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# Impact of Acculturation to Global Consumer Culture on Impulsive Buying Behavior of Sri Lankan Consumers

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## Abstract

Numerous studies have focused on globalization, however, there seems to be a dearth of research with regard to the impact of globalization on consumer attitudes and behavior due to an inadequate theoretical basis. Acculturation to Global Consumer Culture (AGCC) refers to the adoption of a foreign culture in terms of attitudes, values, and customs by an individual originating from a different culture (local) while impulsive buying behavior could be considered as a negative aspect arising from people being acculturated to Global Consumer Culture (GCC). The objective of this research was to establish a relationship between acculturation levels and the impulsive buying behaviour of Sri Lankan consumers. The study was conducted based on a positivist stance and primary data was collected using an online self-administered questionnaire from 114 consumers. These gathered data then were analysed based on the multiple regression techniques. According to the findings of the study, it was revealed that consumers who are more acculturated to AGCC display higher levels of impulsive buying behavior and the demographic characteristics do not significantly affect the AGCC. The findings will extend studies related to acculturation, and global consumer culture by aiding global marketers, retailers, and multinationals in their segmentations and marketing campaigns.

**Key words:** Acculturation to Global Consumer Culture, Impulsive buying behaviour, Global consumer culture

## 1.0 Introduction

### 1.1 Background

Modern day national cultures and identities can be considered as an outcome of various regions merging over almost three centuries (Carpenter et al., 2013; Cleveland et al., 2011). The technological advancements brought forth in recent decades have decreased costs and increased opportunities for overseas travel, while global telecommunication has facilitated media in reaching a global audience (Cleveland, 2018). Boudieu (1984) as cited in Cleveland (2018) mentions various forces of globalization or cultural intermediaries such as marketing, media, and tourism which have helped to interconnect societies and cultures. The phenomenon, of

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globalization, is making the world increasingly interconnected and interrelated, and strongly influences individuals and their behaviors (Cleveland, 2007). The shift in the consumer behaviour can be considered as a crucial challenge in the modern-day marketplace (Naghavi, 2011; Sobol, 2008).

Global Consumer Culture Theory (GCCT) postulates that Global Consumer Culture (GCC) emerged as a result of globalization of markets and cultures. GCC, can be suggested as an outcome of globalization which indeed has diminished diversity among cultures through migration and mass media (Naghavi, 2011; Sobol, 2008). As per some researchers, GCC, a Western style consumption culture is a research topic that is receiving more attention from numerous scholars (Laroche & Teng, 2019; Ozsomer, 2019). The concept of GCC is about the globalization of consumer wants through the global diffusion of consumption-related signs, symbols, behaviors, and values (Akaka & Alden, 2010; Alden et al., 1999; Arnould & Thompson, 2005; Carpenter et al., 2013; Czarnecka & Schivinski, 2019). Alden et al. (1999) define GCC as “a cultural entity that is not associated with a single country, but rather a larger group generally recognized as international and transcending individual national culture.” Since minority and majority populations alike are being acculturated to GCC, the individual consumer is increasingly becoming culturally fragmented (Cleveland et al., 2015). While some scholars argue that globalization is eliciting to the emergence of GCC, others argue that modern consumers resist globalization forces opting for local products instead of global brands, products, and media (Czarnecka & Keles, 2015). Thus, due to inadequate studies related to globalization’s effect on consumers, there is a need of operationalizing GCC and to identify the means of individuals acculturating to GCC (Carpenter et al., 2013).

## 1.2 Problem Statement

Globalization has altered many aspects of consumer behaviour and the global force known as GCC is performing a similar task by influencing people’s values, lifestyles, and behaviors across countries which might even lead to ‘borderless mass society’ (Al-Issa & Dens, 2023; Naghavi, 2011; Sobol, 2008). For example, it was found that an increasing number of Asian youths are adopting a lifestyle which reflects Western values such as hedonism, competition, individualism, pessimism and “living for the moment” (Wee, 1999 as cited in Sobol, 2008). Bolton and Meyers (2003) found evidence for homogenous service market layers across Asia Pacific, Europe, and North America this has also been mentioned by Naghavi (2011).

