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From the Editor's Desk ....

Sona Global Management Review publishes articles in emerging fields of management, useful to the practitioners of the discipline, which are relevant to the modern day business. We are pleased to release the Second issue of the volume no. 10 of Sona Global Management Review. This issue has research articles on the topics Modeling Total Quality Service (TQS) and Financial Performance Through Service Profit Chain, Levered capital Structure: Boom or Doom for Long-Term Sustainability, Financial Inclusion In Madurai District: Servqual Approach, Necessity of Kids wear Safety Regulations for India: Viewpoint of Retailers

We appreciate the efforts of the Authors and Editorial board for their contribution to this issue.

We present this issue of SONA GMR to our readers.

Chief Editor

NECESSITY OF KIDSWEAR SAFETY REGULATIONS FOR INDIA: VIEWPOINT OF RETAILERS

VASANT KOTHARI | DR SONEY MATHEWS

ABSTRACT: *Product safety refers to the production, distribution, and sale of products that from various perspectives are either potentially unsafe or inherently unsafe to consumer use. In order to make sure that the product which consumer is buying is safe, there should be some safety standards. These standards are normally designed to ensure the safety of products, activities or processes etc.*

The Indian kidswear market is going to see the tremendous growth. It is important to note that no regulations for kidswear safety are in place in India whereas in developed nation there is legislative control on Kidswear merchandise.

The main aim of this study is to find out the necessity of safety regulations for Indian market from the retailers' point of view. For the study, 110 retailers were selected through stratified random sampling from Bengaluru, India and information was collected with the help of structured and well-designed questionnaire.

The study concludes that, as per Indian retailers all the kidswear in India are not and therefore parents are vigilant while purchasing the same. Most of the retailers also agree that parents do discuss about the safety-related issue with them. Indian retailers are in favor of having standard regulations for the kidswear for Indian market.

KEY WORDS: Kidswear, Safe Child, Safety regulation, Indian Retail, Accidental Injury

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INTRODUCTION

A product is considered to be tangible personal property. All consumer products must be safe and meet consumer guarantees under the product safety laws. Product safety is part of a broad consumer movement commonly referred to as consumerism. Product safety refers to the production, distribution, and sale of products that from various perspectives are either potentially unsafe or inherently unsafe to consumer use. As per Consumer Protection Act 1986, the Indian consumer has the 'right to be protected against marketing of goods and services which are hazardous to life and property'.

Most of the time consumers are not aware of the danger to come in many products they purchase. The dangers can range from faulty design features such as small parts in toys, to the use of harmful substances in the manufacture of products. In order to make sure that the product which consumer in buying is safe, there should be some safety standards. These standards are normally designed to ensure the safety of products, activities or processes, etc. Today, there are many rules & regulations regarding consumer product safety in India. There are generally like, the Sale of Goods Act, 1930, Consumer Protection Act, 1986, Bureau of Indian Standards and Import Policy 2012 for the safety of the consumer products. Respective regulatory bodies have their own mechanism to implement the rules. These mechanisms are operated through the Bureau of Indian Standards Act, the Food Safety and Standards Authority of India (FSSAI) and the Drugs and Cosmetics Act.

Currently, in India, right to safety is applicable to specific areas like health care, pharmaceuticals and food processing, this right is extended across the domain having a serious effect on the health of the consumers or their well-being viz. Automobiles, Housing, Domestic Appliances, Travel etc. Indian kidswear market are going to see the tremendous growth. It is important to note that no regulations for kidswear safety are in place in India whereas in developed nation there is legislative control on Kidswear merchandise.

Retailers are vital to consumer product safety as they are the main interface with consumers. While every establishment in the supply chain of kidswear from concept to customer has some amount of accountability for kidswear safety, retailers are typically at the end of this supply chain before the garment reaches to the consumer. So the retailer has a considerable share of the responsibility for ensuring safe garments for children. By voluntarily developing a safety management system, retailers can better make sure that the garment offered or sold by them are safe.

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REVIEW OF LITERATURE

Children are Nation's most precious resources, but as a child, they often lack the skills to protect themselves. Children and babies have no sense of danger and rely on others to keep them safe. Even safe products can be harmful if they are not used in a safe way (Zealand, 2013). Everyday items can cause harm if not assembled correctly or placed safely. All children have the right to protection. They have the right to survive, to be safe, to belong, to be heard, to receive adequate care and to grow up in a protective environment.

Clothing is an important part of everyday life. It keeps the wearer warm and protects from the weather. It may seem surprising, but clothing can also be dangerous for children.

- Children can be strangled if drawstrings or hoods get caught on items such as playground equipment, fences, or in car/bus doors.
- Children can choke on buttons that have come loose from their clothing.
- Children can be burned severely if their clothing catches fire.
- Proper supervision, safe environments, hazard awareness, and participating in age-appropriate activities all help reduce the risk of clothing related injury to Children. (Albert Health Services, 2013)

There are generally three reasons for a product being unsafe include design defects, misrepresentation as to use, or the absence of adequate or defective or insufficient warnings or instructions as to potential dangers and hazards of the product even when it is used as intended.

CHARACTERISTICS OF QUALITY CHILDREN CLOTHES

Good workmanship - It‘s the only way to ensure children will long enjoy his or her favorite things

Durable, hygienic materials - Because these clothes are washed frequently

Comfortable fit - Clothing that‘s too tight reduces sense of well-being

Soft, supple materials/fibers - To avoid skin irritation

High wearing comfort - To avoid stressing the body through overheating or chilling

Free of harmful substances

- superior color fastness, because babies chew on nearly everything they put in their mouths
- free of allergenic dyes or heavy metals, such as nickel in metal buttons
- free of banned softeners or synthetic coatings, etc.
- free of finishings that contain formaldehyde

Functional safety (with proper use)

- no long cords
- no possibility of skin becoming caught in zips
- durable and safe attachment of accessories and parts, to ensure that they cannot be swallowed, etc. (OEKO-TEX, 2011)

SAFETY REGULATION FOR KIDSWEAR

Government regulations and industry practices are mandatory requirement which restrains the behavior of user in many ways in an attempt to diminish injuries (Hedlund, 2000). Regulations are normally proposed in situations where the actions of one person can injure other persons who do not have the ability or opportunity to decide whether to accept the risks associated with those actions. They include laws and regulations, such as prohibiting the sale of fireworks, and mandatory standards, such as specifying that children's nightwear should be fire resistant. A common factor in whether regulation is used is the seriousness of the outcome being addressed in terms of human health. (Safety Regulations, 2015)

The number of standards and regulations for various products is continuously going up in most of the countries, particularly in developed countries. The main reason behind this is probably the increase in volume, types of varieties and technical refinement of merchandise which are getting produced and transacted every day. At present the aim of standards and regulations complying with a variety of aims and tasks. Some of them are traditional - such as minimizing risks, providing information to consumers about the characteristics of products, providing information to producers about market needs and expectations, facilitating market transactions, raising efficiency and contributing to economies of scale.

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ROLE OF KIDSWEAR RETAILER

A retailer is a business that sells products and/or services to consumers for their personal family use. Retail is the final business in a distribution channel that links manufacturers to consumers (Levy, 2007). The Retailer offers vital functions as keeping inventory, breaking bulk, providing an assortment of products and providing services. Offering an assortment enables customers to pick from a broad selection of brands, design, sizes, colors, and prices at one location.

The market for kidswear is growing at an annual rate of 20%. Although the unorganized segment has a dominant share even today, the Indian kidswear sector is steadily getting organized, with new players entering at every step of the value chain. It goes without mentioning that the brands, manufacturers, retailers and other market participants can expect the joyride to continue for many years to come (Bhagat, 2015).

Whether in a retail shop or online, retailers are the initial point of call for customer. This is why normally customer associates a product with the retailer they purchased it from rather than with who made it. The customer has a right to expect that the product they are purchasing should be safe and of high quality. As the main interface with customers, retailers have the inimitable opportunity to help customers to buy safe products and use them safely.

NEED OF THE STUDY

Though Kidswear regulation are strictly imposed in developed nation but, the way the Indian kidswear market is growing in the future, it will be important to look into the safety aspects of the kidswear. At present, no casualty because of apparel is reported in India as compared to USA/UK, probably the main reason is blaming the parents for carelessness in case of any accident. The main purpose of this research is to establish the necessity of the Kidswear safety in India.

OBJECTIVES OF THE STUDY

In this context, the present research study was undertaken:

1. To know whether parents discussed about child safety while purchasing garments for their children in both types of retail
2. To know the parameters which bothered more to parents about kidswear safety

3. To know whether both types of retailers heard of any accidental injury due to usage of kidswear
4. To know the awareness of retailer about the International safety regulations for children garments and product recall
5. To know the opinion of both types of retailers on having Standards & regulations for kidswear in India

RESEARCH METHODOLOGY

For this study, 110 organized and unorganized retailers who are involved in kidswear segment were selected through stratified random sampling. The data has been collected from Bengaluru in the state of Karnataka, India. To facilitate the study, Bengaluru has been divided into five strata's, i.e. East, West, North, South and Central and from each strata a sample of approx. 18 retailers have been selected.

The information was collected from retailers through a structured and well-designed questionnaire. The questionnaires were distributed to retailers of kidswear garment during Jan 2014 - June 2014. The data were collected by the team of research assistants who were aware of the local language. The research assistants explained the voluntary nature of the survey to the retailers and assured them of the anonymity of their responses. They provided each respondent with a copy of the questionnaire, explained how the questionnaire was to be filled out and collected the completed questionnaires.

RESULT AND DISCUSSION

Table 1: Results of Chi-square Test and Descriptive Statistics for opinion of parents anything related to kidswear safety while purchasing the garments by type of retail organization

	Type of Retailer	
	Organized	Unorganized
Never	1 (1.7%)	2 (4%)
Rarely	7 (11.7%)	2 (4%)
Sometime	24 (40%)	10 (10%)
Often	18 (30%)	25 (50%)
Always	10 (16.7%)	11 (22%)

Note. $\chi^2 = 9.230$, df = 4. Numbers in parentheses indicate column percentages. *p >.05

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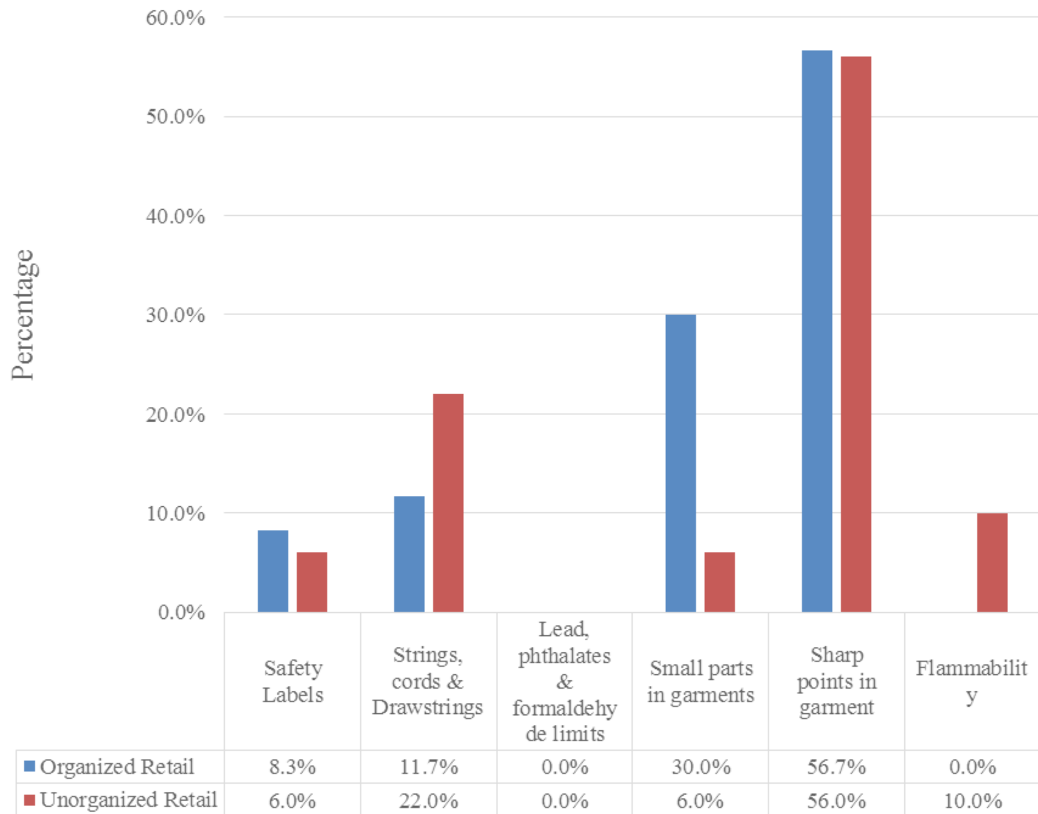
A chi-square test of independence was performed to examine the relation between types of retailer and their discussion with parents related to kidswear safety while purchasing the garments. The relation between these variables was not significant, χ^2 (4, N = 110) = 9.230, p > .05 and hence there is no significant difference between Organized and Unorganized retailer and their discussion with parents related to kidswear safety while purchasing the garments. It shows that almost four fifth parents discussed about the kidswear safety while purchasing the garment from both types of retail store. From this it is clear that Indian parents are concerned about safety of their children from garments they wear.

