reports easier for the investors.

5. Data Analysis and Interpretation

When a country adopts a new accounting standard, it will affect not only the financial reporting factors but also influence the investment decision of the investors. As per the survey of PWC 2006, adoption of IFRS has influenced the investment decisions of more than half of fund managers in Europe. To study the perception of the investors regarding the benefits of IFRS adoption in India, a separate questionnaire, developed by literature review, were issued to the listed stock broking firms in India. Because they are the representative of the major investors to help them for making investment decisions (**Iyiola & Ajike, 2016**).

Reliability Statistics	
Cronbach's Alpha	N of Items
.652	8

During this survey, a total of 125 copies of questionnaire were distributed, 25 copies of questionnaire each to the 5 top share broking companies (**Business Map of India, 2015**), out of which 92 were returned. So the response rate is 73.60%. The Cronbach's alpha in this study was **0.652** (higher than 0.6), the constructs were therefore deemed to have adequate reliability.

Table 1: Determination of Final Sample

Company Name	No. of Questionnaire Sent	No. of Questionnaire Returned	Completely filled	Not aware
India bulls Securities	25	17	15	2
Share khan Limited	25	22	19	3
Angel Broking Limited	25	19	18	1
Reliance Money	25	16	14	2
Kotak Securities Limited	25	18	15	3
Total	125	92	81	11

The above table shows that, Out of 125, 92 respondents agreed to fill up the questionnaire. Out of this 81 (88.04%) filled the questionnaire completely and 11 respondents could not reply when they were asked whether they were aware about IFRS convergence in India. The lack of awareness level is 11.06%. So the final sample in this regards is 81.

Table 2: Descriptive statistics of beneficial factors

Sr. No.	Statements	mean	Standard Deviation	S-W test
1	New standard provides a better base to investors for taking decision	3.34	1.15	0.891
2	IFRS attract more foreign Investors	3.61	1.10	0.866
3	After IFRS adoption merger and acquisition are more easy	3.41	1.16	0.881
4	IFRS convergence will support the growth of Indian Companies	2.60	1.27	0.874
5	IFRS makes comparison of financial reports easier for the investors	3.38	1.09	0.905
6	IFRS based financial report helps to reduce cost of capital	2.85	1.13	0.914
7	IFRS based financial statement is more transparent	3.40	1.04	0.893
8	IFRS based financial statement is more understandable and easy to compare	3.39	1.02	0.896
9.	IFRS is significant for financial reporting development	3.43	0.906	0.872

The above descriptive statistics shows the values of mean, standard deviation for all the factors and S-W test applied to test the normality of the data. The questions required the respondents to answer on a five-point Likert-scale. On this scale, a score of 5 or 4 indicates that the respondent is agreeing on that statement while a score of 2 or 1 indicates that the respondent is not agreeing to the same. Whereas 3 indicates Neutrality of the statement .The Mean value for all the variables are more than 3 except two, Reduction of cost of capital (2.85) and support growth of the company (2.60).The S-W test value for all the variables is more than 0.05,which means data are normally distributed. As per the results of the above statistics, some experts were visited and their opinions were enlisted. According to C.A. B. Joshi and CMA Rakesh Mishra, cost of capital and growth of the company is keener on managerial aspects rather than accounting and it is heavily linked with the market and economy of the country. So rule of accounting standard might be a less influencing factor for determining cost of capital and growth of the company

Hypothesis IV V and VI were tested by using Chi – Square followed by one sample t-test towards right. An alpha (α) level of 5% is assumed. Table 4 below shows a summary of the chi- square test results.

Table 3: Test Statistics

	Better base	Comparable	Understandable
Chi-Square	19.679[a]	20.667[a]	26.346[a]
Df.	4	4	4
Asymp. Sig.	.001	.000	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 16.2.			

