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DETERMINANTS OF PUBLIC ENTREPRENEURSHIP IN THE SRI LANKA ADMINISTRATIVE SERVICE

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Despite the criticism that Public Entrepreneurship is a contradiction in terms and embrace values and attitudes that are inimical to the public sector (Stever, 1988), several scholars (Bogaards:1997, Salazar:1997, Doig and Hargrove:1987, Lewis:1980, Teske and Schneider:1994 and Ramamurti:1986) highlight its importance for improving the effectiveness and efficiency of the public service. This paper examines the utility of public entrepreneurship in the Sri Lankan context. During the period of September 2002 and March 2003, the study has involved the data generated through a sample of 296 officials in Sri Lanka Administrative Service (representing Central Administration, Provincial Administration, Local Governments, and Corporations). The hierarchical regression analysis was employed to identify factors affecting public entrepreneurship.

The results of the study confirmed that entrepreneurship resulted from interrelationships of four main elements; personal, task, organizational and external environmental factors and indicated significant relationships between public entrepreneurship and those factors, which represent major determinants of public entrepreneurship. It also found that the personal factors namely manages' motivation to achieve and their leadership skills are more crucial than other factors. The study also finds that there are opportunities and potentials in the public service so as to work as entrepreneurs who are innovative, proactive and willingness to take some risks of what they are responsible of their work. The author highlights the findings of this study and the need for adopting policy measures to sustain such initiatives of public entrepreneurs towards more effectiveness and efficiency of the public service.

INTRODUCTION

There is an acceptance that entrepreneurial activities generate significant socio-economic changes to the society. Entrepreneurs have been considered as most important because it is assumed that they bring significant changes to the society. In this line, public entrepreneurship could be regarded as essential, similar to the private sector. Many political scientists have emphasized the importance of entrepreneurs in the development of innovative public service. The importance of political entrepreneurs in organizing efforts to solve collective problems has been recognized for sometime (Quoted in Scheneider, et al., 1992, 1994 and 1995; Salazar, 1997; Kirchheimer, 1989). Due to severe economic, political and social hardships in developing countries, "there is increasing pressure on public sector policy makers to produce effective and urgent solutions to complex social problems" (Salazar, 1997: 125).

Policy makers and managers are required to play a key role as change agents for responding to peoples' demands in an effective and efficient manner. In developing countries, poor performance of the public sector organization is a common characteristic that is common to Sri Lanka as well. If the public sector organizations were not able to respond to its citizens' demands effectively and efficiently, people become more desperate, which would create more social problems as well as complicate the existing ones.

Several research studies have demonstrated the existence of a positive correlation between entrepreneurship and economic development. Schumpeter (1950) revealed entrepreneurs as a key force in economic development. However, most research studies have been focused on entrepreneurship in the business sector and less attention has been given to entrepreneurship in public sector organizations. There is also much criticism that the bureaucratic nature of public service makes it impossible to create an entrepreneurial atmosphere in public sector organizations. However this does not mean that entrepreneurship in the public sector is either unimportant or infeasible (Ramamurti, 1986: 147).

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A Study on Random Walk Hypothesis of Selected Scrips in Bombay Stock Exchange

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The fate of a country is interwined with the performance of its stock market. This is specially true in case of emerging economies. The development process undergone by these emerging economies has clearly demonstrated that today's investor is unlikely to invest in what appears to be a profitable company if the economic fundamentals of the country are in question. Prices cannot be assumed to fully reflect all available information. It cannot be assumed that investors will correctly interpret the information that is released. The corporation has greater potential to influence its own stock market price and there is a greater possibility that its price will move about in a manner not justified by the information available.The ability to predict stock market prices based on a given set of information lies behind the notion of stock market efficiency. The lower the market efficiency, the greater the predictability of stock price changes. Market efficiency is a description of how prices in competitive markets respond to new information.The Random Walk Hypothesis (RWH) of the weak form of efficient market hypothesis implies that prices follow a random walk in which successive price changes have zero correlation. The price changes are independent and the future prices cannot be predicted. The present paper employs statistical tests for testing the validity of RWH in the selected sectors of Bombay Stock Exchange (BSE). The period under consideration is from 1st April 1998 to 31st March 2004. The results show that the four sectors of the BSE do not follow RWH but individually, some of the scrips do accept the RWH.