Table 2: Results of Descriptive Statistics for retailer's opinion about parent's botheration about kidswear safety factors, by type of retail organization

	Type of Retailer	
	Organized	**Unorganized**
Safety Labels	5 (8.3%)	3 (6%)
Strings, cords & Drawstrings	7 (11.7%)	11 (22%)
Lead, phthalates & formaldehyde limits	0 (0%)	0 (0%)
Small parts in the garment	18 (30%)	3 (6%)
Sharp points on the garment	34 (56.7%)	28 (56%)
Flammability	0 (0%)	5 (10%)

Chart 1: Results of Descriptive Statistics for retailer's opinion about parent's botheration about kidswear safety factors, by type of retail organization



	Safety Labels	Strings, cords & Drawstrings	Lead, phthalates & formaldehyde limits	Small parts in garments	Sharp points in garment	Flammability
Organized Retail	8.3%	11.7%	0.0%	30.0%	56.7%	0.0%
Unorganized Retail	6.0%	22.0%	0.0%	6.0%	56.0%	10.0%

Retailers were asked whether parents are bothered about the listed item in the table while purchasing the garments for their children. To this, more than half retailer (56.4%) informed that parents are bothered about the sharp points in a garment which is one of the major reasons for injuries.

Almost one fifth of retailers (19.1%) confirmed that parents are concerned about the small parts of the garment for their children. The parents who do the shopping in organized retail are more concerned about the small parts in garments as compared to parents who do shopping in unorganized retail.

Strings, cords & Drawstrings is the next important factor reported by more than a fifth retailer (16.4%) which parent looks for while purchasing the kidswear. A very small amount of retailers reported that parent are also checked about safety labels (7.3%) and flammability (4.5%) while purchasing the garments for their children.

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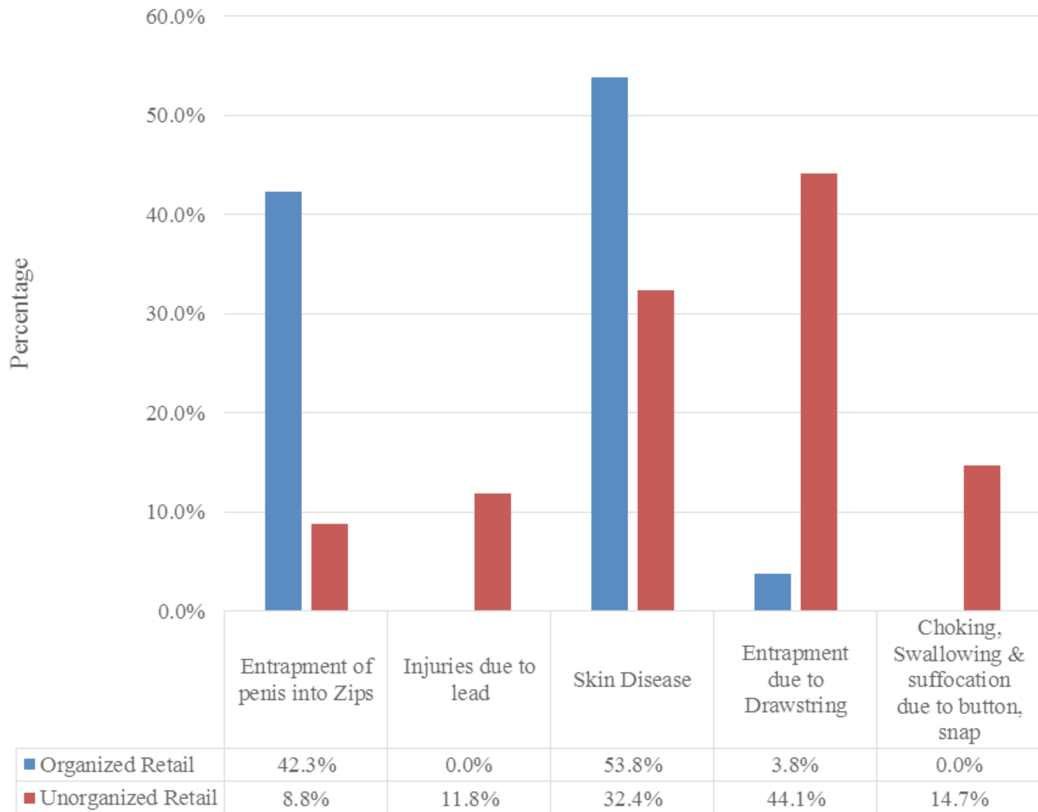
Neither organized nor unorganized retailers informed about checking of the Lead, phthalates & formaldehyde limits in the children garment by parents while purchasing the garment. This is mainly because lead, phthalates & formaldehyde limits are not having physical attributes so it is not obvious and need an expert along with special instruments and chemical to test the presence of same.

From above data, it is very clear that all the kidswear in India are not safe and there are garments which have potential to harm the children and therefore parents are vigilant while purchasing the same as probably they might have experienced the unsafe garments.

Table 3: Results of Descriptive Statistics for retailer's opinions about any accidental injury, if they came across, because of Kidswear by type of retail organization

	Type of Retailer	
	Organized	**Unorganized**
Entrapment of penis into Zips	11 (42.3%)	3 (8.8%)
Injuries due to lead	0 (0%)	4 (11.8%)
Skin Disease	14 (53.8%)	11 (32.4%)
Entrapment due to Drawstring	1 (3.8%)	15 (44.1%)
Choking, Swallowing & suffocation due to button, snap	0 (5%)	5 (14.7%)
Others	0 (0%)	0 (0%)

Chart 2: Results of Descriptive Statistics for retailer's opinions about any accidental injury, if they came across, because of Kidswear by type of retail organization



As there is no structured data available on injuries due to usage of kidswear in India, so in order to understand the depth of the issue, data was collected from organized and unorganized retailers located in Bengaluru, Karnataka India, who are involved in selling children garments. Retailers were asked whether they heard of any accidental injury due to usage of kidswear from the parents who came for shopping to their store. Their responses, which are outlined in table 3 which clearly shows that overall retailers heard of accidental injuries to children because of usage of garments.

Out of given all injuries, as per the retailer, skin disease is the major problem (41.7%) because of the garments for their children followed by the entrapment due to the drawstring (26.7%) and entrapment of penis (23.3%) into a zip which share almost the same share of percentage. Problems related to Choking, Swallowing & suffocation due to button, snap (6.7%) and injuries related to lead (8.3%) are very small in number reported by the retailer.

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Further, it is evident from the above data that, the major injuries heard by the organized retailer are Skin Disease with 53.8% and Entrapment of the penis into Zip 42.3%, whereas as per the unorganized retailer the major injuries are Entrapment due to Drawstring with 41.7%, Skin Disease with 26.7%, and Entrapment of penis into Zips with 23.3%.

From above data, it is very clear that all the kidswear in India are not safe and there are garments which have potential to harm as children are getting injured from the usage of garments.

Table 4: Results of Chi-square Test and Descriptive Statistics for awareness of retailer about the International safety regulations for children garments by type of retail organization

	Type of Retailer	
	Organized	Unorganized
No	24 (40%)	4 (8%)
Yes	36 (60%)	46 (92%)

Note. χ^2 = 14.718, df = 1. Numbers in parentheses indicate column percentages.

*p <.05

Table 4 indicates responses according to type of retailer. A chi-square test of independence was performed to examine the relation between types of retailer and awareness of International safety regulations for kidswear. The relation between these variables was significant, χ^2 (1, N = 110) = 14.718, p < .05 and hence there is a significant difference between Organized and Unorganized retailer about awareness of International safety regulations for kidswear. The unorganized retail sector is more aware about kidswear safety regulation as compared to the organized retail sector.

Table 5: Awareness of Indian kidswear retailers about recall of unsafe children garments from the market

	f	%
Yes	9	8.2
No	101	91.8

Sample size by number of respondents: n=110

In response to the question about awareness of Indian kidswear retailer about the recall of unsafe children's garments from the market, as per table 5, majority of respondents (91.8 percent) said that they are not aware about the recall of unsafe garment while only a few respondent (8.2 percent) said that they are aware about the recall of unsafe garment from market.

Chart 3: Awareness of Indian kidswear retailer about recall of unsafe children garments from the market

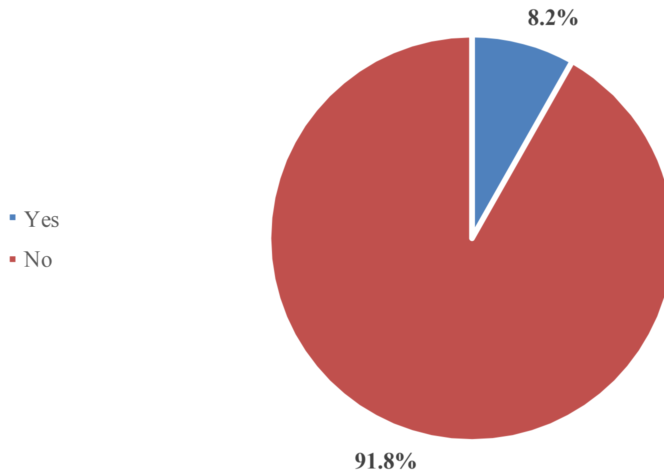

Table 6: Results of Chi-square Test and Descriptive Statistics for the opinion of retailer on having Standards & regulations for kidswear in India by type of retail organization

	Type of Retailer	
	Organized	**Unorganized**
No	30 (50%)	4 (8%)
Yes	30 (50%)	46 (92%)

Note. χ^2 = 22.528, df = 1. Numbers in parentheses indicate column percentages.

*p <.05

Table 6 indicates responses according to type of retailer. A chi-square test of independence was performed to examine the relation between types of retailer and their opinion towards India's standard and regulation for kidswear. The relation between these variables was significant, χ^2 (1, N = 110) = 22.528, $p < .05$ and hence there is a significant difference between the opinion of Organized and Unorganized retailer towards India's standard and regulation for kidswear. The unorganized retail sector is more interested in having standards and regulation for kidswear in India as compared to the organized retail sector.

CONCLUSION

The primary goal of any business is to maintain excellent performance to make sure steady growth. The same rule is applicable to the retail industry as well. In order to ensure this excellent performance and distinguish from its competitors, retailer

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always needs to maintain the quality of its relationship and product with customers. Whatever the product is, it is vital to make sure it is safe. It is important to make sure that products must be safe and contain no hazardous substances is essential in order to bring them into a supply chain or the marketplace.

From the research study it is clear that as per Indian retailers all the kidswear in India are not safe and there are garments which have potential to harm the children and therefore parents are vigilant while purchasing the same probably they might have experienced the unsafe garments. Most of the retailers also agree that parents do discuss about the safety-related issue with them. Indian Retailers are aware about the kidswear safety regulation implemented by developed nations and few of them are already aware about the recall of unsafe garments from the market. Indian retailers are in favor of having standard regulations for the kidswear for Indian market.

Looking at booming Indian market, it is high time that Indian authorities should initiate and work for the development of kidswear safety norms. It is important to identify and reject the unsafe kid garments which may irrational and cause harm to children.

SCOPE FOR FUTURE STUDY

There can't be a second opinion on the importance of safety of children as they are vulnerable. The present study focused only on the necessity of Safe Apparel for children. But children are not surrounded by apparels only, but children are always in contact with other products as well like toys, instruments, foods, etc. It is very important to study the safety aspects and necessity of all the products used by children.

DISCUSSION

It is found that all the kidswear in India are not safe and the research also proves that children are getting injured because of unsafe garments and majority of stakeholders wants India to have its set of kidswear safety regulations. It is right time that the government should set rules and regulations for kidswear safety in India and should work for successful implementation of it in the country. At the time of making kidswear safety norms government should bring all stakeholders, testing labs, NGOs, etc. under single roof. References can also be taken from established international kidswear safety regulations.