Table 4: Results of Chi-Square testing

Hypothesis	Degrees of freedom	Critical Value Of χ2	Calculated Value OF χ2	Alpha(α) Level
IV	4	9.488	19.679	0.05
V	4	9.488	20.667	0.05
VI	4	9.488	26.346	0.05

Hypothesis testing

Hypothesis I

From the computation the calculated value of χ2 is 26.346. The critical or table value at an alpha(α) level of 0.05 and 4 degree of freedom is 9.488. Since the calculated value is greater than the table value and the p value is less than0.05, it suggests that investors have not given equal weightage to all the factors on Likert scale or there is a difference among investors opinion on this specific issue. To prove this, one sample t-test towards right has been applied against the hypothesized mean,3.

Table 5: Results of Hypothesis testing

One-Sample Test						
	Test Value = 3					
	T	Df.	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Understandable	3.483	80	.001	.39506	.1694	.6208

The above result shows that p-value is less than 0.05, it indicates H_0 get reject. Therefore, it is concluded that Adoption of IFRS has increased Indian investors understanding of financial reports.

Hypothesis II:

From the above computation the calculated value of χ2 is 19.679. The critical or table value at an alpha(α) level of 0.05 and 4 degree of freedom is 9.488. Since the calculated value is greater than the table value and the p value is less than0.05, it suggests that investors have not given equal weightage to all the options on Likert scale or there is a difference among investors opinion on this specific issue. To prove this, one sample t-test towards right has been applied against the hypothesized mean, 3.

Table 6: Results of Hypothesis testing

One-Sample Test						
	Test Value = 3					
	t	Df.	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Better base	2.699	80	.008	.34568	.0908	.6006

The above result shows that p-value is less than 0.05, it indicates H_0 get reject. Therefore, it is concluded that Adoption of IFRS provides a better base to investors for taking decision.

Hypothesis III:From the computation the calculated value of X2 is 20.667. The critical or table value at an alpha(α) level of 0.05 and 4 degree of freedom is 9.488. Since the calculated value is greater than the table value and the p value is less than0.05, it suggests that investors have not given equal weightage to all the factors on Likert scale or there is a difference among investors opinion on this specific issue. To prove this, one sample t test towards right have been applied against the hypothesized mean, 3.

Table 7: Results of Hypothesis testing

One-Sample Test						
	Test Value = 3					
	t	Df.	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Comparable	3.159	80	.002	.38272	.1416	.6238

The above result shows that p-value is less than 0.05,it indicates H_0 get reject. Therefore, it is concluded that IFRS make comparison of financial reports easier for the investors.

6. Conclusion

The above analysis shows, for beneficial factors, the representative of the investors agreed that IFRS brings several benefits for the investors for their investing purpose. This research would help the policy makers in formulating more appropriate rules and regulations towards IFRS harmonization in India.

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Emotional Intelligence among Executives of Indian Manufacturing Industry

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Abstract
A growing body of research demonstrate that emotional intelligence (EI) is a better predictor of "success" than the traditional measure of cognitive intelligence (IQ) (Kamboj, 2014, Rai & Rao, 2014, Palmer, Donaldson, & Stough, 2002). The workplace is an ideal environment for individuals to develop their social and emotional skills, as they are motivated to develop those capabilities in pursuit of success and promotion. This study aims to find the levels of emotional intelligence of the executives working in Indian manufacturing industries and compare with age and experience. 14-item EI scale developed by Chadha and Singh (2006) was adopted for collecting the data. The results of the study revealed that executives working in Indian manufacturing industries have high level of EI. However, there is a significant difference between EI levels based on age and experience in the industry.

1. Introduction

Emotional intelligence (EI) though a dynamic concept has a practical approach. Being complex in nature includes highly important skills and insight of an individual regarding intrapersonal and interpersonal factors that influences the individual's competency profile (Mayer et. al, 2004) accounts for success which are related to accurate appraisal and expression of the emotions, their effective regulation, use, understanding of one's own and others emotional state to control behaviour and solving emotional problems (Salovey et.al, 2004).

When dealing with people, remember that you are not dealing with creatures of logic, but creatures of emotion.