Previous studies have focused on the impact of globalization on areas such as economic aspects, entertainment, information technology, education, sexuality, lifestyle, religiosity etc., (Al-Issa & Dens, 2023; Cleveland et al., 2022; Silva & Kariyakarawana, 2004 as cited in Nishal & Afrah, 2018). However, it appears that GCC has not been studied in the Sri Lankan context but its existence in this highly heterogeneous and diverse country is extremely plausible. Sri Lanka has a long history as a tourist destination due to its stunning landscapes and favorable climate conditions. In 2019, tourism sector’s direct contribution to GDP was 4.3% while USD 3,606.9 million was recorded as foreign exchange revenue (Annual Statistical Report, 2019). Perera and Canagarajah (2010) states that there are major consequences of colonialism and globalization on education in Sri Lanka. For instance, the widespread use of the English language which ultimately became an indicator of social class in Sri Lanka (Perera & Canagarajah, 2010). Further, Jayaratne and Warnakulasooriya (2016), state that clothing and fashion are major influences of Western culture in Sri Lanka and they have found that young educated Sri Lankans tend to indicate moderate level of cosmopolitan orientation.

Although studies based on AGCC have been conducted in several countries, (Carpenter et al., 2013; Carpenter et al., 2012; Cleveland, 2018; Czarnecka & Keles, 2015; Durvasula & Lysonski, 2016; Hallab, 2009) it can be observed that there is a lacuna of similar studies in the Sri Lankan context. Also generalizing those countries' facts and observations to Sri Lanka is unjustifiable since each country has its own cultural and social perspectives. Despite the significance of the topic AGCC, only a handful of studies could be seen addressing the relationship between the two constructs – AGCC and impulsive buying and these have found a positive fit between the two (Czarnecka & Schivinski, 2018; Czarnecka & Schivinski, 2019; Czarnecka et al., 2020).

Electronic commerce opportunities are likely to compel individuals to make impulsive buying decisions (Czarnecka & Schivinski, 2019). Further, it promotes and places importance on the use of brands and products to allocate and signal status, prestige, and quality of life which encourages irresponsible impulsive behavior (Lury, 1996 as cited in Czarnecka & Keles, 2015). Newton (2016) found that credit cards, promotional approaches, window display, situational factors and store lay out mostly influence the impulsive buying behavior of Sri Lankan consumers going to super markets.

Only a few studies have investigated with regard to impulsive buying in the Sri Lankan context, for example, Wanninayake and Chovancova (2012) found that ethnocentric appeal, stimulation, and impulsiveness to make buying decisions are above the average in young university students in Sri Lanka. Another has found that the availability of money has a significant relationship with Sri Lankan consumers' impulsiveness to buy apparels (Dinesha, 2016). Nevertheless, impulsive buying behaviour was found to be at a moderate level in the milk powder market (Karunaratne & Wanninayake, 2019). These existing studies seem to highlight the importance of focusing on the impact of demographic factors on AGCC as well as the impact of AGCC on impulsive buying behaviour. Accordingly, this dearth of research leads to the following research questions.

1. What is the impact of the selected socio-demographic antecedents on Acculturation to Global Consumer Culture (AGCC) of Sri Lankan consumers?
2. What is the impact of AGCC on the impulsive buying behavior of Sri Lanka consumer?

### **1.3 Impulsive buying behavior (IBB)**

Kacen and Lee (2002) have defined impulsive buying as the inclination of the consumer to buy products without thorough consideration of available options and information before the act of purchasing and this action can be deemed as unsustainable consumption based on individual, social and situational factors (Carpenter et al., 2013). Moreover, impulsive buying is identified as “more arousing, less deliberate, and more irresistible compared to planned purchase behaviour” (Kacen & Lee, 2002). Rook and Fisher (1995) have defined impulsive buying as the proneness of the consumer to buy thoughtlessly, spontaneously, immediately, and kinetically. It has been proposed that purchases of new products occur more from impulsive buying rather than from prior planning (Eric & Sfiligoj, 1996 as cited in Kacen & Lee, 2002). Underhill (1999) asserts that many purchases being made on the store premises itself are a result of customers giving in to their impulses. Rook and Hoch (1985) introduced five elements that drew a distinctive nature between impulsive buying and non-impulsive buying – feelings of sudden and spontaneous desire to act, psychological conflicts and struggle, temporary loss of

self-control, reduced cognitive assessment and spending regardless of the consequences. Highly impulsive consumers display high probability to be unreflective in their thinking, emotionally pulled in to the object and to desire immediate gratification without paying attention to future negative consequences (Hoch & Loewenstein, 1991).

Elements of globalization have created opportunities to increase consumerism and impulsive buying behavior (Czarnecka & Schivinski, 2019; Unger & Raab, 2015). Further, television shopping channels and the internet has played a major role in generating opportunities for impulse purchases, especially in terms of product access (Kacen & Lee, 2002). Since it contributes to a substantial volume of consumer spending throughout a wide range of product categories (Hall, 2018), it has been acknowledged as a paramount facet of consumer purchase behavior (Crawford & Melewar, 2003).