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FINANCIAL INCLUSION IN MADURAI DISTRICT: SERVQUAL APPROACH

D. Kesavan | Dr. T. Vanniarajan (Retd.)

INTRODUCTION

People living in Rural India are underprivileged and disadvantaged to get necessary financial services since the infrastructure and feasibility of promoting banking services in these area are not upto the expected level (Pratima, 2009). It is not good for the balanced development of the Indian Economy (Devaki, 2008, Navi, 2006). Inclusive growth is the key of overall development of the Nation (Pumathora, 2006). In India, about 560 million people are excluded from formal source of finance. (Gadewar, 2007). Eventhough, the India has enjoyed growing domestic demand and globally recognized process in the area of information technology, automotive, life sciences, telecommunications and even space exploration, it's continued success and growth rest on the steps taken to ensure the inclusive social and economic development.

PROCESS OF FINANCIAL INCLUSION IN INDIA

The process of financial inclusion in India can broadly be classified into three phases. During the first phase, the focus was on channeling of credit to the regulated sectors of the economy. At the second phase, the focus was made on strengthening the financial institutions as a part of financial sector reforms as per the policy support from Reserve Bank of India. During the third phase, the financial inclusion was explicitly made as a policy objective and thrust was on providing safety facility of savings deposits through 'no frills' accounts (RBI plan).

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MEASURES TAKEN FOR FINANCIAL INCLUSION IN INDIA

The Reserve Bank of India and the Government of India have taken so many measures to bring the people who are financially excluded from the fold of formal banking services. The important measures taken are: i) introduction of 'no frills' account, ii) relaxing Know Your Customer (KYC) norms, iii) General Purpose Credit Card (GCC) Schemes, iv) role of NGOs, SHGs and NFIs, v) Business facilitator (BF) and business correspondent (BC) models, vi) Nationwide Electronic Financial Inclusion System (NEFIS); vii) Project Financial Literacy; viii) Financial Literacy and Credit Counseling (FLCC) centres; ix) National Rural Financial Inclusion Plan (NRFIP); x) Financial Inclusion Fund (FIF) and xi) Financial Inclusion Technology Fund (FITF) (Ashu, 2014).

STATUS OF FINANCIAL INCLUSION IN INDIA

The status of financial inclusion are measured by the actual quantity and quality of usage of the newly opened 'no fill accounts'. The number of no-fills account holders has more than doubled to 103.21 million in 2012 from 49.33 million in 2010. The RBI and NABARD have supported the propagation of micro finance considerable through the SHG-Bank Linkage Programme (SBLP), Forming Liability Groups (FLGs) and Micro Finance Institutions (MFI). Two major funds are generated for this development namely Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund (FITF).

CHALLENGES FACED BY BANKS TO FINANCIAL INCLUSION

The penetration of bank branches into rural areas is difficult as they are unviable, structured and having higher transaction cost. The service area approach limit the scale of operation of banks. The application of present business correspondent (BC) model is too restrictive. It requires a comprehensive participation of all stakeholders which is highly lacking in India. The major issue is not mere access to bank or banking, but it is related to the services offered by the banks as per the needs of the local people. Because of poor financial literacy and capability, it is very difficult to assess the level of expectation of customers (rural poor). Their requirements is changing from one rural area to another even in the same district of the state. The rural poor are also highly habituated by the dealing of informal credit sources eventhough the cost of credit is higher.

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At this juncture, the present study focus on the services marketing in financial inclusion.

IMPORTANCE OF THE STUDY

The level of financial inclusion has been with strategic importance by the development planners and policy makers in India. At the national level, the level of financial inclusion has been estimated by several authors (Swiston, 2008). The level of access to finance from all possible formal sources are used to measure the level of financial inclusion in India (Rangappa et al., 2008; Prathap, 2011). A large segment of the small and marginal farmers still continue to be deprived of the formal sources of credit and other essential services. Commercial banks being the purveyors' of nations credit has got a great deal of responsibility in extending the financial services to this sector in order to provide the fruits of economic development to this segment of Indian economy.

The main purpose of this study into findout the difference between the bankers and beneficiaries regarding their views on services marketing in financial inclusion since it may be useful to remove the obstacles in the enrichment of the result of financial inclusion.

STATEMENT OF THE PROBLEM

It is quite clear that the task of covering a population of 1.27 billion with banking services is extremely large. Both demand side factors (beneficiaries) and supply side factors (banks and other financial institutions) are responsible for financial inclusion. Banks and other financial institutions are largely expected to reduce the supply side constraints. Now the problem rest on the demand side challenges. These are low literacy levels, lack of awareness about financial products, irregular income, lack of trust in formal banking institutions, dependency on informal finance and institutions. The banking institutions may think that they are providing right marketing mix to the customers in financial inclusion. But they are not getting the feedback from their customers in order to change their marketing mixes or combination of marketing mixes. This lead to the service quality gap in financial inclusion which affect the expected result from the financial inclusion in India.

REVIEW OF PREVIOUS STUDIES

Katti (2014) identified the dissatisfaction on general banking services among the rural poor. Raihanath and Pavithran (2014) analysed the reasons for financial exclusion. Porkodi and Aravazhi (2013) revealed the role of micro finance and SHG in the promotion of financial inclusion. Sarojit (2015) found that the financial inclusion reduce the poverty at 3 fold rate. Alexanshe and Eisenhat (2013) stated that the mobile money as an enginee of financial inclusion. Shankar (2013) mentioned the role of micro finance institutions in the development of financial inclusion. Singh and Tandom (2013) revealed the integration between the policymakers, banks, MFIs, NGOs and regulators of financial inclusion. Sharma and Kukraja (2013) concluded that financial inclusion is playing a catalystic role for the economic and social development of the society. Mendami and Rajyalakshmi (2013) found the progress of financial inclusion is too small. Hameedu (2014) stressed the need for specific strategies to expand the outreach of banks financial inclusion. Arais (2014) revealed that the increase in financial literacy is the only way to increase financial inclusion in India.

Shakul (2014) stated the requirements of enrichment of finance inclusion require the differentiated policies. Audil and Mohi (2012) stated the importance of easy access to sources of finance for the enrichment of the performance of financial inclusion. Srikkanth (2013) observed that the cost of finance in rural areas is higher since the population in rural is too small. Das (2006) stated that the small requirements of rural people hinder the growth of financial inclusion. Ramji (2009) observed that the household accounts have increased considerable during the financial inclusion period. Rahul and Maity (2014) and Anjugam et al., (2010) found the linkage between the SHG-bank programme increase the degree of financial inclusion. Sharma (2008) noticed the positive relationship financial inclusion and the socio-economic development of people. Kumar and Sharma (2011) stated the significant role of micro finance programme in achieving financial inclusion in India. Uma and Rupa (2013) found the positive impact of SHG on financial inclusion.

RESEARCH GAP

Eventhough there are so many studies related to the financial inclusion, degree of financial inclusion, linkage between the commercial banks, micro finance, SHG and financial inclusion in India, there is no behavioural approach to the financial inclusion in India. Hence, the present study has made an attempt to fill up the research gap with the help of the proposed research model. The behavior approach uses the

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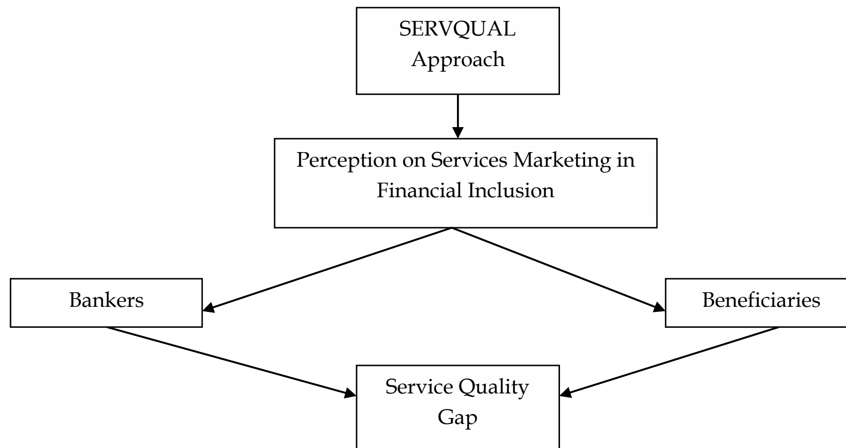
SERVQUAL approach (Balakns and Boller, 1992; Gronross, 1984) in the context of financial inclusion which is highly essential for future policy implications.

PROPOSED RESEARCH MODEL



OBJECTIVES OF THE STUDY

Based on the proposed research model, the present study confine its objectives into i) to measure of perception on services marketing in financial inclusion among the bankers and beneficiaries; ii) to reveal the service quality gap in the services marketing aspects in financial inclusion.

CONCEPTUAL FRAMEWORK

Marketing of service is meant by marketing of something which are intangible (Sherlekar, 1980). It is based on credibility and customer satisfaction (Rajan Nair, 1992). Its aim is to attain the goal of generating profits through satisfying the customers (Balaji, 2002). The marketing mix for the services are seven namely product, price, promotion, physical distribution, people, process, physical evidence (Jha, 1998). The services offered in the financial inclusion includes the banking services, credit, insurance, savings, money advice and financial literacy and capability (Demirgu and Klappar, 2012). The services marketing in financial inclusion covers the user friendly low cost technology (Raj 2011), collaboration with local agents (Chaia et al., 2010), subsidiary model (Sreela, 2012), inclusion of government schemes (Ramon, 2011) and innovative and test market the products services (Nadharani, 2012).

The services marketing in financial inclusion should meet the expectation of targeted customers especially rural poor (Sharma, et al., 2014). The services offered in financial inclusion in India covers the opening of no-fills accounts, relaxation of know-your customer (KYC) norms, general credit cards (GCCs), engaging business correspondents (BCs) (Mohan, 2006). It is extended to regional rural bank services and kisan credit card schemes (Pooja and Shikha, 2014). The success of the financial inclusion rest on the services marketing offered by the financial institutions (Amirban, 2013). It depends upon the perception on services offered by financial institutions (Paramasivam, 2013). The variables included in the seven marketing mix of financial inclusion are drawn from the reviews (Misson, 2004; Anna et al., 2010; Chibha, 2011; Beck et al., 2006). The variables are shown in Table 1.

TABLE 1: Variables in Services Marketing in Financial Inclusion (SMFI)

S.No.	Variables in SMFI	S.No.	Variables in SMFI
I	**Product**	**IV**	**Physical distribution**
1.	Provision of micro finance	1.	Comfortable location of branch
2.	Provision of electronic banking	2.	Access to bank
3.	Provision of all financial services	3.	Number of branches
4.	Provision of ATM facilities	4.	Easy access to financial services
5.	Provision of Kissan Cards	5.	Comfortable working hours
6.	Provision of mobile banking	**V**	**People**
7.	Provision of saving facilities	1.	Supportive staffs
II	**Price**	2.	Knowledgeable staffs
1.	No hidden cost	3.	Interest to solve the customers problems
2.	Interest free loan	4.	Attention to the customers request
3.	Subsidy attached with loan	5.	Handling of customers queries
4.	Easy EMI for loan repayment	**VI**	**Process**
5.	Lower service cost	1.	Timely process
III	**Promotion**	2.	Face to face interview
1.	Government schemes	3.	Easy process
2.	Government support on financial inclusion	4.	Lesser time to take decision

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3.	Provision of financial literacy	**VII**	**Physical evidence**
4.	Provision of financial advices	1.	Safe and secured banking
5.	Provision of value added services	2.	Reputation of bank
		3.	Equality in treatment
		4.	Customer sovereignty

The respondents are asked to rate the above said variables at five point scale according to their order of perception.

Index of Financial Inclusion

The index of financial inclusion was used by the commercial banks to exhibit their achievement under the scheme (Kahita, 2013). It is computed by a dimension index for each dimension of financial inclusion namely bank penetration, availability of bank services, and usage of banking system (Kamath, 2007). Similar method was followed as per the view of beneficiaries. The variables included for the index are drawn from the reviews (Anuurage et al., 2011); Vasantha et al., 2013; and Srikanth 2013). These are presented in the Table 2.

TABLE 2: Variables in Financial Inclusion among the Beneficiaries (IFCB)

S.No.	Variables in IFCB	S.No.	Variables in IFCB
1.	Usage of SHG-Bank link credit	6.	Savings in SHG
2.	Usage of micro credit	7.	Taking of insurance
3.	Availing the government services	8.	Usage of credit card facilities
4.	Operating savings bank account	9.	Usage of ATM facilities
5.	Deposit in recurring or fixed deposits	10.	Usage of cheque/draft

The respondents are asked to rate these variables at five point scale according to their order of usage.

METHODOLOGY

Scope of the Study

This study is undertaken in Madurai district of Tamilnadu. The scope of data collection is restricted to only bankers and beneficiaries in the scheme of financial inclusion at the commercial banks in Madurai district, Tamilnadu.

Research Design

The applied research design of the present study is purely descriptive in nature since the present study by to explain the perception on various service marketing mixes offered by the banks in financial inclusion as per the view of bankers, beneficiaries and also its difference. Apart from this the study has its own objectives and pre planned methodology to fulfill the objectives.