~ Dale Carnegie

EI is considered to be an umbrella concept that captures a wide range of individual skills and dispositions of soft skills that are outside the traditional areas of specific knowledge, general intelligence and technical or professional skills. EI is originated from branches of behavioural sciences, emotional, and communications theories, such as neuro-linguistic programming, transactional analysis, etc. Emotional abilities of executives and employees strengthen their skills and perceptions on emotion, the appropriate use of emotions to extend the thought process, understanding emotions, and finally managing emotions. Emotional intelligent people like executives are able to manage stressful and terrible situation in a better manner. They react with clear and rational mind to take better decision. EI helps them in resolving conflict through promoting and understanding relationships, fostering stability and harmony. The emotional stability of EI helps executive to build a successful interpersonal relationship. Emotional awareness focuses the inner world which enable one to make good choices and develop a mutually healthy balance between own needs and that of others.

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Palmer, Donaldson, and Stough (2002) stated that high emotional intelligence is a forecaster of life satisfaction. Furthermore, Pellitteri (2002) stated that individuals high in emotional intelligence are more likely display healthier psychological adaptation due to the use of adaptive defence style. The effectiveness of an organization mainly depends on increasing self-awareness in employees and executives along with culture development as well as language to communicate and share information with each other to prepare self-defence mechanism (cognitive intelligence). This paper is an attempt to find the EI levels of the executives working in Indian manufacturing industries and compare with age and experience.

2. Literature Review

EI refers to the ability to perceive, control and evaluate emotions of self and of others. It is most researched concept of psychology and used in industry by the management of organisations. Various researchers have defined the concept EI from different perspectives; some of the popular definitions are as follows-

It was first defined by Salovey and Mayer (1990) as "the ability to monitor one's own and others feelings and emotions, to discriminate among them and to use this information to guide one's thinking and actions". It is an "accurate appraisal and expression of emotions in oneself and others and the regulation of emotion in a way that enhances living" (Mayer, DiPaolo & Salovey, 1990).

Cooper and Sawaf (1996) defined EI as "the ability to sense, understand, and effectively apply the power and acumen of emotions as a source of human energy, information, connection and influence". Again Mayer and Salovey (1997) defined EI as "the ability to perceive accurately, appraise, and express emotion; the ability to access and / or generate feelings when they facilitate though; the ability to understand emotion and emotional knowledge; and the ability to regulate emotional to promote emotional and intellectual growth". Reuven Bar-On (1997) explored the concept and calls it Emotional-Social Intelligence. It is "a cross section of interrelated emotional and social competencies, skills and facilitators that determine how effectively we understand and express ourselves, understand other and relate with them, and cope with daily demands". Goleman (1998) defined EI as "the capacity for recognizing our own feelings and those of others, for motivating ourselves and for managing emotions well in ourselves and in our relationships".

The term EI got popularised when Goleman has written a book named as "EI at Work Place-a Professional Guide" and also created the framework of EI consists of five competencies such as self awareness, self regulation, empathy, motivation, social skills that could be developed for understanding emotions of others, controlling own emotions and helps an individual in maintaining relationship with other members of the society, success in personal as well as in social life, etc. Singh (2006) defined EI as "the ability of an individual to appropriately and successfully respond to a vast variety of emotional stimuli being elicited from the inner self and immediate environment. EI constitutes three psychological dimensions: emotional competency, emotional maturity and emotional sensitivity- which motivate an individual to recognize truthfully, interpret honestly and handle tactfully the dynamics of human behaviour".

Thus EI is a skill to manage the emotions of self as well as of others effectively. It's an ability to use and handle emotions appropriately based on the situation and a capability to balance emotion while maintaining the relationship with others. Moreover it is all about being honest and smart with our emotions so that happiness and productivity can be maximised.