Impulsive buying behaviour is caused by an urgent need to purchase goods/services as well as the inability to evaluate the consequence of making that same purchase (Rodrigues et al., 2021). A similar explanation has also been provided by Burton et al. (2018). Despite the negative consequences, it seems that most consumers tend to immediately satisfy their urgent needs (Meena, 2018). The immediate gratification the buyer gets explains this tendency to buy spontaneously and without reflection (Pradhan et al., 2018).

Even though, with the growth of e-commerce and television shopping channels consumers are given easy access to impulsive purchasing opportunities, little is known about this compelling and hedonically complex behavior in non-Western cultures (Kacen & Lee, 2002). Most of the studies on impulsive buying has looked at consumers in United States and it has been found that United States consumers tend to be more impulsive when compared to British and South African consumers. Compared to Caucasians, it has been found that, Asians to engage in less impulsive buying behavior (Kacen & Lee, 2002). Numerous research on impulsive buying has paid attention to psychological antecedents (Czarnecka & Schivinski, 2019; Thompson & Prendergast, 2015), socio and demographic factors (Wood, 1998), and the consequences of impulsive buying (Czarnecka & Schivinski, 2019; Yi & Baumgartner, 2011). However, it appears that only a limited number of studies have focused on acculturation impact on impulse purchasing behaviour and its impact on marketing (Czarnecka & Schivinski, 2019; Jones et al., 2003; Kwak et al., 2002; Liao et al., 2009).

## **1.4 Consumer Culture Theory (CCT)**

CCT is the study of consumption choices and behaviors from a social and cultural point of view rather than an economic and psychological point of view. Consumer culture has been described as a social arrangement where resources, ways of life, and symbols are mediated through markets (Arnould & Thompson, 2005). Kozinets (2001) when describing CCT notes that consumers are a part of an interconnected system of commercially produced products and images which they use to construct their identity and orient their relationships with others. The scope of CCT includes the consumption of both tangible as well as intangible products (Arnould & Thompson, 2005). Although not very long ago in the past CCT was considered to be local in content but over time it has been shaped and interpenetrated by globalization processes and forces (Arnould & Thompson, 2005; Steenkamp, 2019).

## **1.5 Cultural Globalization Theory**

The main focus of cultural globalization theorists is to the diffusion of media, lifestyles, symbols, and attitudes across cultures and the possible consequences of it (Steenkamp, 2019). One of these schools of thought suggests that a substantial number of consumers are assimilating to GCC (Holton, 2000) and adopting globally similar behaviors and preferences

by replacing their local cultures (Steenkamp, 2019). Further, supporting this theory Hannerz (1990) notes that a reason for GCC to emerge is the increased integration of various local cultures through the development of cultures without a clear anchorage in one territory.

## **1.6 Acculturation Theory**

This theory often focuses on the individual-level impact of globalization and localization (Schwartz, 1992). The changes that individuals and groups experience after coming into contact with another culture are referred to as acculturation. Acculturation models are often used to understand how different individuals respond differently to new/ “host” cultures that they physically enter (e.g., immigrants). However, these models are also used to explain how people living in home cultures are affected by external forces entering the home cultures (Berry et al., 1997). Therefore, the literature on acculturation is rich and insightful and focuses on the response of local consumers toward consumption trends on a global scale which might enter their local cultures through various sources such as mass media, tourism, travel etc. (Steenkamp, 2019).

## **1.7 Global consumer culture (GCC)**

People all over the world are exposed to various cultures due to tourism, migration, technology, mass media, free trade of products related to culture, and marketing by multinational enterprises (Naghavi, 2011). This has given individuals a wide assortment of cultural values, norms, and behaviors for them to choose from and incorporate into their self-identity (Oswald, 1999). These individuals with several identities cannot be explained as a ‘mixture of two cultures’, instead can be considered as more of a hybrid culture (Naghavi, 2011; Wallendorf & Reilly, 1983).

GCC emerged from the wider concept of consumer culture and is described as a densely woven network of global connections and extensions whereby local cultures are increasingly interpenetrated by the forces of international capital, global information and media (Arnould & Thompson, 2005). Alden et al. (1999) have described GCC as a cultural entity not associated with a single country, but rather a larger group generally recognized as international and transcending individual national cultures.