Sampling Plan of the Study

Out of total of 239 commercial bank branches in Madurai district, 102 branches are cited in rural and semi urban area. All these 102 branches are included for the study. To represent the banks, 102 bankers (either bank manager/officer) are purposively selected. In order to represent the beneficiaries, two beneficiaries per branch under financial inclusion are identified with the help of the bankers. The sampled bankers and beneficiaries came to 102 and 204 respectively. Hence, the applied sampling procedure of the study is purposive sampling.

Collection of Data

The required data to fulfill the objectives of the present study are collected with the help of structured interview schedule. The schedule was divided into two parts. The first part covers the profile of respondents and the various dimensions related with the services marketing in financial inclusion. The pilot study was conducted among 10 bankers and 20 beneficiaries under financial inclusion scheme. The final schedule was prepared to collect the data. The bankers are requested to rate the variables in services marketing mix alone whereas the beneficiaries are asked to fill up all questions in the schedule.

Framework of Analysis

The collected data processed with the help of appropriate statistical tools namely confirmatory factor analysis, two group discriminant analysis, 't' test and cronbach alpha.

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Results of the Study

Level of Financial Inclusion among the Respondents

The level of financial inclusions indicates the level of banking activities among the respondents under the financial inclusion scheme. It is measured with the help of 10 variables. The respondents are asked to rate these variables at five point scale according to the order of their usage. The index has been computed by the following formula:

$$IFCI = \frac{\sum_{i=1}^{n} SVFI_i}{\sum_{i=1}^{n} MSVFI_i} \text{ x } 100$$

Whereas

IFCI – Index of financial inclusion

SVFI – Score on variables in financial inclusion and

MSVFI – maximum score on variables in financial inclusion.

The distribution of respondents based on their IFCI is shown in Table 3.

TABLE 3: Index of Financial Inclusion among the Respondents (IFCI)

S.No.	IFCI	Number of respondents	Percent to the total
1.	Less than 40	67	32.84
2.	40-60	59	28.92
3.	61-80	41	20.10
4.	Above 80	37	18.14
	Total	204	100.00
Cronbach alpha: 0.8245			

The included 10 variables in the index of financial inclusion explain it to an extent of 82.45 per cent since its cronbach alpha is 0.8245. The important level of IFCI among the respondents are less than 40 and respondents with the IFCI of above 80.00 per cent constitute 18.14 per cent to the total. The analysis reveals that the level of financial inclusion among the respondents is good in the study area.

Reliability and Validity of Variables in Services Marketing Mixes in Financial Inclusion

The variables in seven services marketing mixes are varying from 7 to 4. The score of the variables in all seven services marketing mixes are included for confirmatory factor analysis in order to examine the reliability and validity of variables in it. It results in standard factor loading of variables in each service marketing mix, its 't' statistics, composite reliability and average variance extracted. The overall reliability of variables in each services marketing mix are estimated with the help of cronbach alpha. The results are shown in Table 4.

TABLE 4: Reliability and Validity of Variables in Marketing Mix in Financial Inclusion (MMFI)

S.No.	MMFI	No.of variables in	Range of standardized factor loading	Range of 't' statistics	Cronbach alpha	Composite reliability	Average variance extracted
1.	Product mix	7	0.9193-0.6884	4.0896*-2.6238*	0.8184	0.7912	57.82
2.	Price mix	5	0.8511-0.6309	3.5082*-2.3096*	0.7317	0.7106	51.17
3.	Promotion mix	5	0.8734-0.6517	3.7244*-2.4176*	0.7708	0.7517	54.18
4.	Physical distribution mix	5	0.8603-0.6739	3.6133*-2.5099*	0.7667	0.7402	53.99
5.	People mix	5	0.8491-0.6417	3.4172*-2.3949*	0.7542	0.7301	53.02
6.	Process mix	4	0.8502-0.6592	3.5417*-2.4209*	0.7673	0.7406	54.01
7.	Physical evidence mix	4	0.8991-0.6227	3.9739*-2.2318*	0.7801	0.7721	55.09

*Significant at five per cent level.

The standardized factor loading of the variables in each services marketing mixes are greater than 0.60 which reveals the content validity of the marketing mixes (Ahive, et al., 1996). The significance of 't' statistics of the standardized factor loading of the variables in each services marketing mix reveals its convergent validity (Anderson and Gerbing, 1982). It is also supported by the composite reliability and average variance extracted since these are greater than its standard minimum of 0.50

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and 50.00 per cent respectively (Hair et al., 1992). The overall reliability of variables in services marketing mix is confirmed since its cronbach alpha is greater than its minimum threshold of 0.60 (Cronbach, 1951).

Respondents View on Service Marketing Mixes in Financial Inclusion

The respondents perception on the services marketing mixes offered in financial inclusion have been examined by the mean score of all seven services marketing mixes. The score of perception on each services marketing mix among the bankers and beneficiaries have been derived by the mean score of the variables in each services marketing mix. The 't' test has been administered to findout the significant difference among the bankers and beneficiaries regarding their view on all seven marketing mixes. The results are shown in Table 5.

TABLE 5: Level of Perception on Marketing Mix in Financial Inclusion (MMFI)

S.No.	MMFI	Mean score among		't' statistics
		Bankers	Beneficiaries	
1.	Product mix	3.4245	3.1773	1.3842
2.	Price mix	3.4908	3.2462	1.2109
3.	Promotion mix	3.3881	2.8441	2.3891*
4.	Physical distribution	3.2442	2.9346	1.7011
5.	People	3.5227	2.4117	3.5896*
6.	Process	3.4679	2.3884	3.3841*
7.	Physical enhance	3.3918	2.7341	2.6672*

*Significant at five per cent level.

The highly perceived services marketing mix financial inclusion among the bankers are people mix and price mix since its mean score are 3.5227 and 3.4908 respectively. Among the beneficiaries, these two are price mix and product mix since its mean score are 3.2462 and 3.1773 respectively. Regarding the view on services marketing mixes, the significant difference among the bankers and beneficiaries have been noticed in the case of promotion, people, process and physical evidence mix since their respective 't' statistics are significant at five per cent level. The perception on all services marketing mixes in financial inclusion are higher among the bankers than that among the beneficiaries.

Discriminant Services Marketing Mixes among the Bankers and Beneficiaries

Since the level of perception on services marketing mixes during the bankers are differing from the perception among the beneficiaries, it is imperative to identify the important discriminant marketing mixes among the two group of respondents for some policy implications. These are identified with the help of two group discriminant analysis. Initially, the mean difference in each marketing mix and its statistical significance have been computed. The discriminant power of each services marketing mix is estimated with the help of wilks lambda. The results are shown in Table 6.

TABLE 6: Mean Difference and Discriminant Power of MMFI among Bankers and Beneficiaries

S.No.	MMFI	Mean score among		Mean difference	't' statistics	Wilks lambda
		Bankers	Beneficiaries			
1.	Product mix	3.4245	3.1773	0.2472	1.3842	0.4224
2.	Price mix	3.4908	3.2462	0.2446	1.2109	0.4173
3.	Promotion mix	3.3881	2.8441	0.5440	2.3891*	0.1709
4.	Physical distribution mix	3.2442	2.9346	0.3096	1.7011	0.3884
5.	People mix	3.5227	2.4117	1.1110	3.5896*	0.1179
6.	Process mix	3.4679	2.3884	1.0795	3.3841*	0.1082
7.	Physical evidence mix	3.3918	2.7341	0.6577	2.6672*	0.1503

*Significant at five per cent level.

The significant mean differences are noticed in the case of promotion, people, powers and physical evidence mixes since their respective 't' statistics are significant at five per cent level. The higher mean differences are noticed in the case of people and process mix since its mean differences are 1.1110 and 1.0795 respectively. The higher discriminant power is noticed in the case of process and people mix since its wilks lambda are 0.1082 and 0.1189 respectively. The significant marketing mixes are included to estimate the two group discriminant function. The unstandardized procedure has been followed to estimate it. The estimated function is:

$$Z = 0.5089 + 0.1847 X_3 + 0.2396 X_5 + 0.2119 X_6 + 0.1094 X_7$$

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The relative contribution of each marketing mix is total discriminant score (TDS) is computed by the product of discriminant co-efficient and mean differences of the respective marketing mixes. The results are given in Table 7.

TABLE 7: Relative Contribution of MMFI in the Total Discriminant Score (TDS)

S.No.	MMFI	Discriminant co-efficient	Mean differences	Product	Relative contribution in TDS
1.	Promotion mix	0.1847	0.5440	0.1005	15.06
2.	People mix	0.2396	1.1110	0.2662	39.90
3.	Process mix	0.2119	1.0795	0.2287	34.27
4.	Physical evidence mix	0.1094	0.6577	0.0719	10.77
	Total			0.6673	
Per cent of cases correctly classified: 78.83					

The higher discriminant co-efficients are noticed in the case of people and process mix since its discriminant co-efficients are 0.2396 and 0.2119 respectively. It shows the higher influence of abovesaid two marketing mixes in the discriminant function. The higher relative contribution of marketing mix in TDS is noticed in the case of people and process mix since its relative contributions are 39.90 and 34.27 per cent respectively. The estimated two group discriminant function correctly classifies the cases to an extent of 78.83 per cent. The analysis reveals that the important discriminant marketing mixes among the bankers and beneficiaries are people and process mixes which are highly perceived by the bankers than that by the beneficiaries.

Research Implications

The services offered by the bankers are not upto the mark of the services expected level of the beneficiaries under financial inclusion replicates the findings of Murthy (2012), Sabio (2009) and Uma and Rupa (2008). The service quality gap between the bankers and beneficiaries in the perception on various marketing mixes are similar with the findings of Venkataramany et al., (2009), Arputhamai and Prasannakumari, (2011), and Chavan et al., (2009). The poor usage of the services offered under financial inclusion among the beneficiaries recall the findings of Arputhamani and Prasannakumari (2011), Adhikary and Bagli (2010). The reasons for poor usage of services under financial inclusion among the respondents are mainly due to their nature of customers, lack of financial literacy, lack of trust on formal banking, customs and lack of access to banks which is similar to the findings of Chakravarthy and Pal (2010) and Kochar (2011).

Concluding Remarks

The present study conclude that the level of financial inclusion among the beneficiaries is poor. The important reason for such poorness is their level of perception on the various services of marketing mixes offered by the banks under the financial inclusion scheme is poor. But the banks are perceiving that they are rendering a better services marketing mix to the beneficiaries. The significant difference among the bankers and beneficiaries are seen in the case of promotion, people, process and physical evidence mixes. The important discriminant services marketing mixes among the bankers and beneficiaries are the process and people mix which are higher among the bankers than that among the beneficiaries. Unless the banks satisfy the beneficiaries expectations on the various services marketing mixes, they will not be able to reap the full benefit of financial inclusion for the Indian economic development.

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MODELING TOTAL QUALITY SERVICE (TQS) AND FINANCIAL PERFORMANCE THROUGH SERVICE PROFIT CHAIN

Dr. Jyoti Sharma | Dr. Tejeshwar Singh | Dr. Komal Nagar

ABSTRACT: *Satisfied employees lead to satisfied customers which in turn lead an organisation towards profits as employee satisfaction has a strong influence on employee turnover intention, employee loyalty and customer satisfaction. The present paper investigates the role of total quality service on financial performance through service profit chain. The paper also plans to design a model depicting the direct structural relationship between total quality service, internal service quality, employee satisfaction, employee commitment, employee loyalty, external service quality, customer satisfaction and financial performance. The findings of the study suggest that an effective implementation of TQS system can positively influence an organisations' financial performance through service profit chain.*

KEY WORDS: Total Service Quality, Internal Service Quality, Customer Satisfaction, Financial Performance.

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INTRODUCTION

Quality is a term that carries an important meaning both to the producer and customer. In the global market today, many organizations have realized that their survival in the business world depends greatly on producing high quality product and services. Everyone has had experiences of poor quality when dealing with business organisations. Successful companies understand the powerful impact that customer-defined quality can have on business (Anderson, 1994). For this reason many competitive firms continually increase their quality standards. Total quality service (TQS) and its components have a direct impact on customers' assessment of a company and the willingness to choose the service provider. Cavana et al. (2007) reported that total quality service becomes a crucial competitive bludgeon in service sector for the survival and growth as they compete in the marketplace. Therefore, the only thing through which service oriented firms can gain customers is the service quality in totality (Stafford, 1996).

Studies in the past have focused on measuring partial relationships between internal service quality (employee satisfaction) and external service quality (customer satisfaction). However, more comprehensive relationships are reflected with the service profit chain and a conceptual model for including the linkages of management practices with service companies (Heskett et. al., 2008).