Several researchers have studied the EI and its significance in workplace environment. Kamboj (2014) described that the success of a person can better be determined with EQ (Emotional Quotient) of that person rather than focusing on IQ (Intelligence Quotient) level. Human assets are main pillars of the success of an organization, if these pillars are not strong enough then organization cannot survive in the long run. So it is very important for the organizations to focus on understanding their emotions and developing EI skills amongst them. Rai and Rao (2014) stated that emotional intelligence (EQ) is more important than one's intelligence (IQ) in attaining success in their lives and careers. As individuals our success and the success of the profession today depend on our ability to read other people's signals or cognition and react appropriately to them. The findings of their study proved that emotional intelligence improves with age, education and experience. Ahuja (2011) stated that the employees having greater emotional intelligence can better manage stress, communicate well, perform good quality work according to the standards, have better interpersonal relationship, are better team player and Excellent in overall work performance. Mishra and Mohapatra (2010) described that EI level increase with work experience rather than gender, academic qualification among corporate executives. Work performance is directly proportional to EI level; it implies that increased emotional intelligence scores are associated with increased performance among executives working in various sectors.

There are several published research studies that investigate the levels of EI among working people in India, even though EI has been mainly studied in the area of job performance. However, there are no specific studies that investigate EI levels among manufacturing firms executives. Therefore, the specific problem addressed in this study is to examine the levels of EI among executives who work for manufacturing firms in India. In addition, there are also limited studies that identified the gender and years in the industry have any significant difference to EI levels among executives.

3. Objective

The objectives for the study were designed as follows;

- Investigate EI levels among executives of manufacturing industries in India
- Determine the differences between executives EI level with age and work experience

Hypothesis

The following hypothesis were designed to study the objective

H_{01}: There is no significant difference between EI levels of executives with age

H_{02}: There is no significant difference between EI levels of executives with work experience

Research Method: In order to study the objective and hypothesis developed for the study, an exploratory survey method was used.

Sampling Method: Keeping in view the objective of the study, multistage stratified random sampling technique was used.

Sample size and unit

The study is confined to Indore district of MP state. 10 male executives from each of 20 well known manufacturing companies were selected. In total sample size was 200.

Measurement tool

'Emotional Quotient test' developed and standardized by Dr. Dalip Singh and Dr. N. K. Chadha, (2006) for measuring the level of emotional intelligence among executives was used. It consists of 14 items to be responded by the executives working in selected companies. The retest reliability and the validity of the scale were 0.94 and 0.92 respectively.

4. Data collection and analysis

The questionnaire was administered personally and collected data was analysed using SPSS 19.0 version statistical software. In order to determine the difference between EI levels of executives with age and work experience, mean score, standard deviation were used. The data of each EI factor was considered as dependent variables, while the age and work experience in the industry were categorized as independent variables. The T-test was employed to determine the differences between EI and other selected independent variables including age and work experience in the industry in the study.

5. Results and interpretation

For first objective of study i.e. Investigate EI levels among executives of manufacturing industries in India. Table-1 (see appendix) presented the EI levels among executives of manufacturing industries in India. It was revealed from the results that EI overall score among executives of manufacturing industries in India was high. For second objective of study i.e. determine the differences between executives EI level with age and work experience, the mean score, standard deviation, and t-test values were used as indicated in the Table-2, and Table-3 (see appendix). Hypotheses were tested as follows:

H_{01}: There is no significant difference between EI levels of executives with age

It is observed from the Table-2 that EI score differ significantly with age less than 30 years and 30 years and more at 1% level of significance. It implies that H_0 is rejected i.e. there is a significant difference between EI levels of executive with age.

H_{02}: There is no significant difference between EI levels of executives with work experience

It appears from the Table-3 that EI score differ significantly with age less than 30 years and 30 years and more at 1% level of significance. It implies that H_0 is rejected i.e. there is a significant difference between EI levels of executive with work experience.

6. Conclusion

'Emotional Intelligence' is a psychological construct that affects workplace performance. It includes the abilities to perceive emotions accurately, to assess and generate emotions to assist thought, to understand emotions and emotional knowledge, and to regulate emotions reflectively to promote emotional and intellectual growth (Goleman, 1998). Work pressure among the executives due to large scale communication from top to bottom results in negative emotion and they commit more mistakes, miscommunication and ultimately blocked their creativity. But, positive emotions contribute to better organizational performance, enhanced creativity, and increased innovations. Enhanced emotional intelligence (EI) skills in the corporate executives help to build trust, courage, and passion as well as overcome the feelings of anxiety, fear and depression (Ahuja, 2011). EI score was high of the executives working in manufacturing industries in India. It was differ significantly with age and work experience in the industry. This finding also supports the findings of Click (2002), Abraham (2004), Cote and Miners (2006), Adeyemo (2007), Mishra and Mohapatra (2010) and Mohapatra (2014).