INTRODUCTION

The role of the market in a competitive economy is to allocate scarce resources between competing ends in a way that leads to these scarce resources being used most productively. This means that the highest bidder for the resources gets to use them. When this occurs markets are said to be allocatively efficient. The role of financial markets is to allocate investible resources in a way that is allocatively efficient. A market is said to be operationally efficient when the transaction costs of operating in the market (namely the market maker's spread and the broker's commission) are determined competitively. A market is said to be informationally efficient if the current market price instantaneously and fully reflects all relevant information. A market is said to be perfectly efficient if it is simultaneously allocatively efficient, operationally efficient and informationally efficient. The statement that market prices instantaneously and fully reflect all relevant available information is known as the Efficient Market Hypothesis (EMH). If the EMH is valid it means that the market price of securities will always equal the fair or the fundamental market values of those securities, or that, if market and fundamental prices are not equal then the difference between them is sufficiently small that, given transaction costs, this difference cannot be exploited profitably. This means that securities prices always equal their fair or fundamental values. Any change in fundamental values will be reflected immediately in market prices. But the only factor that would cause fundamental values to change would be new information: if there is no new information about a particular security, we will not expect its fundamental values to change at all. However new information is unpredictable. Therefore, we would expect the return on securities to change in response to new information in a direction and by an amount that is also unpredictable. This in turn implies that the best estimate of the return on a security tomorrow is the return on security today. This is because even though tomorrow's return will almost certainly differ from today's return, it differs in a way that is completely unpredictable and hence the best estimate is still today's return.

The EMH is based on the assumptions of zero transaction costs, freely available information and agreement among investors on the implications of

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EXHIBIT 3
Results of runs test – Bankex

Name	No. of Runs	Z	Asymp. Sig. (2-tailed)
Bank Of Baroda	719	-1.550	0.121*
Bank Of India	731	-0.861	0.388*
Corporation Bank	777	1.448	0.147
H D F C Bank Ltd	753	0.229	0.818*
I C I C I Bank Ltd	738	-0.568	0.569*
Kotak Mahindra Bank Ltd	773	1.242	0.214
Oriental Bank Of Commerce	771	1.158	0.246
State Bank Of India	761	0.596	0.551
Average	679	-3.645	0.000*

*Shares which have insignificant Z values

Technology Sector:

The results of the runs test have been presented in Exhibit 4.

EXHIBIT 4
Results of runs test – BSE Teck

Company Name	No. of Runs	Z	Asymp. Sig. (2-tailed)
Balaji Telefilms Ltd.	418	-0.275	0.782*
Bharti Tele-Ventures Ltd.	249	-0.398	0.690*
Digital Globalsoft Ltd.	761	0.672	0.501
E T C Networks Ltd.	455	-0.786	0.431*
E-Serve International Ltd.	708	-1.148	0.250*
H C L Technologies Ltd.	483	-1.232	0.217*
I-Flex Solutions Ltd.	218	-0.380	0.703*
Infosys Technologies Ltd.	740	-0.491	0.623*
Macmillan India Ltd.	292	0.973	0.330
Mahanagar Telephone Nigam Ltd.	747	-0.129	0.897*
Mastek Ltd.	756	0.675	0.499
Moser Baer India Ltd.	706	-2.223	0.026*
Mphasis B F L Ltd.	682	-2.943	0.003*
N I I T Ltd.	744	-0.281	0.778*
Polaris Software Lab Ltd.	572	0.387	0.698*
Satyam Computer Services Ltd.	754	0.233	0.815*
Tata Telecom Ltd.	705	-2.250	0.024*
Television Eighteen India Ltd.	486	-1.011	0.311*
Videsh Sanchar Nigam Ltd.	657	-1.323	0.185*
Wipro Ltd.	714	-1.835	0.066*
Zee Telefilms Ltd.	739	-0.542	0.587*
Average	648	-5.248	1.53*

*Shares which have insignificant Z values

The shares of only three companies i.e. Digital Globalsoft Ltd., Macmillan India Ltd. and Mastek Ltd. accept the null hypothesis while the remaining eighteen shares reject it. Sixteen Z values are negative indicating excess of expected runs over observed runs which means that the stock returns are not randomly distributed. The test also shows that when we take the sector as a whole then the Z value is not significant. This, clearly, means that the null hypothesis is rejected i.e., the Teck stock returns do not follow a random walk.