OBJECTIVES OF THE STUDY

Automobile sector is becoming more and more competitive every day. In order to be successful in the field, focus is on providing quality services to its customers by satisfying its employees. In this context, the objectives of the present study are:

- To investigate the role of total quality service on financial performance through service profit chain.
- To propose a model depicting the relationship between total quality service, internal service quality, employee satisfaction, employee commitment, employee loyalty, external service quality, customer satisfaction and financial performance.

LITERATURE REVIEW

Satisfied employees lead to satisfied customers who in turn lead an organisation towards profits because a satisfied employee has a strong influence on employee turnover intention, employee loyalty and customer satisfaction (Xu and Goedegebuure,

2005). Many authors have suggested that a positive relationship exists between customer loyalty and financial performance (Reichheld, 2000; Sheth and Parvatiyar, 1995). Further, loyal customers lead to an increase in the value of business, enabling it to sustain lower costs than those attached with attracting new customers.

Internal Service Quality

The notion of internal-service quality was first proposed by Sasser and Arbeit (1976), who regarded employees as internal customers (Wang, 2010). Internal service quality refers to the attitude that people have towards their jobs, colleagues and companies (Heskette et. al., 2008). Internal service quality is considered to be more important than the external service quality (Kotler, 2000) because employees are also considered to be the consumers and therefore the organisation has to take care of its employees and build organisation value for every member to follow (Kotler, 2004). Different authors have suggested different dimensions of internal service quality. According to Hallowell et. al., (1996) there are eight components of internal service quality, i.e. tools, teamwork, management, training, reward/recognition, goal alignment, policies/procedures, and communication. According to the "service-profit chain" model (Heskettet. al., 1994) internal service quality components consist of work place design, job design, employee's selection and development, employee rewards and recognition and tool for serving customers.

Research has found that internal service quality significantly influences employee satisfaction (Wang, 2010; Dauda et. al., 2013). It has also been found that high-quality internal HRM services to employees contribute to the success of the service organisation (Hofman and Meijerink, 2015) as satisfied employees perform well. Implementations of TQS provide employees with enhanced tools and techniques to bring total quality in their work by quality improvement activities (Tang andZairi, 2010, p. 415). Quality starts with the understanding of customers' needs and ends when those needs are satisfied (Oakland, 2005). Therefore; managers should motivate and reward employees who work hard to satisfy these needs. Implementation of TQS helps employees to understand the purpose of their tasks (Calabrese, 2012), helps them to develop good internal communication (Henderson and McAdam, 2003) and also empowers them (Ugboro and Obeng, 2000).

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Based on the review of the above literature the following hypothesis emerges:

H_{01}: There is a significant relationship between TQS and internal service quality

Perceived Service Quality

Perceived service quality is regarded as the feeling that customers have regarding the superiority and inferiority of the service provider (Tsoukatos and Rand, 2006). Many authors are of the view that the strategy that is considered essential and indispensable for success and survival in today's competitive and cut-throat environment is delivering service quality (Parasuraman et. al., 1985). Total quality service affects the internal service quality through its components like Management commitment, Benchmarking, Human Resource Management, Technical Systems, Information and Analysis, Service Marketing, Social Responsibility, Service Culture, Servicescape and Continuous Improvement (Behra and Gundersen, 2001). According to Guimaraes (1997) implementation of TQS strategy in an organisation has a significant impact on the attitudes of employees towards their jobs and their organisations. Employees exhibit higher level of satisfaction and involvement with their job, commitment to the organisation and intentions to stay with the company with the implementation of TQS (Issac et. al., 2004). Research has found that TQS encourages employees and departments to work in teams and also encourages employees to participate in decision making (Beecroft, 1999) as when an employee gets a certain degree of autonomy to take decisions, it brings positive impact on the intrinsically appealing aspects of work, such as creativity, ability utilization, and achievement.

Further, by providing a good servicescape to the employees (physical environment like machines, equipment, building, lightening, ventilation etc.) who are closest to the customers helps in contributing to the effectiveness of the service process which helps the employees to serve customers in an even better manner (Parsuraman et. al., 1985). Based on the above discussion, the following hypothesis emerges:

H_{02}: Internal service quality significantly influences employee satisfaction

Employee Satisfaction

Employees are precious assets of an organisation and are capable of generating sustainable competitive advantage for the organisation (Heskett et. al., 1994). It is a well-accepted fact that satisfied employees are productive employees (Saari and Judge,

2004) however studies have indicated that this relationship flows through employee commitment, employee loyalty and external service quality. Employee satisfaction results primarily from high-quality support services and policies. Organisations need to recognise the requirements of employees and treat them as internal customers (Reynoso and Moores, 1995) as they are the assets for the organisation that help to deliver innovative and quality goods and services (Parsuraman et. al., 1985). Therefore, by providing employees training and development, effective communication, recognising and rewarding their work, empowering them to take their own decision and motivating them to work in a team to achieve the common goal helps to increase employee's satisfaction level (Sharma and Bajpai, 2010). Satisfied employees are more committed in terms of affection as well as obeying the organisational norms (Irving et. al., 1997). They rarely think of quitting the organisation thereby reflecting the employee commitment.

Employee satisfaction is an emotional response which is affected by personal and organisational factors, which cause an emotional reaction affecting commitment level of employee (Lumley et. al., 2011). Satisfied employees are happy and mentally relaxed (Ijaz et. al., 2012), which make them loyal towards their organisation as they hold a positive attitude toward their jobs (Wang and Feng, 2003). It can therefore be concluded from the above statement that employee satisfaction is the predictor of employee commitment and employee performance.

Therefore, the following hypotheses emerge:

H_{03}: Employee satisfaction has a significant relation with employee commitment

H_{04}: Employee satisfaction significantly affects employee performance

RESEARCH DESIGN AND METHODOLOGY

The present study is evaluative in nature as it tries to establish the theoretical relationships between total quality service and financial performance through service profit chain. To measure the relationship among the constructs of the study, the following methodology has been adopted.

Generation of Scale Items

The survey questionnaire is composed of questions relating to eight scales viz; total quality service, internal service quality, employee satisfaction, employee

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commitment, employee loyalty, external service quality, customer satisfaction and financial performance.

The Total Quality Service questionnaire consisted of 91 statements on 7 point Likert scale, including ten dimensions viz;

For the measurement of Internal service quality 22 statements with three dimensions from Lings (2004) were taken up.

The questionnaire for measuring employee satisfaction, customer satisfaction, employee commitment and employee loyalty has been adopted from Sureshchandar (2001) and Fuentes et al. (2007).

Employee performance has been measured by adopting five items from Fuentes et al. (2007) and Venkatraman and Ramanujam (1986).

The scale for measuring external service quality has been adopted from Narver and Slater's (1990) using a 7- point rating scale with 15 items.

The questionnaire for measuring financial performance has been adapted from Fuentes et al. (2007) and Venkatraman and Ramanujam (1986). It consists of five statements. Financial performance has also been measured objectively using such criteria as sales growth and profits in percentage.

Sample Size and Design

The study confines to the showroom cum service stations of major players of automobile industry i.e. Maruti Udyog, Hyundai Motor Ltd., Tata Motors Ltd. In order to avoid the problem of common method variance data have been collected from multiple respondents i.e. executives, employees and customers. All (85) executives, including General Managers, Deputy General Managers, Managing Director, and Functional Managers of the showrooms, employees (380) and customers (289) in Jammu Province were contacted for primary data collection. Census method was used for collecting the data from executives and employees. The total number of customers was 10,800. To determine the final sample size, a pilot survey of seventy customers, selected conveniently, was conducted. The final sample size for customers comes to 289, which has been identified on the basis of pre testing results by the application of formula proposed by Sharma (2007).

n = no N/no+ (N-1)

Where $no = (Za/2)^2 * S.D^2 / E^2$

$(Za/2) = 1.96$,

S.D - Standard Deviation,

E - Sample Error

The response rate from executives, employees and customers was seventy two percent, eighty nine and ninety three percent, respectively.

DATA ANALYSIS

The detailed results of exploratory and confirmatory factor analysis are as under:

Scale Purification

Exploratory Factor Analysis

The multivariate data reduction technique of factor analysis has been used for the present study. It involved examination of inter-relationship among variables and reduction of large number of variables into few manageable and meaningful sets. Factor analysis was carried out to simplify and reduce the data. Principal Component Analysis along with orthogonal rotation procedure of Varimax for summarising the original information with minimum factors and optimal coverage was used. The study uses factor analysis, primarily because of three general functions i.e. reducing the original set of variables to a small set, which accounts for most of the variance of the initial set; searching data for qualitative and quantitative distinctions and statistically testing of priori hypothesis about number of dimensions or factors underlying a set of data (Kaur et. al., 2009). All the five major methodological issues that a researcher should consider when conducting a factor analysis (Fabrigar, 1999) were taken care of while pursuing factor analysis, as these decisions have an important bearing on the results obtained. These are: a) What variables to include (Cattell and Gorsuch, 1963), b) appropriateness of factor analysis, c) selection of appropriate procedure, d) number of factors to be included, and e) selection of appropriate rotational method.

Validity- Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) uses a multivariate technique to test whether a pre-specified relationship exists between the manifest and latent variables.

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It is used to provide a confirmatory test of our measurement theory. It is a way of testing how well measured variables represent latent constructs (Demirbag et. al., 2006). The items that emerged after EFA under the individual factor were averaged for the application of CFA (Jones et al. 2001) and items with Standardised Regression Weights (SRW) less than 0.5 were deleted (Hair et. al., 2006).

Convergent Validity

The authors suggested that if all the factor loadings of indicators on their constructs are significant, convergent validity is attained. It can be established in three ways: Factor Loadings, Average Variance Extracted (AVE) and by Bentler-Bonett Delta Coefficient. Bentler-Bonett coefficient was used to measure the convergent validity of the model as it considers each item in the scale as a different approach to measure the construct thereby assessing convergent validity. As the Bentler-Bonett Coefficient that measure both the normed and nonnormed fit measures that are independent of the sample size, therefore Bentler-Bonett fit index was used as a measure of goodness of fit for the analysis of covariance structure.

Reliability

Reliability of the constructs has been checked through internal consistency by the application of Cronbach's alpha (Cronbach, 1951) as well as by extracting the composite reliability with the help of variance extracted. Alpha values equal to or greater than 0.70 indicate high construct reliability (Nunally, 1970; O'Leary-Kelly and Vokurka, 1998). The alpha values for total quality service ranged from 0.89 to 0.96 (Table 1), for internal service quality it was 0.954 (Table 2), for employee satisfaction it was 0.974 (Table 3), For employee commitment it was 0.879 (Table 4), for employee performance it was 0.952 (Table 5), for external service quality it 0.972 (Table 6), for customer satisfaction it was 0.954 (Table 7) and for financial performance, it was 0897 (Table 8). Composite Reliability for all is above 0.70 (Table 10) during CFA.

Relationship between Total Quality Service (TQS) and Financial Performance through Role of Service Profit chain

Structural Equation Modeling is a multivariate technique that seeks to explain the relationship among multiple variables. In the present study, the relationship among total quality service, internal service quality, employee satisfaction, employee commitment, employee performance, external service quality, customer satisfaction

and financial performance have been assessed. First, a test of not-close fit was carried out for each model. The root-mean square error of approximation (RMSEA), a measure of model residuals, has been used in conducting this test. Since the upper bound of the RMSEA confidence interval for all of the models is quite below 0.10, the hypothesis of not-close fit could be rejected (MacCallum et. al., 1996). Thus, it could be inferred that none of the models had a poor fit. Furthermore, to minimize the effect of sample size in assessing model adequacy, CFI and SRMR were used to assess model fit in addition to the χ^2 significance test, because CFI and SRMR are relatively unaffected by sample size (Hu and Bentler, 1998). The goodness-of-fit indices for the structural model, (χ^2= 33.651, df =6, χ^2/df =5.608, GFI = 0.954, AGFI= 0.978, NFI= 0.965, CFI= 0.992, RMR= 0.034, RMSEA=0.062, Table 12) are well within the generally accepted limits, indicating a good fit. It supports the first hypothesis i.e., total quality service significantly influences internal service quality. The possible reason behind the significant impact of total quality service on internal service quality lies in the notion that total quality implementation in a service organisation brings all the people together to ensure and improve the services provided by improving the work environment, working culture and satisfaction level of employees. Thus it brings/ improves internal service .The second path traced the relationship between internal service quality and employee satisfaction. The standardised regression weight for the hypothesized relationship between internal service quality and employee satisfaction (β = 0.65, $p<0.001$, Table 12) is significant which confirms the second hypothesis that internal service quality significantly affects the employee satisfaction. The employees in an organisation where internal service quality is good are generally highly motivated and thus they reflect their satisfaction.