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Appendices

Table-1: EI levels among executives of manufacturing industries in India

Emotional Intelligence	Mean	SD
Competency	11.58	3.11
Maturity	11.74	3.16
Sensitivity	12.21	3.37
EI Overall score (Total EI)	11.84	3.21

Table- 2: EI levels among executives with reference to age

EI	Age	N	Mean	SD	't' value
Competency	Less than 30 Years	76	11.24	2.98	-1.7552613
	30 Years and More	124	11.78	3.19	-0.2094457
Maturity	Less than 30 Years	76	11.58	3.12	-0.7264832
	30 Years and More	124	11.96	3.37	0.39651734
Sensitivity	Less than 30 Years	76	11.57	3.09	-0.7617493
	30 Years and More	124	12.02	3.41	0.58779917
Total	Less than 30 Years	76	11.46	3.06	-1.0826024
	30 Years and More	124	11.92	3.32	0.26832599

Table- 3: EI levels among executives with reference to work experience

EI	Work Experience	N	Mean	SD	't' value
Competency	Less than 10 Years	87	11.26	3.03	-1.7854389
	10 Years and More	113	11.89	3.12	0.1703549
Maturity	Less than 10 Years	87	10.57	2.78	-4.2610688
	10 Years and More	113	11.92	3.18	0.26742505
Sensitivity	Less than 10 Years	87	10.69	2.86	-3.7505195
	10 Years and More	113	11.24	3.01	-2.1189659
Total	Less than 10 Years	87	10.84	2.89	-3.2274668
	10 Years and More	113	11.68	3.10	-0.5486527

Marginal Cost of Funds Based Lending Rate (MCLR) – An Evaluation

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Abstract

RBI was facing a good deal of criticism because commercial bank's lending rates were not decreasing as fast as some groups expected it to come down. With a view to overcoming such criticism, RBI wanted the efficiency of monetary policy transmissionto improve andprescribed a formula whereby commercial banks could work out a Marginal Cost of Funds based Lending Rate(MCLR).

We undertake a critical evaluation of the two equations used by RBI for this purpose and find that there is some lack of overall compatibility in the entire process. We re-formulate these equations to accommodate the requisite internal consistency and re-work the Marginal Cost of Funds based Lending Rate. The current scenario for NPAs and possible irrecoverable loan assets of commercial banks is also discussed and its possible impact on MCLR is dwelt on.

Keywords: *Liberalisation; Tandon Committee; Marginal Cost of Funds; Marginal Cost of Borrowings; Return on Net Worth; Marginal Cost of Funds based Lending Rate; Negative Cost of Carry; Operating Cost; Tenor Premium; CRR; SLR; NPA; Irrecoverable Loan Asset; Interest Spread; Global Financial Crisis*

1. Introduction

Over the years, RBI had steadily dismantled various regulatory requirements being mandatorily followed by the commercial banks. The margin on working capital loans was relaxed, thereby withdrawing the guideline regarding the popular lending norm formulated by the Tandon Committee. Interest rates on term deposits as well as loans and advances were liberalised quite some time back. The last regulated interest rate, the one applicable on Savings Bank deposits, was also finally relaxed. Moreover, CAS was replaced by CMA and Consortium Financing was made optional.