CONCLUSION

The markets in India and other developing countries are typically characterized by low liquidity, thin trading, possibly less informed investors with access to unreliable information and considerable volatility. There may be investors who do not act rationally. In particular, investors may not display risk aversion and they are more sensitive to losses than to gains. In addition they take the help of experts and have faith on their forecasts. They do not respond instantaneously to the information. Market participants do not trade when news comes into the market, they trade when it is economical. Biases, rumours, errors in beliefs are common in the market place than what the pure theorists accept. However, if the markets are inefficient and profitable trading opportunities exist, the big players, who have huge resources and expertise, may be able to exploit such opportunities. The study reveals that the Capital Goods sector, Consumer Durables sector, Banking sector and Technology sector do not follow a random walk and hence the returns are not independent. But some of the companies within these sectors accept the RWH. The results shown here are tentative and further research is needed to address the issue.

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An Exploratory Study on the Market Orientation of Indian Firms in the Free Market Economy

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Ever since India opted for a free market – economy, the Indian consumer market has become fiercely competitive with the entry of giant global players. As a result, Indian firms are urged to adopt – 'marketing concept' as the core philosophy driving the business. Many firms both in public and private sectors have set to cultivate a mindset in accordance with the tenets of the marketing concept. Therefore, the present study intends to explore the extent of market orientation among Indian firms and to provide an insight into the classification of companies based on market orientation – performance relationship.

In line with Huber and Power's (1985) guideline for single informant, data were collected from 81 managers working in both public and private sector companies by administering a structured questionnaire. The results of the study indicate that there is no significant difference in the extent to which firms are market oriented. However, a significant positive correlation was found between market orientation and overall performance. Further, when the companies are classified on market orientation – performance linkage, they fall under the categories of beneficiaries and winners.

Marketing concept is the cornerstore of marketing discipline. In the past, Indian firms paid very little attention to its implementation as business philosophy as they were operating in a protected environment. However, in the recent years, since India opted for a free market economy, there has been a strong resurgence of academic as well as practitioners' interest on marketing concept. In fact, many Indian firms both in public and private sectors spell marketing concept as their core business philosophy driving them and they have set to cultivate a mindset according to the tenets of the concept.

MARKET ORIENTATION

Jaworski and Kohli (1990) used the term market orientation to mean the implementation of the marketing concept. Market orientation involves the organizationwide generation of market intelligence pertaining to current and future need, dissemination of the intelligence across and organizationwide responsiveness to it. The starting point of a market orientation is market intelligence. Market intelligence is a broader concept than customer's verbalized needs and preferences in that it includes an analysis of exogenous factors (such as Government regulation, technology, competitors and other environmental forces) that influence those needs and preferences. Environmental scanning activities are subsumed under market intelligence generation.

The effective market intelligence pertains not just to current needs, but to future needs as well. This idea echoed Houston's assertion and reflected a departure from conventional views in that it urges organizations to anticipate needs of customers and initiate steps to meet them. The notion that market intelligence includes anticipated customer needs is important because it often takes years for an organization to develop a new product offering. Though assessment of customer needs is the corner stone of a market orientation, defining customers may not be simple. In some cases, business may have consumer (i.e., end users of products and services) as well as clients (i.e., organizations that may dictate or influence the choices or end users). Interestingly, in the 1920's and 1930 's the term "customer" primarily referred to distributors who purchased goods and made payments. Starting about the 1950's the focus shifted from distributors to end consumers and their needs and want. Today the appropriated focus appears to be the market, which includes end users and distributors as well as exogenous forces that affect their needs and preferences.