## **1.8 Acculturation to Global Consumer Culture (AGCC)**

Acculturation was first defined by Redfield et al. (1936) as a phenomenon “.... which results when groups of individuals having different cultures come into continuous first-hand contact, with subsequent changes in the original cultural patterns of either or both groups.” There are four alternative acculturation responses: assimilation (losing one’s home culture identity and embracing a new host culture), integration (retaining one’s home culture identity while participating in a new host culture), separation (avoiding any cultural interaction with a new host culture and maintaining of one’s home cultural symbols, values, and behaviors), and marginalization (there is only a little desire either to participate in a new culture or maintain the old home culture) (Berry et al., 2006; Berry & Sam, 1997).

This study would mainly focus on, ‘consumer acculturation’ which is a component of acculturation (Naghavi, 2011). It can be explained as the adoption of a foreign culture (in terms of attitudes, values, and customs) by an individual originating from a different culture either through direct or indirect exposure to that foreign culture (Naghavi, 2011; Schiffman et al., 1981). Cleveland and Laroche (2007) describe AGCC as a process in which individual consumers “acquire knowledge, skills and behaviors that are characteristics of a nascent and

detrterritorialized global consumer culture.” It can be referred to as the outcome of changes due to association with different people from various cultures (Czarnecka et al., 2020). For an example, the use of global brands such as Apple’s iPhone, McDonalds, Coca Cola, Starbucks etc., itself reflects the level of acculturation experienced by consumers (Carpenter et al., 2013; Durvasula & Lyonski, 2016).

Cleveland and Laroche (2007) were the first to come up with a mechanism to measure the extent to which consumer psychology has been changed due to globalization (Carpenter et al., 2013; Durvasula & Lyonski, 2016). These seven dimensions mainly include cosmopolitanism (COS) which refers to the desire to engage with a different culture. Consumers who are cosmopolitan are likely to immerse themselves in other cultures and thereby more likely to be comfortable with cultures other than their home country culture (Lyonski & Durvasula, 2013; Lyonski & Durvasula, 2016). Accordingly, this desire to immerse in other cultures will be useful in the acculturation process. The second dimension which is exposure to marketing activities of multinationals (EXM), is likely to create a more homogenized culture where consumers are used to being exposed to various marketing activities conducted in other countries and naturally facilitating the acculturation process. Thirdly, the exposure to the use of the English language (ELU), too can have a reinforcing effect on the acculturation process, since the English language is a globally recognized language of business, including in Sri Lanka. In terms of the fourth dimension which is social interactions, including travel, migration, and contacts with foreigners (SIN), can be considered a decisive factor that would automatically expose consumers to cultures other than the home country culture which is likely to accelerate the acculturation process (Lyonski & Durvasula, 2013). Moreover, whether it be television or other forms of global/foreign mass media exposure (GMM), consumers are likely to experience outside cultures, especially through popular culture (Ger & Belk, 1996). Then in terms of openness and the desire to emulate global consumer culture (OPE) is a dimension that is mostly relevant to younger consumers where they are more likely to adopt a western lifestyle and values reflected through global mass media as well brand names (Wee, 1999). Finally, the seventh dimension of AGCC which is self-identification (IDT) with the global consumer culture, leads to the idea that consumers are part of a global consumer community where they consider and prioritize global role models rather than ‘local ones’ (Cleveland & Laroche, 2007; Lyonski & Durvasula, 2016). Therefore, it can be suggested that these dimensions are likely to lead toward the Acculturation of Global Consumer Culture (AGCC). There are a total of 57 items of the AGCC scale (Carpenter et al., 2013). These dimensions must be present for a person to become a consumer who is acculturated to GCC.

## 1.9 Hypothesis Development

AGCC is likely to provide a meaningful framework to identify and understand the global consumer (Carpenter et al., 2013). Hence it can be suggested that an important way of understanding global consumers in terms of their response towards AGCC, is through their demographic profile (Carpenter et al., 2013; Cleveland et al., 2020). Numerous scholars such as Carpenter et al. (2013), Cleveland et al. (2011), Cleveland and Laroche (2009), Gupta (2013) seem to have considered factors such as age, gender, education and income level to be important socio-demographic factors which is likely to influence AGCC. Accordingly, to be in line with related studies, the current study too has adopted these factors as demographic factors that affect AGCC to better understand the global consumer.

Cleveland and Laroche (2009) study on eight countries found that age, gender, and education to influence cosmopolitanism (COS), which is a dimension of AGCC. To further elaborate, age



was identified to be negatively associated with COS in Hungary, Sweden and Korea, while education was found to be positively associated with COS among consumers from Greece, Hungary, Sweden and Mexico (Carpenter et al., 2013). They also reported females to demonstrate comparatively higher levels on COS compared to males (Carpenter et al., 2013). Income did not influence COS in this study. Further, Cleveland et al. (2011) found education to positively influence COS and females to display higher levels of COS.