In internal service environments in which customers are highly demanding of employees, coupled with employees who in turn hold high expectations and satisfaction from their jobs leads to high commitment toward their job (path 3) and better performance (path 4). Thus our third and fourth hypothesis stands to be accepted i.e. employee satisfaction leads to employee commitment and employee satisfaction significantly affects employee performance. Satisfied employees always considered as a valuable asset for the organization.

CONCLUSION AND RECOMMENDATIONS

The novelty of this study lies in its inclusion of total quality service along with the components of service profit chain like internal service quality, employee satisfaction, employee commitment, employee performance, external service quality,

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and customer satisfaction while investigating the relationship between total quality service and financial performance in service sector. This paper investigated a link between total quality service and financial performance of the business through employees and customers variables that is core in a service profit chain. In this study, exploratory and confirmatory factor analyses have been used to produce empirically verified and validated underlying dimensions of various constructs. TQS provides a vision that keeps focus on quality and performance improvement. The result shows that total quality service directly affects internal service quality, internal service quality directly and positively affects employee satisfaction, employee satisfaction directly and positively affects employee commitment and employee performance as well as indirectly affects to employee performance through employee commitment. Employee performance and employee commitment, in turn, directly influences external service quality and external service quality in turn, positively affects customer satisfaction. Finally, customer satisfaction results in elevated profits i.e. financial performance. So showroom managers should devise such policies and HR practices that result in increased employee satisfaction that lead to increased customer satisfaction. The findings of the study suggest that an effective implementation of TQS system can positively influence organisational financial performance through service profit chain.

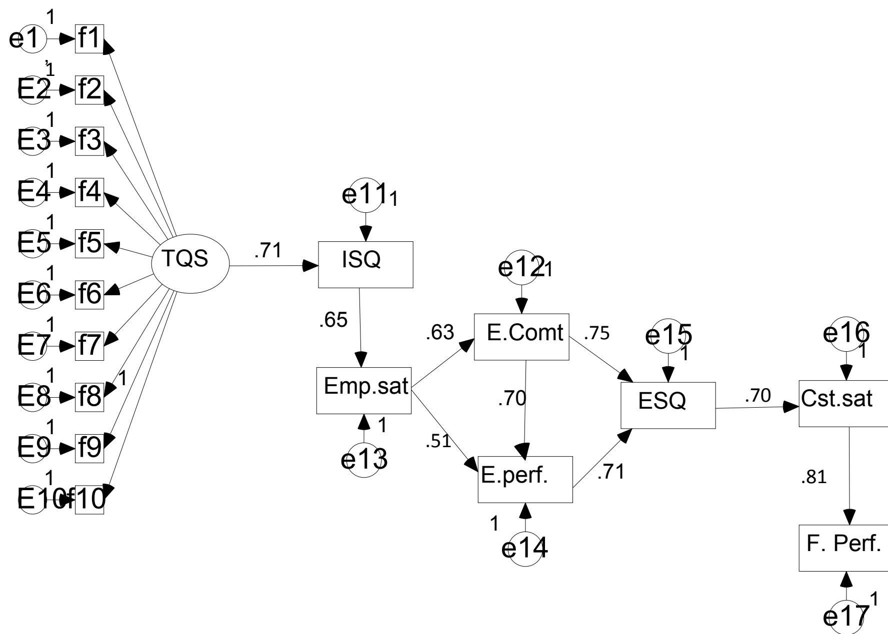

Figure 1: Test of Research Model

Key: F1- top management commitment, F2-Benchmarking,F3-Human Resource Management, F4-Technical system, F5.- Information analysis,F6- Service marketing, F7.- Social Responsibility, F8- Service culture, F9-servicescape, F10- Continues improvement, **TQS**-Total quality service **ISQ-** Internal service quality, **F. Perf**:- Financial Performance, **Cust. Sat**.:- Customer Satisfaction, **E-Perf**:- Employee Performance, **Emp. Sat**:- Employee Satisfaction, **Emp. Comt**:- Employee Commitment.

Table 1 : Summary of result from scale purification for Total Service Quality

Total Service Quality	Factor Loading	Mean	S.D	Alpha	Eigen Value	KMO	VE
MGT. COMMITMENT (F1)		5.80			1.233	0.806	78.82
Mutual trust and respect	0.813	5.58	1.910				
Participative management	0.915	5.87	0.983				
Skillful supervisor	0.698	5.57	0.956				
Consensus approach	0.527	5.91	0.991				
Planning and decision making	0.862	5.45	0.876				
Guidance to subordinates	0.838	5.62	0.873				
BENCHMARKING (F2)		5.69			2.10	0.789	74.77
Achieving Cust. satisfaction	0.749	5.66	0.982				
Training and development	0.768	5.75	0.863				
Customer satisfaction	0.783	5.66	0.823				
HRM (F3)		5.64			2.453	0.688	73.05
Inspection of vehicles	0.902	5.41	1.34				
Usage of quality circles	0.904	5.70	0.977				
Employees involvement	0.893	5.54	1.06				
Suggestions for innovations	0.920	5.58	0.653				
Effectiveness of quality circles	0.928	5.50	0.722				

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TECH. SYSTEM (F4)		5.65			1.927	0.686	64.217
Redesigning of processes	0.806	5.70	0.550				
Time and Motion studies	0.866	5.66	0.637				
Documentation of ser. processes	0.726	5.70	0.690				
INFO.ANALYSIS (F5)		5.78			2.340	0.727	68.234
Market analysis	0.892	5.83	0.761				
Analysis of costs	0.818	5.79	0.721				
Market investigation	0.858	5.64	0.733				
SERVICE MKT. (F6)		5.67			1.908	0.657	64.836
Extended warranty	0.868	5.79	0.658				
Reminder letters to customers	0.823	5.75	0.675				
Information to customers	0.639	5.54	0.721				
SOCIAL RESP. (F7)		5.73			2.112	0.753	75.469
Disciplined behavior	0.838	5.91	0.653				
Customer satisfaction	0.826	5.66	0.637				
Equal treatment to all customers	0.908	5.70	0.690				
Establishment of service stations	0.875	5.83	0.816				
Value added services	0.893	5.58	0.717				
SERVICE CUL. (F8)		5.70			3.843	0.809	64.055
Team work and human relations	0.808	5.70	0.750				
Trust and openness	0.872	5.79	0.832				
Make the right in first time	0.792	5.83	0.868				
Feeling of oneness	0.640	5.79	0.779				
Service to customers	0.894	5.62	0.923				
Importance to quality mgt.	0.771	5.50	1.142				

SERV. SCAPE (F9)		5.81			2.958	0.696	66.979
Neat and professional appearance	0.893	5.79	0.721				
Cleanliness practices	0.874	5.87	0.797				
Proper working environment	0.772	5.83	0.761				
Display boards	0.697	5.87	0.740				
Showroom's layout	0.565	5.83	0.701				
Product advertisement boards	0.796	5.87	0.679				
Display of service delivery status	0.889	5.79	0.721				
Attractive materials and colors	0.875	5.66	0.761				
C. IMPROVEMEN (Factor 10)		5.72			3.060	0.762	68.253
Strategic improvement	0.553	5.70	0.750				
Importance to quality	0.844	5.87	0.612				
Importance of work instructions	0.908	5.83	0.701				
Quality management systems	0.729	5.70	0.550				
Quality awareness programmes	0.768	5.66	0.637				
Autonomy in quality department	0.835	5.75	0.675				
Automated inspection/ review/ checking	0.840	5.58	0.829				
Quality department data	0.792	5.70	0.750				
Total mean of TQS		**5.70**					

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Table 2: Purification for Internal Service Quality Scale

Statements	FL	Mean	Comm.	S.D	Alpha	E.V	KMO	VE
All grievances are duly addressed	0.868	5.83	0.765	0.603	0.954	3.80	0.798	72.00
Training is provided to low performing employees.	0.867	5.75	0.822	0.794				
Employees are rewarded	0.842	5.75	0.897	0.692				
Seminars/workshops are organized	0.855	5.83	0.753	0.730				
Regular staff meetings	0.823	5.57	0.765	0.581				
Efforts were made to find out employees' real feelings.	0.742	5.00	0.875	0.692				
Manager regularly talks to employees about their work.	0.809	5.41	0.887	0.644				
Manager meets employees at regular interval	0.906	5.33	0.786	0.701				
Regular staff appraisal is done.	0.835	5.58	0.754	0.829				
Manager interacts directly with employees.	0.699	5.34	0.689	0.579				
Management does a lot of internal market research.	0.755	5.48	0.876	0.672				
Total Mean and VE		6.087						

Table 3: Purification of Employee Satisfaction Scale

Employee Satisfaction	Factor Loading	Mean	Comm.	S.D	Alpha	Eigen Value	KMO	VE
Grievance redressal meetings	0.916	5.71	0.865	0.739	0.974	11.678	0.876	71.00
Implementation of appraisal system	0.878	5.70	0.873	0.739				
Job satisfaction	0.867	5.83	0.920	0.692				
Monetary awards	0.892	6.04	0.768	0.615				
Freedom to do work	0.776	5.59	0.789	0.876				
Incentives for motivation	0.856	5.86	0.823	0.692				
Total Mean		**5.73**						

Table 4 : Summary of result from scale purification for Employee Commitment

Statements	FL	Comm.	Mean	S.D	Alpha	EV	KMO	VE
Committed to philosophy of quality mgt.	0.876	0.890	5.32	1.042	0.879	4.532	0.789	72.35
Employees commitment	0.871	0.902	5.45	1.091				
Accounting the competitors for planning and decision-making.	0.790	0.876	5.63	0.989				
Customer satisfaction.	0.821	0.897	5.87	0.976				
Employees as valuable asset.	0.776	0.789	5.79	0.956				
Proper guidance your subordinates.	0.699	0.821	5.99	1.450				
Committed to quality implementation.	0.854	0.934	6.01	1.230				
Total Mean and VE			5.723					

Table 5 : Summary of result from scale purification for Employee Performance

Statements	FL	Comm.	Mean	S.D	Alpha	EV	KMO	VE
The level of employee satisfaction is increased	0.876	0.932	5.67	0.923	0.952	3.401	0.786	69.88
The employee turnover has decreased.	0.764	0.921	5.79	0.956				
Employee efficiency has improved.	0.789	0.945	5.99	1.340				
The level of absenteeism is reduced.	0.890	0.890	6.00	1.230				
Employee participates in managerial affairs.	0.856	0.877	5.97	0.988				
Total mean and VE			**5.88**					

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Table 6 : Summary of result from scale purification for External Service Quality

Dimensions	FL	Comm.	Mean	S.D	Alpha	EV	KMO	VE
Feed back for quality Improvement	0.635	0.504	5.460	1.25	0.972	2.789	0.780	79.67
Reminders on time for due installment	0.908	0.828	4.48	1.10				
Reminders for after-sale services	0.849	0.765	5.93	0.612				
Sales staff is responsive and courteous	0.775	0.611	5.996	0.844				
New strategies for customer satisfaction.	0.641	0.592	5.636	1.03				
Service delivery status is displayed in the showroom	0.771	0.597	6.090	0.619				
Modern services like E-cash and cheques are used	0.751	0.565	5.906	0.776				
Customers' complaints are properly addressed.	0.796	0.633	5.425	1.154				
Total mean and VE			**5.615**					

Table 7: Purification for Customer Satisfaction Scale

Customer Satisfaction	FL	Mean	Comm.	S.D	Alpha	EV	KMO	VE
Correct service delivery	0.868	5.83	0.765	0.603	0.954	6.80	0.754	68.00
Feedback forms	0.867	5.75	0.822	0.794				
Technical capability	0.842	5.75	0.897	0.692				
Make customer feel safe	0.855	5.83	0.753	0.730				
Convenient working hours	0.823	5.87	0.765	0.581				
Customer delight in mind	0.742	6.00	0.875	0.692				
Handle customer grievances	0.809	5.91	0.887	0.644				
Dissatisfaction analysis	0.906	5.83	0.786	0.701				
Courteous employees	0.835	5.58	0.754	0.829				
Customers satisfaction	0.699	5.54	0.689	0.579				
Total Mean and VE		5.789						

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Table 8: Purification of Financial Performance Scale

Financial performance	FL	Mean	Comm.	S.D	Alpha	EV	KMO	VE
Competitive position	0.856	5.58	0.789	0.775	0.897	2.558	0.701	62.793
Increase in profits	0.973	5.45	0.865	0.931				
Sales volume	0.921	5.58	0.874	0.880				
Market share	0.838	5.70	0.897	0.750				
Firm's reputation	0.734	5.66	0.786	0.816				
Total Mean and VE								