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On the question of extent of market orientation, the study reveals that the companies follow a middle path. That is, they are neither very low nor high on market orientation. This finding is in consonance with the market reality prevailing in India. The markets in India have been governed by the philosophy of mixed economy till 1990. The market structures have been subjected to regulations of various kinds. The firms were not given total control over their functioning. The regulations interfered with various important decisions of the business like pricing, distribution, entry and exit alliances, and technology up-gradations. Nineteen ninety-one was a watershed year for India. It marked the emergence of the country from its self-imposed cocoon into the harsh glare of the global economy. During the ensuing decade, the Government has been steadily peeling away the protective layers of controls, duties and subsidies that insulated the economy from external competition. Therefore, the companies could not afford to completely disregard the forces of market place. This necessitated an external pro-market focus. Hence companies had to adopt middle lane policy. That is, the companies adopted some threshold level of market orientation so that their decisions and value creation processes reflected to some extent the will of the market. This might inturn, ensure companies not falling out of line with competition and customers.

The sample size is also a major limitation of the study and should be taken into account in interpreting results. It is also worth noting that middle level managers completed the survey. This may have some effect upon the results.

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INDIAN BANKING: CHALLENGES, OPPORTUNITIES & STRATEGIES

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With the advent of new millennium, the Indian banking has undergone a complete metamorphosis. The changes in international economic scenario have forced the Indian policy makers to undertake financial sector reforms which have given birth to a new banking milieu in the country. Consequent upon this, new challenges have surfaced for the Indian banking as well as new opportunities have opened up for them. In this paper an attempt has been made to make a prognosis of these challenges and opportunities in the coming years and suggest some strategies which will help these Institutions to survive and thrive in the new economic environment.

INTRODUCTION

With the adoption of new economic policies at the global and the national level, the banking has undergone a sea of change not only in its basic philosophy, structure and working but also in its long and short term objectives committed to the planned economic development of the country and welfare of people (Dashora,2000).The emphasis in commercial banks changed from social banking backed by government support to a scenario where they have to survive on their own. The challenges have been especially tough for the public sector banks (PSBs), as the newly established private sector and foreign banks have already sharpened their competitive edge. Some of the proactive PSBs have been striving hard to make their structures flexible enough to accommodate emerging changes. Indian banking has traversed the vicissitudes of change from an era of controlled regime to an era of liberalization, deregulation, and disintermediation. Post 1991, the financial sector reforms ushered in a welcome relief to the consumer. Entry of new private sector banks with their state-of-the-art technology, sleek organizational set-up, customer focused approach, and competitive spirit made deep inroads into the bastion of public sector banks and the consumers sensed the difference. Changes have been fast and swift and the Indian banking industry, to its credit, has adopted itself appreciably to the fast changing environment. Banks today operate in a buyer's market and not in seller's market as was the case a decade ago (Nitsure,2003).

The recent banking policy and changes leading to increasing autonomy have posed new challenges as well as new opportunities in the banking sector. The following lines may give a description of the probable challenges and opportunities of the new millenium for the Indian banking industry and finally would make an attempt to suggest the strategies which may be formulated to face these challenges and tap the opportunities available in the changed milieu.

CHALLENGES

The Indian banking sector is faced with multiple and concurrent challenges such as increased competition, giving birth to rising customer expectations, and diminishing customer loyalty. The banking industry changing at a phenomenal speed has a peculiar situation than its western counterparts. While at the one end, we have millions of savers and investors who still do not use a bank, another segment continues to bank with a physical branch and at the other end of the spectrum, the customers are becoming familiar with ATM's, e-banking, cashless economy and so on.

In this way, the banking environment has become so complex that it seems that the only sustainable advantage is to give the customer an optimum blend of technology and traditional service. Today, customers are expecting customised solutions, choose