Carpenter et al. (2013) suggest the impact of demographics and individualism on four of the AGCC dimensions and further found that AGCC dimensions impact ethnocentrism for food and fashion retailers (Carpenter et al., 2013). Carpenter et al. (2013) established that COS, exposure to marketing activities of multinationals (EXM), social interactions, including travel, migration, and contacts with foreigners (SIN) and self-identification with global consumer culture (IDT) was negatively affected by age and positively affected by education. Cleveland et al. (2011) examined the relationships between Schwartz's (1992) motivational/cultural values and Hofstede's (1991) national cultural dimensions to COS, and assessed the cross-cultural consistency of these relationships in Canada and Turkey. Their findings suggest COS to be strongly related to Schwartz's motivational/cultural values in comparison to Hofstede's cultural dimensions. The findings suggest that COS is negatively impacted by age and positively impacted by education. The findings of Cleveland et al. (2009) and Cleveland et al. (2011) found income to have predictive power over COS but the findings of Carpenter et al. (2013) found income to have predictive power over IDT but not over COS.

Gupta (2013), through a study conducted in India, found highly educated Indians and upper-middle class Indians to display greater levels of AGCC and age to be negatively related to AGCC. However, the author found no significant difference between the AGCC levels of the two genders. Based on the above facts, the following hypothesis are proposed:

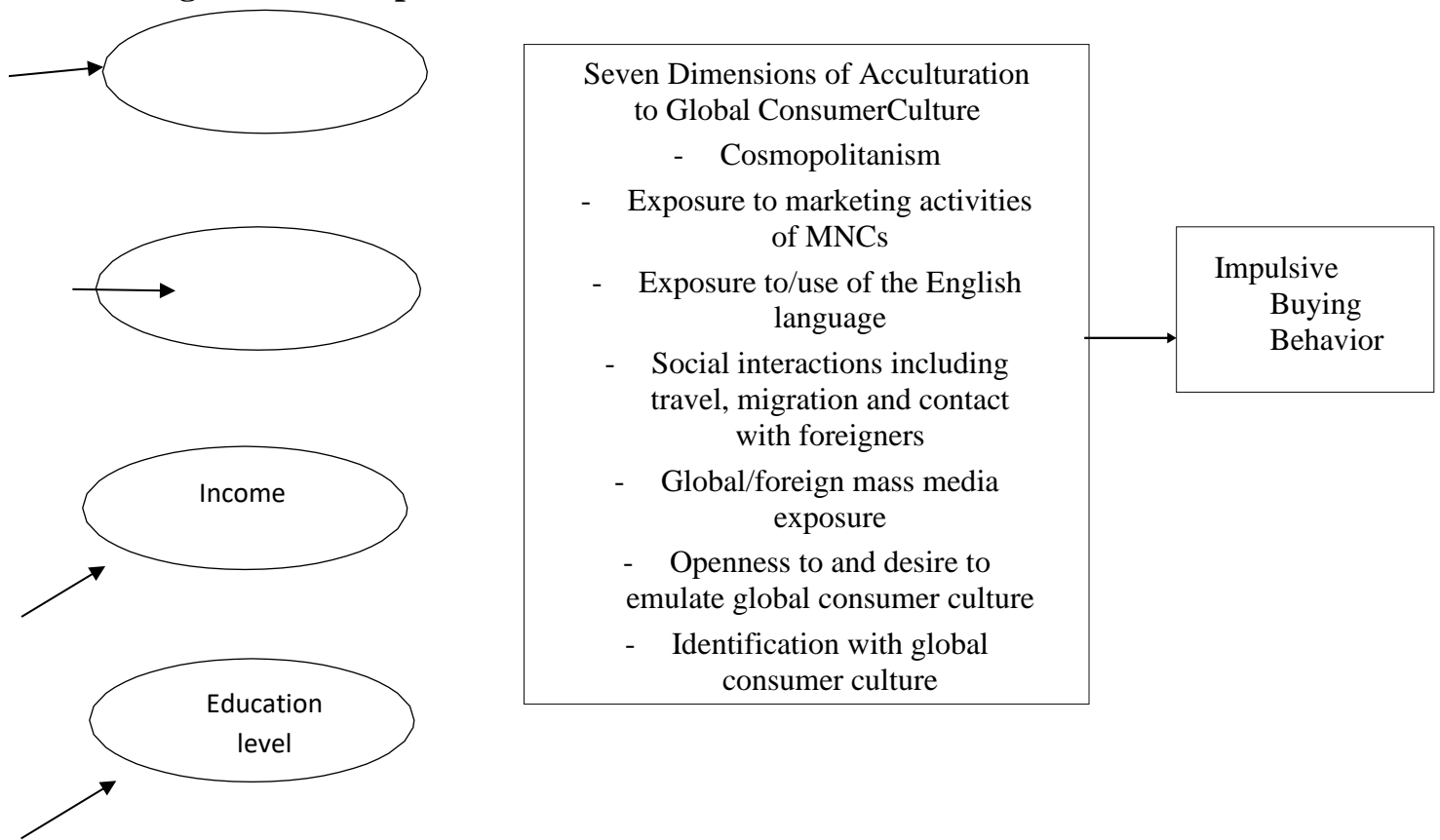
*H1: There is a significant relationship between demographic characteristics and the seven dimensions of AGCC* According to Durvasula and Lysonski (2015) as well as Czarnecka and Schivinski (2018), various factors such as global market influences and consumerism have led to a high level of desire for consumer goods. Accordingly, GCC which is communicated through the marketing of Western brands is likely to encourage impulsive buying (Czarnecka & Schivinski, 2018). Instant gratification (e.g., fast/same-day delivery, streaming, etc.) is a unique characteristic of impulsive buying (Czarnecka & Schivinski, 2018). Past literature has identified that there is a positive relationship between materialism and impulse buying and materialism and AGCC (Cleveland et al., 2016; Czarnecka & Schivinski, 2018). The spread of e-commerce and consumer-orientation has generated numerous opportunities for impulsive buying (Czarnecka & Schivinski, 2018; Kacen & Lee, 2002). Moreover, Podoshen and Andrzejewski (2012) as well as Czarnecka and Schivinski (2019) state that in more consumer oriented economies, consumers tend to engage in more impulsive buying behavior owing to them using material objects as signals of social status and prestige.