In the wake of such a persistent advancement along the path of financial liberalization, it was somewhat surprising to watch RBI stipulate a detailed methodology for working out a Marginal Cost of Funds based Lending Rate (MCLR), to be implemented with effect from April 2016, by the commercial banks operating in India. India appears to havea strong lobby who preach that lowering of interest rates is the only way to overcome all kinds of growth related problems. The central bank was under intense pressure to lead the way to a lower interest rate regime and brought down the benchmark (SLAF) rates from time to time. However, initially this did not translate into immediate lowering of interest rates by a similar magnitude for loans extended by commercial banks. This was inevitable in a way because of the relatively low contribution that the funds borrowed by a commercial bank at such benchmark rates can have in its total pool of funds. However, there was great necessity for ensuring a quick transmission of the policy changes brought about by the central bank to the operating level, and RBI stated that in order to improve the efficiency of monetary policy transmission, the Reserve Bank will encourage banks to move in a time-bound manner to marginal cost of funds based determination of their Base Rate. Accordingly, in December 2015, RBI came up with their circular number DBR.No.Dir.BC.67/13.03.00/2015-16 dated December 17, 2015, detailing the methodology for computing MCLR[1]as well as their Press Release[2].

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Methodology for Computation of MCLR: According to RBI, with effect from April 1, 2016,all rupee loans sanctioned and credit limits renewed would have to be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR), which would be the internal benchmark for such purposes. The MCLR would comprise:

a. Marginal Cost of Funds.
b. Negative Carry on account of CRR.
c. Operating Costs.
d. Tenor Premium.

(a)Marginal Cost of Funds: The Marginal Cost of Funds for any commercial bank would naturally incorporate contributions from Marginal Cost of borrowings and Return on Net Worth.RBI pointed out that, as per extant capital adequacy norms, the minimum Tier 1 equity capital required to be maintained as a fraction of the Risk Weighted Assets (RWA)is 8%. Accordingly, the weightage of Net Worth in the Marginal Cost of Funds would be 8%. The weightage allotted to Marginal Cost of borrowings in the Marginal Cost of Funds would consequently be92%.Here, the cost of equity capital is the minimum desired rate of return on equity computed as a mark-up over the risk free rate (CAPM).

Thus, Marginal Cost of Funds = 92% x Marginal Cost of borrowings + 8% x Return on Net Worth

(b)Negative Carry on CRR: Negative Carry on account of the mandatory CRR arises from the fact that a commercial bank earns no return on the CRR balance. Such Negative Carry can be calculated as under:

Negative Carry on CRR = Required CRR x (Marginal Cost)/(1- CRR)

Marginal Cost of Funds worked out at (a)above will be used for computing the Negative Carry on CRR.

(c) Operating Costs: This is to include basically all costs other than interest cost-such as infrastructural cost, manpower cost and cost of issuance of securities etc. However, such costs of providing services as are separately recoverable by way of service charges are to be kept out of this component.

(d) Tenor Premium: This is on account of loan commitments with longer tenor. As per RBI, the tenor premium cannot be borrower specific or loan class specific. In other words, tenor premium will be identical for all types of loans with a given tenor. This premium thus clearly cannot incorporate any kind of risk premium.

Evaluation of MCLR Methodology:(1)Considering that CRR is currently 4%, Negative Carry on account of CRR, as per RBI's formula, is Marginal Cost of Funds*4/96. We can thus see from (a) and (b) above, that the sum total of Marginal Cost of Funds and Negative Cost of Carry for CRR turn out to be Marginal Cost of Fundsx[1+(4/96)] = Marginal Cost of Fundsx100/96.

This implies that out of a total asset base of 100 units, loans and advances account for 96 units while the balance 4 is accounted for by CRR. But, since CRR is non-interest bearing, the total interest burden towards fund of 100 units would need to be borne by the loans and advances of 96 units alone. In other words, in order to work out the effective cost of funding the loans and advances, the Marginal Cost of Fund has to be calibrated by a factor of 100/96 to account for the fact that every asset block of 100 units has a non-interest bearing component of 4 units.

(2) Also, based on the capital adequacy requirement, RBI has set the equation for Marginal Cost of Funds as:

Marginal Cost of Funds = 92% x Marginal Cost of borrowings + 8% x Return on Net Worth = 92/100* Marginal Cost of borrowings+8/100 Return on Net Worth

(3) If we combine these 2 equations together, the underlying position appears to be as follows:

Net Worth	8	CRR	4
Borrowed Fund	92	Loan Assets	96
Total	100	Total	100

Here, we observe that:

(i) Net Worth is NOT 8% of Loan Assets, as required by RBI.
(ii) CRR is NOT 4% of Borrowed Fund, as required by RBI.
(iii) SLR is NOT shown separately as an asset class, although a large SLR (21.5%) is a special feature of Indian banking. SLR, it would appear, might have been clubbed with Loan Assets. However, this is questionable inasmuch as SLR is a Risk Free asset (free from Default Risk and having quite small a risk weight on account of Market Risk), whereas Loan Assets are fraught with considerable counterparty risk.