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8. To survive in the growing competition, the Indian banks should take steps to improve the customer services. Banks will have to come closer to the customers, pro-actively anticipate their emerging needs/expectations and evolve effective means to meet those expectations. For this purpose, a customer research department. should be established in every bank which would design a system by which service is delivered constantly after identifying the customer needs for their complete satisfaction. As service involves a lot of person-to-person contact, bank employees should be oriented towards good human relations with their customers. Thus to ensure better customer service, a bank should have (a) a well conceived strategy for service, (b) customer oriented front line people, and (c) customer friendly systems. The banks should be fully equipped to provide any service, anywhere, any time, any day.
9. The Indian banks, in order to survive and thrive in the market place, have to adopt state of the art technology. The banks have to embark upon back-office automation, front-office automation and service networks. With mass computerisation, the banks should introduce in a big way ATMs, merchant terminals telebanking, electronic funds transfer, SWIFT network, MICR clearing, virtual or internet banking, electronic purse, smart cards, visa cards, master cards, EFTPOs, customer identification technology like finger print/palm scanning and voice recognition.
10. A modern bank has to become a learning organisation. It is from this point of view that banks should change their human resource strategies, as better management of intellectual capital improves financial performance. New skills, new attitudes, new leadership styles and new relationships are required in modern environment. The main strategies to be adopted would be in the following areas:

    (i) redefine the role of knowledge which involves judicious intellectual investment in new methods of doing the existing things in a better manner, flexibility in work environment, re-deploying the manpower, evolving methods by which hierarchies are cut down and water tight compartmentalisation is questioned etc.

    (ii) locate deficiencies in personnel policies, organisational structure, training systems and take measures and modify such areas to meet the latest challenges.

    (iii) Identify knowledge gaps which include quantitative and qualitative dimensions and call for strategy of hiring as well as in-house development.

CONCLUSION

From the above discussion it can be concluded that Indian banking is passing through a period of turbulance under the impact of increased competition, changes in regulation, new technology, global competitive pressures, changed expectations of customers etc. They have to anticipate and prepare for new changes, build an optimal operating model by understanding which activities to retain, collaborate and outsource, go beyond compliance to use risk management as a critical decision support tool, adopt state of the art technology, develop human resources as knowledge workers and value them as intellectual capital, create and sustain customer, investor and other stakeholders' confidence by adopting international standards of corporate governance. They have to rise up to the occasion and break the dictum, "Most of our banks anchored in second generation systems and procedures, soaked in second generation perceptions and attitudes, managed through third generation concepts using fourth generation computers to achieve fifth generation aspirations and longings". All this can happen when there is syncronisation between people, systems, technology and services.

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Appendix – I

PSBs' Investment Plans in IT Development

Bank	Investment(Rs crore)	Period(Years)
Bank of Baroda	400	5
Bank of India	100	2003-2004
Bank of Maharashtra	150	3
Canara Bank	100	2003-2004
Indian Bank	120	2003-2004
Oriental Bank of Commerce	280	5
Punjab National Bank	300	2003
State Bank of India	500	2003-2004
UCO Bank	200	na
United Bank of India	150	2

Source- *Nitsure, R.R (2003)- "E-Banking: challenges and opportunities", Economic and political weekly Vol.XXXVIII (51 and 52).*

Common Investor Preference for Net Trading and Measures for Enhansing Investor Participation

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The onset of online trading has changed the traditional value proposition of trading. Internet has transformed the operations. More significant movement of investors is taking place towards net trading. This paper explores and examines several factors contributing to the prefrence of net trading by the common investors in India. The study concludes that promotion, building trust and building loyalty can increase participation.
Authors would like to thank all the brokers and investors who have helped them in collecting data and also gave their valuable comments on the study.

INTRODUCTION

Internet has transformed the operations in the securities industry. The trend in Internet technologies reflects a subtle yet significant movement towards greater connectivity, speed and efficiency. The regulators, the stock exchanges and the telecom infrastructure providers have contributed to a significant extent to make online trading business a viable proposition.

The onset of online trading changed the traditional value proposition of trading, allowing online brokers to supply investors with rich, interactive information in real-time, including market data, investment research and robust analysis. The broking community in the Indian online trading market can be broadly classified as institutional players, large brokers, venture capital funded dotcoms and Broker Plazas promoted by stock exchanges like National Stock Exchange (NSE) Dotex Plaza and Bombay Stock Exchange (BSE) Webex. There are around 80 active trading members, who have been granted permission by the NSE to provide Internet based trading services.