Czarnecka and Schivinski (2018) have studied on the relationship between impulsive buying and attitudes toward advertising. Findings demonstrate that consumers' inclination to AGCC is positively related to impulsive buying (Czarnecka & Schivinski, 2018). The study by Czarnecka and Schivinski (2019) found that when consumers are more acculturated to GCC, and also they are more likely to make impulse purchases. Therefore, it can be suggested that,

*H2: AGCC positively influences impulsive buying behavior*

## Conceptual framework

**Figure 1: Conceptual Framework**



## 2.0 Research Methodology

This study was conducted based on a positivist stance, since hypotheses were proposed and theories and tested with highly structured and measurable data and the findings are objective (Saunders & Tosey, 2013). The hypotheses developed about the relation between the phenomena and empirical evidence were gathered. This gathered evidence was analyzed to explain the effect of the independent variable, AGCC on the dependent variable, impulsive buying behavior. This study is a cross-sectional study where data were collected over three months in the year 2022 due to various circumstances such as Covid 19 pandemic, the economic crisis in Sri Lanka, affecting consumers.

Primary data was collected through a self-administered questionnaire distributed through Google Forms. The questionnaire has three parts – 1) Demographic profile-related questions. 2) 21-item scale by Lyonski and Durvasula (2013) to measure the extent to which consumers are acculturated to GCC. 3) Ridgway et al.'s (2008) scale to measure impulsive buying behavior. All items were measured on a seven-point Likert scale. Data was collected from a convenient sample of 114 consumers in line with previous studies which have considered similar demographic categories and sample sizes close to this range, for example, Lyonski and Durvasula (2013). This sample reflects consumers from quite a wide range of demographics in terms of age, gender/biological sex, education level, and income level (for further details refer data profile section). Moreover, it is also important to note that young consumers which represent almost 45% percent of the sample tend to be more vulnerable to global consumer culture compared to the more mature/older consumers (Arnett, 2002; Lyonski & Durvasula, 2013), which is likely to indicate the suitability of considering such sample, given the nature of the study. Additionally, the convenience sampling technique has been used since it is frequently used in studies related to consumer behaviour (Shamim et al., 2013).

## 3.0 Data analysis and findings

### 3.1 Data profile

Fifty-one respondents were male which comprises of 53.5% of the respondents. Fifty-three were females which comprised 46.5% of the respondents. Consequently, majority of the samples consisted of males. Amongst the respondents, highest number was recorded in the age bracket of 20-24 years representing 43.9% of the total sample. Further, least number of respondents were between 45 to 54 years of age representing only 8.8% of the sample.