Table 9: Fit Indices of CFA

Constructs	χ2	DF	χ2/df	RMR	GFI	AGFI	NFI	CFI	RMSEA
TQS	75	30	2.500	0.015	0.956	0.869	0.964	0.993	0.065
Internal Service Quality (ISQ)	20.540	6	3.423	0.011	0.983	0.967	0.961	1.000	0.000
Employee satisfaction	15.675	6	2.612	0.042	0.958	0.899	0.936	0.960	0.042
Employee Commitment	36.0	10	3.600	0.023	0.982	0.923	0.945	0.978	0.031
Employee Performance	61.24	17.88	3.425	0.017	0.922	0.976	0.934	0.982	0.023
External Service Quality	30.56	10	3.056	0.016	0.951	0.975	0.976	0.943	0.002
Customer Satisfaction	14.645	5	2.929	0.016	0.965	0.924	0.985	1.000	0.000
Financial performance	25.87	9	2.874	0.023	0.898	0.919	0.967	0.032	0.076

Table 10: Reliability and Validity Analysis

Constructs	Construct Reliability	Bentler-Bonett Coefficient Delta	Cronbach's Alpha
TQS	0.879	0.964	0.965
Internal Service Quality	0.899	0.961	0.954
Employee satisfaction	0.903	0.936	0.974
Employee Commitment	0.945	0.945	0.879
Employee Performance	0.890	0.934	0.952
External Service Quality	0.965	0.976	0.972
Customer Satisfaction	0.978	0.985	0.954
Financial performance	0.946	0.967	0.897

Table 11: Inner Regression Weights between Latent variables in the Structural Model

Relationship	Casual Path	SRW	CR
Direct relationship	TQS - Internal Service Quality (ISQ)	0.72	5.245***
Direct relationship	ISQEmployee Satisfaction	0.65	7.053***
Direct relationship	Employee satisfaction - Employee Commitment	0.63	8.617***
Direct relationship	Employee satisfaction - Employee Performance	0.51	4.102***
In direct relationship	ES - E. Commitment - E. Performance	0.70	3.805*
Direct relationship	E. Commitment External Service Quality (ESQ)	0.75	7.562***
Direct relationship	Employee Performance - ESQ	0.71	7.201***
Direct relationship	ESQ - Customer satisfaction	0.70	7.874***
Direct relationship	Customer Satisfaction - Financial Performance	0.81	3.865*
$\chi 2$= 33.651, df =6, $\chi 2$/df =5.608, GFI = 0.954, AGFI= 0.978, NFI= 0.965, CFI= 0.992, RMR= 0.034, RMSEA=0.062			

**Significant at 5% level of significance*

****Significant at 0.1% level of significance*

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LEVERED CAPITAL STRUCTURE: BOOM OR DOOM FOR LONG-TERM SUSTAINABILITY

Dr. Shailesh Rastogi

ABSTRACT: *Performance of a company is related to its capital structure and literature supports this. But when we take into account a particular type of capital structure like high leverage, we need to answer different set of questions. We compare the performance of such companies in both the situations when the economy is doing good and when economy is not doing good. This paper has studied this that how the high leverage and performance of companies are linked for long-term sustainability. Three set of data analytics tools have been used and all the three are supporting this view that performance of companies and high debt are not linked for long-term sustainable performance of the companies.*

KEY WORDS: Leverage, Debt, Risk, Sustainability, Performance

INTRODUCTION

India is a different market than rest of the world with respect to capital structure. In India debt does not make management of the company more accountable towards the efficiency or the performance of the company. In other words, level of debt is not a determinant for the efficiency of the company (Rastogi, 2011). The media and other reports are full of criticism of two types for debt financing in India. The first set of reports talk that the high debt is the bottleneck for the growth of companies in India in the long-run. The second set of reports talk that the debt financing should be replaced by equity financing from promoters. The second set of criticism encompasses that the promoters are doing business on the capital being provided to them through financial intermediaries or through debt financing. Both the criticism are targeted at debt financing and its drawbacks. Both the criticism are the motivation for doing this study. Author would like to empirically test the fact which is being discussed in

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media about debt financing by including the research rigour and analysis to establish the situation of debt financing and the status of companies in India who have majorly used debt as their main source of financing. Author is of the view that media reports may or may not be true and should be empirically tested. After 2008 financial crisis Indian media had been abuzz that the levels of debt in Indian companies are rising much faster than the income rate. Rastogi and Srivastava (2010) found that this was not the case and the rate of growth of income and profits were significantly higher than the increase in debt rate.

Performance is not a static thing. It is a continuous thing. Similarly sustainability needs self-sufficiency to survive. Having leverage in the capital structure may be with a purpose. Allowing to trade-off between bankruptcy cost and having tax advantage in terms of less cost of capital is always the reason for debt financing. But there is always a question that letting to have financial risk which is unsystematic risk or controllable risk, is justified in the long-run or not. Market risk is always there as long as a company is existing. There is very old question that how important is the financial risk in the operational efficiency of a company. Having flexibility in the capital structure should be there with every company. Whenever market moves down companies can reduce the debt and as the market comes back on the track, companies revive their high levered position. But all the companies do not have this flexibility to correct their capital structure so easily. All the industries also do not provide this flexibility due to the very nature of the industry. This study is for testing the association between performance and leverage of the companies. The companies feel the heat of high leverage when the market is in recession or in the just recovery phase. Sustaining during that time becomes acid test for a good company. An obvious question comes that market is something which is part of the business and every time market shows that downfall, companies having high financial risk come to brink and may have question mark on the survival. If this is the case, is it not advisable to always have no financial risk or to have low financial risk. This consequently lead to raise a question whether companies should have high debt for long-term sustainability or not. In literature, MM hypothesis is there to advocate debt does not impact the performance of a company but with riders of it own set of assumptions. This set of assumptions make MM hypothesis something which is far from reality and cannot be practically implemented. But the finance literature advocating for debt needs a reality check (Modigliani and Miller, 1958, 1963).

The paper has further been discussed in seven sections. The next section discusses review of literature followed by a conceptual framework which has been

tested in this paper. The fourth section discusses the research methodology adopted for doing the analysis of the paper. The next section shares the findings found in the data analysis. The sixth section discusses scope for future research and the last section concludes the paper.

REVIEW OF LITERATURE

The review of the paper has been divided into seven categories. The first category used in the paper is on the financial system affecting the growth of the firms. The second category is on choice of capital structure based on the financial system or environment. Third category is reasons for change in the capital structure decisions. The fourth category is on life-cycle financing over general financing for firms. The fifth category is on different theories for capital structure and life-cycle financing. The sixth category is on information asymmetry deciding the capital structure decisions. The seventh category is on industry based decision for capital structure.

The first category of the review of literature is on how financial system affects the growth of a firm. The decision of getting the debt or equity capital for financing is secondary over availability and ease of procurement of all type of source of financing. This is being provided by the allocative efficiency of the financial markets. The issue of financial system becomes more germane in case of small and new companies as far as the decisions of capital financing are concerned. Rocca, Rocca and Cariola (2011) explained the issue of financial system, small firms and growth of the firms. Carpenter and Petersen (2002) and Gregory et al (2005) have discussed the impact of financial system and how it impacts the performance of the firms. In Italy and US based studies, Beck, Demirgüç-Kunt and Maksimovic (2002, 2005) have evinced the role of financial institution and growth of the firms. Rajan and Zingales (2005), Wald (1999), Booth et al (2001), Peterson and Rajan (1994, 1995) and Berger and Udell (1995) have also discussed the same in their studies.

The second category of studies have been on how the capital structure decisions are based on the financial system prevailing in the geographical region where the firm is located. The studies done by Rajan and Zingales (1995) on the G7 countries have supported the view that the choice of capital structure is dependent on the financial system. The choice of capital structure gets heavily affected by the availability of finances in the existing system of financing in that part of the world. Choice elements for the decision of the capital structure is not independent of the prevailing financial system (Gertler and Hubbard, 1993; Korajczyk and Levy, 2003; Berger and Udell, 1995; Gaud, Hoesli and Bender, 2005; Guiso, Sapienza and Zingales,2004; Porta, Lopez-de-

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Silanes and Shleifer, 1999; Petersenand Rajan, 2002; Pollard, 2003).

The third category of the literature is on the varied reasons for changes in the capital structure of the companies. Though, the issue of capital structure is an old concept (Modigliani and Miller,1958; Modigliani and Miller,1963; Miller,1977), Mayer (1977), Myer and Majluf (1984) presented that the issue of capital structure follows a sequence for preference for some particular source of financing. They suggested that companies go for debt as preferred external source of financing after exhausting the option of internal equity financing. Later in his another research work Myer (2001) emphasized that having exhausted debt financing, the companies go for equity financing which is risky but suitable for high growth and small firms. Myer (2001) emphasized that the decision of capital structure is influenced by the choice of the management of the companies. Management of the companies have informal goals and the decision to follow a capital structure is based upon such informal goals. Lemmon, Roberts and Zender (2008) in his landmark work presented that the companies have tendency to go for a targeted capital structure. Initially companies start with having the capital structure as planned in their offer documents but later move towards the targeted capital structure. The proposed idea of Lemmon, Roberts and Zender (2008) was contradicted by Flannery and Kasturi (2006) and Hovakimian, Opler and Titman (2001). Akhtar (2012) supported the findings of Lemmon, Roberts and Zender (2008). The capital structure was proposed to vary with time in the long run, was the main theme of the difference. There have been several studies in which researchers have discussed several determinants for capital structure. Singhania and Seth (2010) evinced that capital structure has size, liquidity, growth and interest coverage ratio as determinants of the capital structure. Titman and Wessels (1988) have used industry classification, size of the firm, volatility and profitability as the determinants for the capital structure of the companies. Bradley, Jarrell and Kim (1984) have used volatility, advertising and research and development as the determinant for explaining the capital structure differences in the companies. Rajan and Zingales (1995) proposed that the capital structure theories should involve more data to make the theories give accurate behaviour of companies for their capital structures. Rajan and Zingales (1995) discussed profitability as determinant of the capital structure. Graham and Harvey (2001) using empirical data from the companies and shared that some theories like pecking order and trade-off theories make sense empirically but rejected some of the prevailing notions of asymmetric information, asset substitution etc as the determinant of the capital structure. Later on in his paper Graham and Harvey (2011) have reiterated the two theories and condemned the other ideas for explaining the differences in capital structure. Baker and Wurgler (2002) evinced the

concept of timing of the market in explaining the capital structure differences among companies. Barker and Wurgler (2002) were contradicted by Leary and Roberts (2005) in advocating the persistence theory. After Modigliani and Miller, two theories have dominated the capital structure literature. The first theory is trade-off theory which is often in competition with another theory on pecking order theory. In his seminal work Kraus and Litzenberger (1973) proposed the trade-off theory in which he emphasized that there is capital target of every company to be followed. The decision to go for a particular option is based on the cost-benefit analysis being done by the companies. Gramham and Leary (2001,2011), Baker and Wurgler (2002), Frank and Goyal (2011), Bradley, Jarrell and Kim (1984), Stulz (1990) and Hart and Moore (1995) all in their respective studies claimed for trade-off theory. Ghosh (2008) explained in his work that as the debt in the capital structure increases, the profitability decreases. Mande and Son (2012), Fan,Titman and Twite (2012) and Guad et al (2005) evinced that the choice of capital structure is based upon the corporate governance practices of the companies. The equity financing choice increases due to corporate governance which was against as proposed in pecking-order theory. It was also even much debated that apart from all the theories, the choice of management for capital decision far more outweigh than anything else. These theories starting from Modiaglani Miller hypothesis to trade-off and pecking-order theories about capital structure cannot explain all the situations in all the capital markets. It was also proposed by some studies that there cannot be unanimity in theories for capital structure (Parsons and Titman, 2009; Chang and Dasgupta, 2011; Graham and Leary, 2011, Rajan and Gingales,1995).

The fourth category of review of literature is on the topic of having no optimum time-invariant capital structure rather having life-cycle approach for capital structure. There is set of literature which supports that there is no permanent capital structure but the capital structure keeps on changing according to the age of the companies and have been termed as life-cycle capital structure approach (Berger and Udell, 1998; Rocca, Rocca, Cariola, 2011; Akhtar, 2012; Harris and Raviv, 1991; Beck,Demirgüç-Kunt and Maksimovic, 2002; Rajan and Ziangaless, 2004 ; Utrero-González, 2007). Rocca, Rocca and Cariola (2011) talked capital structure in small and medium enterprises and linked the capital structure with life-cycle of such firms. Hall, Hutchitnson and Michaelas (2002), Gregory et al (2005) and Rocca, Rocca and Cariola (2011) have explained that the life cycle financing of the capital structure is dependent upon industry of the firm. Rocca, Rocca and Cariola (2011) evinced that life-cycle financing is related to small and medium enterprises. Yeh and Roca (2012) recognized the life-cycle financing for Taiwan market.