Individual investors, institutional investors, brokers and just about anyone having access to a computer and an account with a broker (in case of non broker participants) can trade on-line. The requirements are minimal and the biggest advantage of online trading is the do it yourself method giving one a sense and feeling of control. With the onset of online trading the investor can place his or her order through the Internet by logging on to the broker's site and entering orders for execution directly. Due to technological advances, which have made this possible in the first place, orders are executed directly without manual intervention. The broker dealer may have an open trading system or a proprietary system for execution of the trades. These orders placed by investors are routed through the broker dealer who forwards it to the exchange for execution.

Due to the onset of online trading a number of investors have joined the bandwagon of Day Trading. Day Trading is akin to pure speculation wherein an investor holding period of a security could be anything from a few minutes to a few hours. The underlying principle being that the position is squared off on the same day and only the difference, less broker commissions, is either paid or received by investor. All trades done online are reported to the exchange concerned. In online trading the orders are simply consolidated by the broker and routed through the firm's systems to the exchange for execution. The whole concept is one of consolidation and high-speed automatic execution, without manual intervention (in most cases). This is possible on account of the technological advances in information and communication technology.

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3. **Building Loyalty**: The factors contributing to customer loyalty include –

- Fulfillment
- Customization of services
- Access to personal area on the website through a login and password
- Personalized service – in the absence of a human interface on the net, personalization of services plays an important role in getting customer loyalty
- Keeping in regular touch with customer through a newsletter or a website update.

Promotion is necessary for awareness, trust is built through security, infrastructure, etc. and loyalty through better services. These measures will develop a positive attitude of investors towards net trading, a secure environment for trading and satisfaction through enhanced services.

CONCLUSION

From this study, we can infer that net trading definitely improves customer access and convenience, improves volume of trading and reduces transaction costs. Choi, Laibson and Metrick (2000) have analyzed the impact of a web trading channel on the trading activity in corporate plans in US and found that trading frequency doubles and portfolio turnover rises by 50 percent. Carey (2000) in her study of Internet broking firms has indicated that increased participation of US investors in the markets through net trading resulted due to higher quality of transactions and services and also lower commissions.

The measures identified for enhancing common investor participation through net trading are Promotion, Building trust and Building loyalty. Pai (1999) has indicated that growth of net trading in India is possible if stock exchanges induce confidence in the new method of trading. Carey (2000) in her study of net trading in US market observes that ease of use, reliability and range of offerings will result in increased investor participation through net.

Thus, the emphasis is on building investor trust through superior quality services by the intermediaries involved in the facilitation of net trading.

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ANNEXURE 1

Questionnaire : Net Trading

This questionnaire is designed to study Net trading preferences of common investors in India. Your valuable inputs in this regard are highly appreciated. We request you to fill the questionnaire which appears below and submit. Your responses will be used only for academic purpose and will be kept confidential. We thank you for your valuable contributions.

Please rank the following on why you invest using Internet on a scale of 1 to 5 where:

1 – Strongly Disagree 2 – Disagree 3 – Slightly Agree
4 – Moderately Agree 5 – Strongly Agree

	1	2	3	4	5
1. The net improves information on market price					
2. Net trading is more convenient					
3. I do not like to go to brokers place					
4. There is less brokerage on the net					
5. There is more down-payment as security on the net					
6. Internet access is easy from anywhere					
7. I have personal internet at home and office					
8. I can trade more frequently using internet compared to traditional methods					
9. I can invest more using internet compared to traditional methods					
10. I do not buy securities often and so I use the net					

Age :

Total Income in Rs. (monthly):

Thank You.

MULTIVARIATE APPROACH TO PREDICT CORPORATE HEALTH : AN EMPIRICAL EVIDENCE

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Corporate analysts are continuously searching for better technique or model that can successfully judge the conditions of a company's health and thereby reduce forecasting errors and improve predictive performance. Designing and developing corporate classification model on the basis of financial data of business undertakings helps the management people to track financial health, take corrective action and help assure the survival of the business undertakings. The classification model presented in this article is quite accurate in distinguishing between sick and healthy companies. The model classifies the sample companies into their respective groups with 100% accuracy just one year prior to the event (sickness). The model also retains classification accuracy of 92% before two years to sickness.