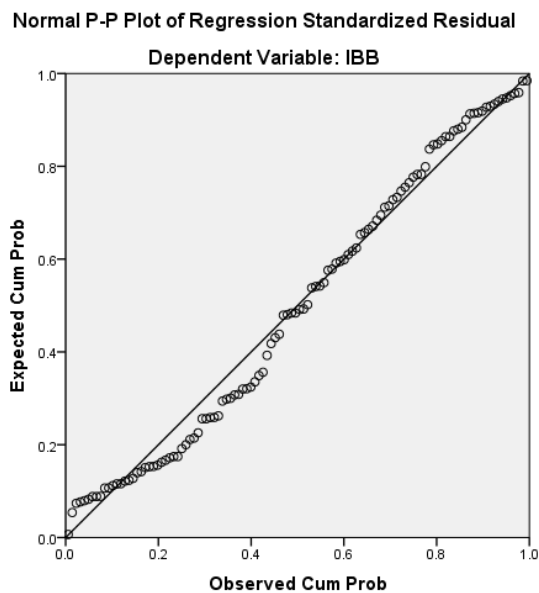
Fifty-one were undergraduates comprising of 44.7% of the total sample. Conversely, six have only done Ordinary Levels which comprised of 5.3% of the sample. Therefore, a significant percentage (50 respondents/44.7%) of the sample of the study consisted of university undergraduates across various geographical regions of Sri Lanka. Moreover, the highest number of respondents comprise of people earning between LKR 78,001 and LKR 196,000 per month which represents 30.7% of the sample. The least number of responses were from respondents earning less than LKR 18,000 which is represented 6.1% of the total sample.

### 3.2 Multivariate assumptions

The normal distribution is considered to be a fundamental assumption for statistical analysis and structural equation modeling (SEM) (Hair Jr et al., 2010). To test normality, this study used

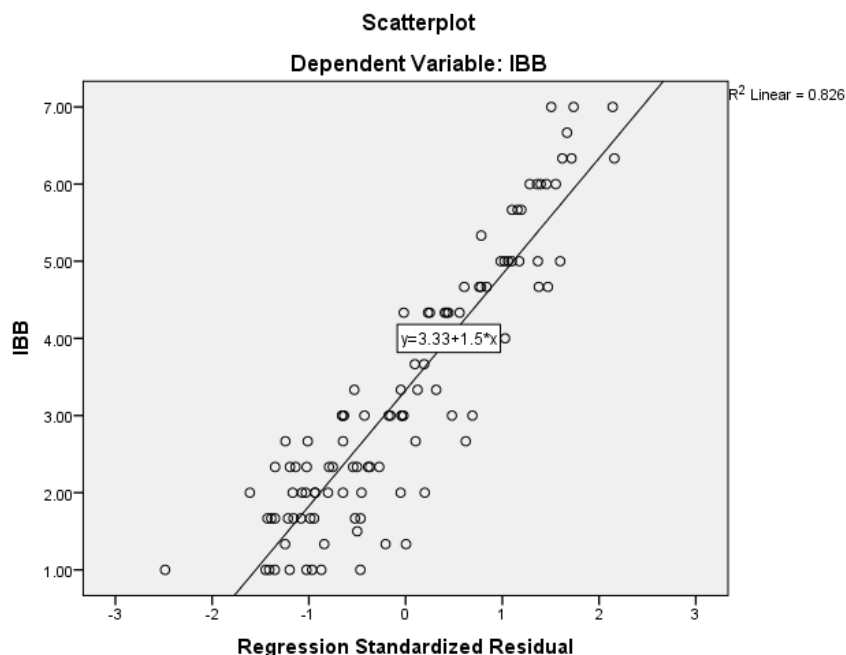
the statistical methods of Skewness and Kurtosis (Hair Jr et al., 2010; Kline, 2010; Tabachnick & Fidell, 2013.) Skewness is a measure of asymmetry and kurtosis is a measure of “peakedness” of a distribution (Kim, 2013). Since the skewness is between -2 and +2, and kurtosis is between -7 and +7 data is considered to be normal (Bryne, 2010; Curran et al., 1996; Hair et al, 2010). Normality can also be assumed by observing the P-P plot. As shown in Figure 2, points are distributed normally around the line and follow the diagonal direction and no drastic deviations from normality line can be observed (Adinda et al., 2016; Gao & Razak bin Chik, 2013).