As a matter of fact, NPAs of PSBs have now turned out to be a subject of major concern for the Indian economy and several banks have been placed under watch by RBI, who has initiated prompt corrective action (PCA) – placing restrictions on their banking activities.

In other words, the two equations used by RBI for computation of MCLR are not completely mutually compatible. Let us now try to resolve the above issues and work out below a fully compatible solution, which also incorporates SLR as a separate asset class. For this purpose, we start with the following picture:

Net Worth	8	CRR	5 (@4% of 123)
SLR	26 (21.5% 0f 123)		
Borrowed Fund	123	Loan Assets	100
Total	131	Total	131

The Borrowed Fundis higher at 123 units inasmuch as this amount, after pre-emption son account of CRR (5) and SLR (26), make exactly 92 units available for funding Loan Assets worth 100 units. So, this underlying picture is self-consistent and can be used for computing MCLR in a compatible fashion.

As per this picture, maintaining full compatibility, MCLR would work out as:
Marginal Cost of Funds (MCF, say) = 123/131xMarginal Cost of borrowings + 8/131xReturn on Net Worth and
MCLR = [131xMCF – (5xreturnon CRR + 26xreturn on SLR)]/100 = (131MCF – 26R_F)/100, where R_F = Risk Free Rate of Return = Return on Treasury (SLR) securities

The numbers featuring in this equation, viz. 131 and 26, will of course change with change of CRR and/or SLR Ratio(s).

Impact of NPAs and Irrecoverable Loan Assets: Indian banks have of late been dogged by burgeoning NPAs. According to a report by CARE Ratings, as of June 2017,the aggregate NPA for 38 banks amounted to almost Rs 8.3 trillion. As many as 18 banks had their gross NPA ratios in double digits (excess of 10) and the highest NPA ratio, for IDBI Bank Ltd, was 24.11%[3].

In order to deal with such high incidence of NPAs, the union government has introduced, inter alia, what is known as the Insolvency and Bankruptcy Code, 2016[4]. Subsequently, via an ordinance, the union government empowered RBI to direct banks to initiate insolvency and bankruptcy moves against identified NPA holders or to go for resolution of stressed assets[5].

Under the aforesaid scheme, RBI identified, for early resolution, the first bunch of 12 NPAsin the steel sector (contributing 20-30% of total NPAs). 5 out of these 12 identified by RBI, viz. Monnet Ispat, Essar Steel, Bhushan Steel, Electrosteel and Bhushan Power and Steel, account for a combined loan amount of more than Rs 1 trillion. It is estimated that the lending banks may have to take a haircut as high as 56% (against their current provision of about 30%) to bail out such debt ridden steel firms[6].In other words, very substantial parts of such NPAs are irrecoverable. Irrecoverability of a loan means even its principal component cannot be recovered. This is much worse than CRR, where no interest is payable on the outstanding balance but the principal amount is fully recoverable (zero risk weight).

If 10% is the gross NPA ratio, out of a loan asset of 100 units, NPA would amount to 10 units. With a haircut of 50%, the quantum of irrecoverable loans would come to 5 units. This will have considerable impact on the profitability and interest spread for a commercial bank[7,8,9,10].

Since the impact of NPAs and irrecoverable loan assets has been kept out of the purview of MCLR, this impact can only be accommodated in the interest spread. However, burgeoning NPAs and incidence of ever increasing haircuts are apt to lead to sky rocketing of interest spreads. What would then happen to the ceiling spread set by the central bank of India, which earned a lot of kudos for RBI during the days of the infamous Global Financial Crisis? Or, has the ceiling for interest spread been completely done away with!

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