INTRODUCTION

Corporate sickness has been a vexed problem in the Indian economy since last three decades. In recent years this has assumed serious proportion because of staggering amount of funds locked-up in sick undertakings. The Economic Survey of India in its report 2001-02 reveals that as much as Rs. 25,775 crore of bank credit had been locked-up in 2,52,947 sick undertakings by the end of March 2001. Industrial sickness of such a magnitude has brought much panic to the entrepreneurs, financing agencies, government and others who are directly or indirectly associated with the industrial development of the country. Further, the massive incidence of sickness in Indian industries over the years has not only resulted in the loss of production and capital but also created loss of employment to millions of people. Against this backdrop, an attempt has been made in this paper to design and develop a forewarning system (Predictive model) so that timely detection of sickness in industries can check its growing menace.

FINANCIAL RATIOS AND CORPORATE SICKNESS

The use of financial ratios as potential outward signals for locating organizational troubles has become a well-established practice. The underlying logic for doing so has been the assumption that there exists a close relationship between financial performance and managerial effectiveness, and in general the overall health of an organization. Traditionally, current ratio was popularly used to evaluate the credit worthiness of a business enterprise. Today, ratio analysis has been employed by a wide variety of users including credit lending agencies, credit rating agencies, investors and management people for judging the financial position of the business organization. Further, the financial ratios are rigorously used now a days as the predictor variables to monitor the health of the business organization. A plethora of studies have appeared in the recent past. These studies highlighted the significance of financial ratios in identifying the ill health of the business organization much earlier to its actual failure. Some of the important empirical studies on business failure prediction carried out by the researchers are outlined below.

Fitzpatrick (1932) examined the significant difference in the trend of various ratios for failed and non-failed firms. Other earlier researchers who made use of financial ratios include Smith and Winakar (1935) and Beaver (1966). Altman (1968) carried out the pioneering work on bankruptcy prediction by improving upon the conventional ratio analysis and combining several

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were selected and their Y-scores for the first year prior to sickness were calculated. The result shows that the discriminant model predicted the corporate health status of the holdout samples with 95% accuracy.

CONCLUSION

The present study is a fact-finding research work on the prediction of corporate health status of selected business undertakings. The four-variable discriminant model developed in this study correctly classified the estimation sample with 100% accuracy just one year prior to sickness and retained 92% classification accuracy two years prior to sickness. The validation test also resulted in 95% predictive accuracy one year prior to sickness. The model is very useful to concerned management because based on the Y-score value, it can know whether the unit under consideration is healthy one or sick or approaching towards sickness. If the concerned unit is sick or approaching towards sickness, then the management should immediately take appropriate remedial measures to bring the sick unit to normal health. Similarly, this model is quite helpful to potential investors, banks and financial institutions to assess the health status of the concerned unit where they are intending to provide funds. Finally, the model if utilized sincerely, can provide in advance the financial condition of the business undertakings. Appropriate remedial measures at this moment can go a long way in curbing the growing menace and restore a healthy industrial climate in the country.

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IMPACT OF CAPABILITY MATURITY MODEL QUALITY CERTIFICATION ON ORGANISATIONAL PERFORMANCE : A STUDY OF INFORMATION TECHNOLOGY INDUSTRY IN INDIA

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Quality certification has become an all-pervasive management strategy finding its way to most sectors of our business society. Many Information Technology (IT) companies have also adopted quality management practices and quality certifications, like ISO-9000 and Capability Maturity Model (CMM). The present study seeks to examine the impact of CMM-SEI quality certification on the Indian IT industry. It also seeks to measure the perception of managers regarding the benefits of certification.

INTRODUCTION

Quality has always been a significant strategic issue but increased global competition has brought it to the forefront of management policy. Quality management principles and techniques are now a well-accepted part of almost every manager's toolkit. Most large firms have adopted Total Quality Management (TQM) in one form or the other. For total quality management, a company has to establish a clear, customer-oriented, quality management system throughout the organization, which people can understand, believe in, and would want to be a part of (Crosby, 1979). TQM is seen as a system for integrating various aspects of an organisation's activities, whereby human resources are driven by the same commitment, shared beliefs, and objectives in mind.