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The fifth category of literature is on different theories explaining the capital structure approach to the capital structure decisions. In this part of the literature all the studies were supporting the life-cycle based capital structure decisions but the explanations provided for the same were different. In first set of such explanations, it is discussed that cost of capital is the reason for life-cycle financing decisions (Flannery and Rangan, 2006; Hovalimian, 2006; Myer, 1984; Holmes and Kent, 1991; Chittenden and Hutchinson, 1996; Michaelas, Chittenden and Poutziouris, 1999). In second set of studies it was discussed that in life-cycle financing decisions, equity is used first as the information about the firms were less and later when the firms become know, the debt is used (Rocca, Rocca and Cariola, 2011; Helwege and Liang, 1996; Kaplan and Stromberg, 2003). Diamond (1991) expressed that it is level of maturity in the firm which lead to the debt financing while firms go for life-cycle financing. Diamond also shared his results that initially getting bank finance work as certification for taking finances from other sources. Another set of studies evinced that it is the newer firms which needed more debt financing (Berger and Udell, 1998; Peterson and Rajan 1994; Robb, 2002).

The sixth category is on the capital structure and asymmetric information about the capital receiver and capital providers. It was discussed that asymmetric information about a firm impacts the decision of capital structure. The information about the firms in the financial markets are least for the newer firms and therefore they are maximum affected with this (Berger and Udell, 1998; Rajan and Zingales, 1995; Demirguc-kunt and Maksimovic, 1998; Chittender and Hutchintson, 1996; Lopez-Iturriaga and Rodriguez-sanz, 2008; Utrero-Gonzalez, 2007). Narayanan (1988) advocated that debt is always better for firms who have the issues related with asymmetric information about the firms. Klein, O'Brien and Peters (2002) evinced that the theory of asymmetric information about the firms for capital structure need more empirical testing and has scope for improvement in explaining the causes of financing. Even Myers (1984) study on pecking-order theory has its genesis in this information asymmetry theory of capital structure in firms.

The seventh and last category of literature of review used in this paper, is on industry specific capital structure. Though, capital structure is a company specific decision but a lot is also dependent upon the industry. The capital intensive industry has to be dependent upon the borrowed capital more than an industry which is less capital intensive (Yeh and Roca,2012; López-Iturriaga and Rodriguez-Sanz, 2008; Cassar and Holmes, 2003; Bradley, Jarrell and Kim, 1984; Harris and Raviv,1991; Hall, Hutchinson and Michaelas, 2000; Michaelas, Chittenden and Poutziouris, 1999; Van der Wijst and Thurik, 1993; Rochester, 75).

CONCEPTUAL FRAMEWORK

This study has made several assumptions while doing the study.

1. The companies which have been incorporated after 1985 would be operating not that long enough to experience the fluctuations successfully as compared the relatively matured company which would have got incorporated before 1985.
2. The second assumption has been made that the debt-equity ratio of less than .6 is considered as low debt company and has been categorized in no-debt segment for bi-sectional categorization of the companies. Companies having debt-equity ratio of more than .6 has been categorized as debt segment. This variable has been used in as dependent variable in bi-variate discriminant analysis.
3. In another classification of the companies on the basis of debt, a third category has been added. Companies having debt-equity ratio more than 1.2 has been segmented as high debt companies. This another classification of three categories has been used for one-way ANOVA analysis.

The theoretical model developed in this paper is based on this premise that debt financing is having its impact on the profitability of the companies. The impact of financial leverage on profitability changes with respect to economic cycles. In this study three such time-periods have been taken for analysis. First time period is 1991 balance of payment crisis in India. The second period is of economic and stock market continuous growth in 2004 and the third period is of 2008 financial crisis. The model used in the study is that the profitability measures have been compared for non-debt companies, medium-debt companies and high-debt companies. The five performance measures or profitability measures have been used in the model. They are sales, operating profit, net profit and cash profit. This is the hypothesis that there is no impact of the debt-financing on the performance of the companies in the long-run.

OBJECTIVE OF THE STUDY

The objective of the study is to find out impact of debt financing on the long-term sustainability and performance of the companies in India during the three time periods taken in the study.

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RESEARCH METHODOLOGY

Data

Sustainability has been defined as withstanding all type of economic upheavals and surviving and remaining profitable in the long-run. The selection of companies have been such that only surviving companies have been part of the sample. The study is not on those who are not part of the game. High debt may be a big problem for companies that they close the shop and move out of the business. This study is focused for those who are surviving despite all the odds present in the system.

The data for the study has been taken from CMIE-Prowess. In 1992, 2010 and 2014, there have been 737, 612 and 1479 companies taken respectively. The difference in the sample size is mainly due to availability of complete data. As the more recent time comes, more data is available and therefore number of companies have also been increased.

Table: 1 Group Statistics Data

		1992		2010		2014	
		Mean	**Std. Deviation**	**Mean**	**Std. Deviation**	**Mean**	**Std. Deviation**
No debt segment	PAT	123.9458	316.43160	4057.9983	17385.54396	2777.0083	16113.43038
	Cash Profit	196.4664	501.15946	5113.6285	25225.80292	3753.0875	24408.96316
	Sales	3462.9421	14276.2929	31673.5029	176251.23774	23780.1789	157330.77153
	Debt Equity	.3693	.16961	.2702	.18044	.1559	.18541
	PBIT	261.3206	599.98515	5965.6426	24450.91273	4396.8391	23986.62146
Debt Segment	PAT	73.0638	276.73052	1384.3666	7569.79076	957.6398	6668.05474
	Cash Profit	145.7531	574.37453	2077.3269	10187.37649	1830.3114	10014.00761
	Sales	2037.4769	5601.09946	33987.4000	224867.12948	32854.2235	245326.27084
	Debt Equity	2.6311	4.40594	2.5918	5.62104	3.6925	14.87639
	PBIT	234.1223	697.40708	2996.9921	14109.52846	3449.5811	17662.90918

Total	PAT	80.4812	283.20243	2445.0533	12484.29635	1957.3064	12783.55446
	Cash Profit	153.1459	564.25994	3281.8925	17792.47151	2886.7961	19319.49016
	Sales	2245.2763	7517.95692	33069.4277	206800.49083	27868.4171	201759.74765
	Debt Equity	2.3013	4.14978	1.6708	4.51062	1.7493	10.13622
	PBIT	238.0872	683.75967	4174.7190	18938.57064	3970.0596	21368.77941

Methodology

Having divided the companies into two categories of debt and non-debt companies, in this paper they have been tested for their performance for long-term sustainability. To test the long-run performance, the data for performance has been tested at three points of time. To compare the performance of debt-versus non-debt companies following three data analysis tools have been used.

- Discriminant Analysis
- One Way ANOVA
- Dummy Variable Regression

To use discriminant analysis, the bivariate dichotomous variable has been taken. This dichotomous variable has two categories, debt and non-debt companies. This variable has been taken as dependent variable (criterion variable). All the performance measures, operating profit, net profit, cash profit and sales have been taken as predictor independent variables (IVs) for discriminant analysis. The discriminant analysis has been done at all the three point of time undertaken for the study separately.

Another tool used in this study is dummy variable regression analysis to ascertain the results for the constructed hypothesis. In this analysis, all the five performance measures have been regressed individually for bivariate dummy variable (the dichotomous variable of debt and non-debt companies have been used as dummy variable, having two values, 0 and 1; '0' for no debt and '1' for debt companies). The significant dummy variable coefficient proves the point that the dependent variable is significantly different for both debt and non-debt companies. The same process has been repeated for all the five performance measures undertaken in the study.

The third and last tool used in the study for data analysis is one-way ANOVA. To run one-way ANOVA a separate process is done for all the five performance measures.

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For the categorical variable used in the analysis, according to the debt levels, the companies have been divided into three categories, low debt, average debt and high debt. Significant F-test for ANOVA makes the point that the performance measure is significantly different for all the three categories of the categorical variable (which has been made on the basis of level of debt in their capital structure).

RESULTS

Discriminant Analysis Results

The results of the discriminant analysis have been reported in table-2 to 6. The box's M results has been shared in table 2 for all the three point of time of analysis. The assumption of having equal variance for each group is not holding true as all results for three points of time is coming out to be significant. Eigenvalues have been reported in table-4. The eigenvalues for all the three years is high but level of variance explained measured with the help of canonical variance is less than 10% in all the three cases which is quite less. Though, the Wilk's lambda is significant, the predictive accuracy is poor in all the three years and is less than 70% in all the three cases (Table-5). The discriminant analysis results have not been conclusive. The output of discriminant analysis is not explicitly accepting nor is explicitly rejecting the null hypothesis of impact of debt on the long-term sustainability of the performance of the companies. Using structure matrix it is found that except debt ratio, no other variable is significantly having major impact on the discrimination between debt and non-debt companies (Table-6).

Table: 2 Box's M Results

1992			2010			2014		
Box's M		1716.800						
F	Appro.	112.474	F	Appro.	208.306	F	Appro.	579.301
	df1	15		df1	15		df1	15
	df2	137892.288		df2	1066421.575		df2	8059679.724
	Sig.	.000		Sig.	.000		Sig.	.000

Tests null hypothesis of equal population covariance matrices.

Table: 3 Eigenvalues

Year	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1992	.065[a]	100.0	100.0	.248
2010	.101[a]	100.0	100.0	.304
2014	.054[a]	100.0	100.0	.225

Table: 4 Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	Df	Sig.
1992	.939	46.210	5	.000
2010	.908	58.513	5	.000
2014	.949	76.742	5	.000

Table 5: DA Classification Table

	1992	2010	2014
Classification Results (Predictive Accuracy) Hit Ratio	67.7%	62.0%	59.5%

Table 6: Structure Matrix

	1992	2010	2014
debt_equity	.767	.818	.762
Sales	-.262	.017	.097
Pat	-.249	-.331	-.307
cash_profit	-.124	-.263	-.214
Pbit	-.055	-.242	-.095

Dummy Variable Regression Results

The dummy variable regression is also non-conclusive as for some performance measures are concerned; the result is significant for some year but consistently for all the three data points; no performance measure is having significant coefficient in the dummy variable regression. For the sales, in year 1992, the results are marginally significant but for all the other two time periods, the sales related performance are not significantly different. The performance measure net profit is having significantly different results for debt and non-debt companies for two years out of three years taken in to consideration. The other performance measure PBIT and cash profit also have significantly different results for debt and non-debt companies only for one year each (Table-7).

Table: 7 Coefficient of Dummy Variable (Non Debt=0, Debt=1)

Performance Measure	Year	Coefficient	T	Sig. (p-value)
Sales	1992	-1425.465	-1.816	.070#
	2010	2313.89	.135	.893
	2014	9074.45	.86	.39

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PAT	1992	-50.882	-1.720	.086
	2010	-2673.63	-2.6	.01*
	2014	1819.36	-2.726	.006*
PBIT	1992	-27.198	.380	.704
	2010	-2968.65	-1.898	.058#
	2014	-947.258	-.847	.397
Cash Profit	1992	-50.713	-.859	.391
	2010	-3036.30	-2.067	.039*
	2014	-1922.76	-1.904	.057#

*significant at 5% level of significance

#marginally significant at 5% level of significance

One-way ANOVA Results

The one-way ANOVA results are also inconclusive. Net profit is coming out to be significant for all the three time periods undertaken for the study. But all the other performance measures at all the three data points are insignificant. Means the performance of companies are not differing on the basis of their leverage. The inconclusive results accepts the hypothesis that the for long-run performance non-debt companies and debt companies perform same and the diference in performance is not significant.

Table: 8 One Way ANOVA Results

		F-Statistics	Sig.
1992	pat	4.509	.011*
	cash_profit	1.869	.155
	sales	2.494	.083
	pbit	1.454	.234
2010	pat	3.863	.022*
	cash_profit	2.642	.072
	sales	.767	.465
	pbit	2.026	.133
2014	pat	3.744	.024*
	cash_profit	1.830	.161
	sales	.565	.569
	pbit	1.096	.335

***sig. at 5% level of significance**

SCOPE FOR FUTURE RESEARCH

In the future to know the Indian scenario better as compared to the World companies the common time periods may be identified and the study of debt financing and performance of companies can be done on companies of other countries including Indian companies. This way the different behaviour of companies in India may be

understood better and the newly acquired knowledge may be used for creating better financing environment in India.

CONCLUSION

The result of the paper clarifies that the linking of leverage with the performance of the company is not appropriate. Performance and level of debt in the companies are two different things. A good performing company performs well irrespective of the level of leverage in the company. Bad phases of the economy only reduce the volume of performance but a performing company in true sense does not become a non-performing company. On the contrary, a company which is originally not doing good may artificially appear to be doing well when the economy is doing good. But as the economy takes a backtrack temporarily only the truly performing companies flourish.

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