TQM is inextricably linked to Human Resources Management through the vehicle of training, because of the need for a quality and committed workforce. The credibility of the initiative is governed by the management's treatment of the workforce. TQM can be seen as demanding a more strategic approach to the management of human resources. According to Oakland (1993), TQM is concerned with moving the focus of control from outside the individual to within; the objective being to make everyone accountable for his own performance, and to get him committed to attaining quality in a highly motivated fashion.

The concept of TQM has evolved from a narrow focus on Statistical Quality Control to a broad spectrum of socio-cultural, behavioural and technical issues. Many countries have come up with National Quality Award models to encourage continuous improvement in the process to achieve business excellence in the companies. Simultaneously emphasis is also laid on the international quality certification so that the companies can become world-class. The most popular quality certification is the ISO:9000 series by the International Organisation for Standardisation (ISO), Europe. Capability Maturity Model (CMM), devised by Software Engineering Institute (SEI) is especially related to the software industry. The pursuit of quality is constantly presenting new challenges and only those firms that are able to meet these challenges would survive and grow. It is now widely recognized that the adoption of global quality standards is the need of the hour. In fact, it is a tool, which provides a mechanism with which to bring about systematic improvement in the organisation and enable one to do the things right first time. The ISO: 9000-2000 series, as revised in 2000, are not product-specific but can be used by both manufacturing and service industries.

The standards specify how the company should define quality and document the process. In case of the software industry, one more quality standard is applicable, viz., CMM level 1-5, which was

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The responses have been measured on a five-point scale: 1(Strongly disagree), 2 (Disagree), 3 (Neutral), 4 (Agree), and 5 (Strongly agree). It can be seen from the table that the average score on the statement 'certification had benefits that have outweighed any costs incurred' is 3.80 with a standard deviation of 0.78. The table reveals that managers are still not in a position to clearly identify the benefits of certification to be more than the costs involved. There was still a dilemma regarding the utility of the quality-certification. Regarding the query relating to 'reduction in overall costs', the mean score was 3, i.e. neutral. In measuring the 'enhanced customer satisfaction 'and 'improved market position', the scores are comparatively higher.

The reasons of adoption of quality standards can, thus, be attributed to increased customer awareness and competition. In order to improve their market position as well as the competitiveness, more and more companies are adopting the quality certifications. Apart from increase in exports, even domestic customer has become quite aware of not only the quality of product but also the process that produces it.

Another important question being asked about the 'demands on the information systems', the score is more or less towards neutrality. It could be due to increased paper work, detailed quality records-maintenance requirements as per the standards. Quality documentation and audit are important processes in the certification criteria, which place heavy demands on time as well as information management within an organization. However, most of the respondents feel the same way about the enhanced customer satisfaction and reputation of the company as a result of certification.

CONCLUSION

According to the NASSCOM Annual Survey Report (2001-2002), the top 20 Indian software companies accounted for 48 percent of the total software and service exports. The interesting trend seen over the years was the tremendous growth in offshore delivery. Billing through offshore increased by 64 percent to Rs. 18,000 crore in 2001-2002 from Rs. 10,950 crore in 2000-2001.

In order to sustain the second wave of growth, companies must work towards providing greater customer satisfaction. Further, the industry must institute stronger performance ethics. The industry must focus on research and development and internet-related services. Outsourcing software requirements depends mostly on quality of services, and quality has continued to remain a prime edge for Indian software companies. The quality certification is only a tool to improve upon the competitiveness of such companies in the wake of global competition and not an end in itself. The smaller players have no presence on the international market. Therefore, it may be concluded that the quality certification alone does not influence the export potential of a company. It is the cost effectiveness, efficiency and market access that have an important role to play.

However, the study revealed that the companies with higher TQM maturity scores were doing better financially also. Thus, it may be concluded that the self-assessment processes are quite helpful in reducing project cost and delays in product delivery. The quality improvement process is never-ending. An appropriate culture and attitude about quality needs to be created throughout the organisation. Acquiring the quality certification is not an end rather a journey in itself.

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