**Figure 2: P-P Plot**



Heteroscedasticity is when the variance of errors is equal across all levels of independent variable and according to Berry and Feldman (1985) and Tabachnick and Fidell (1996) slight heteroscedasticity has little effect on significance tests. Heteroscedasticity will be confirmed using a scatter plot (Figure 3). Since amount of error/ distance from the line to the points stays consistent along the line, it can be established that homoscedasticity is present.

**Figure 3: Scatter plot**



### 3.3 Reliability

The reliability was considered based on Cronbach's alpha ( $\alpha$ ), composite reliability (CR), and factor determinacy (FD). According to Table 01, Cronbach alpha and CR values for the latent variables ranged from 0.760 to 0.930 which are above the recommended threshold value of 0.7 (Bagozzi & Yi, 1988). All of the loading estimates seem to be statistically significant and with values above 0.52. Moreover, there seem to be no evidence of cross-loadings was detected; therefore, it can be suggested that convergent validity was confirmed (Hair, 2009).

The Average Variance Extracted (AVE) for each scale was determined in order to assess the discriminant validity. The AVE values range from 0.530 to 0.816 and accordingly, this value meets the recommended threshold value of 0.50 (Fornell & Larcker, 1981).

**Table 1: Reliability values**

Individual scale	A	CR	AVE
COS	0.880	0.884	0.717
EXM	0.760	0.770	0.530
ELU	0.927	0.930	0.816
SIN	0.927	0.930	0.816
GMM	0.872	0.874	0.699
OPE	0.875	0.883	0.717
IDT	0.889	0.898	0.747
IBB	0.826	0.899	0.750

**3.4**

### Multiple regression analysis

Before proceeding with the regression analysis, a multicollinearity test was done to check whether the demographic characteristics (age, gender, education, employment, income) are highly correlated among themselves or not. The inter-correlation Pearson coefficients between all the independent variables were found to be less than 0.9 thereby confirming a low correlation among the demographic characteristics. Hence, the risk of multicollinearity is deemed to be low and multiple regression analysis can be carried out. The regression model for ELU was highly significant (adjusted  $R^2 = 0.113$ ,  $P \leq .01$ ) with age ( $\beta = -.287$ ,  $p \leq .01$ ) as a highly significant predictor, gender ( $\beta = .187$ ,  $p \leq .05$ ) and income ( $\beta = .210$ ,  $p \leq .05$ ) as significant predictors, and education ( $\beta = .156$ ,  $p \leq .10$ ) as a marginally significant predictor. The regression model for SIN was highly significant (adjusted  $R^2 = .117$ ,  $p \leq 0.01$ ) with age ( $\beta = -.351$ ,  $p \leq .01$ ) as a highly significant predictor and education ( $\beta = .185$ ,  $p \leq .10$ ) as a marginally significant predictor. The regression models for COS, EXM, GMM, OPE, and IDT were not found to be significant.

**Table 2: Multiple regression analysis**

					Standard coefficients		
	R <sup>2</sup>	Adjusted R <sup>2</sup>	F	Sig.	Beta	t	Sig.
<b>COS</b>	.078	.35	1.820	.115			
Constant						7.219	.000
Age					-.105	-.776	.439
Gender					-.006	-.062	.951
Education					.282	2.871	.005
Income					.047	.498	.620
<b>EXM</b>	0.31	-.004	.883	.477			
Constant						5.619	.000
Age					0.10	.102	.919
Gender					.093	.954	.342
Education					.123	1.227	.222
Income					-.017	-.178	.859
<b>ELU</b>	.144	.113	4.596	.002**			
Constant						3.159	.002
Age					-.287	-3.129	.002**
Gender					.187	2.043	.043**
Education					.156	1.657	.100***
Income					.210	2.311	.023**
<b>SIN</b>	.148	.117	4.744	.001*			

Constant					5.806	.000
Age				-.351	-3.836	.000*
Gender				.131	1.425	.157
Education				.185	1.963	.052***
Income				.089	.983	.328
<b>GMM</b>	.054	.019	1.557	.191		
Constant					6.623	.000
Age				-.235	-2.435	.016
Gender				-.009	-.097	.923
Education				-.101	1.018	.311
Income				.020	.214	.831
<b>OPE</b>	.035	.000	.992	.415		
Constant					3.304	.001
Age				.085	.872	.385
Gender				.047	.486	.628
Education				-.135	-1.348	.180
Income				.101	1.051	.296
<b>IDT</b>	.055	.020	1.576	.186		
Constant					3.181	.002
Age				-.092	-.952	.343
Gender				.212	2.195	.030
Education				.029	.292	.771
Income				.084	.880	.381

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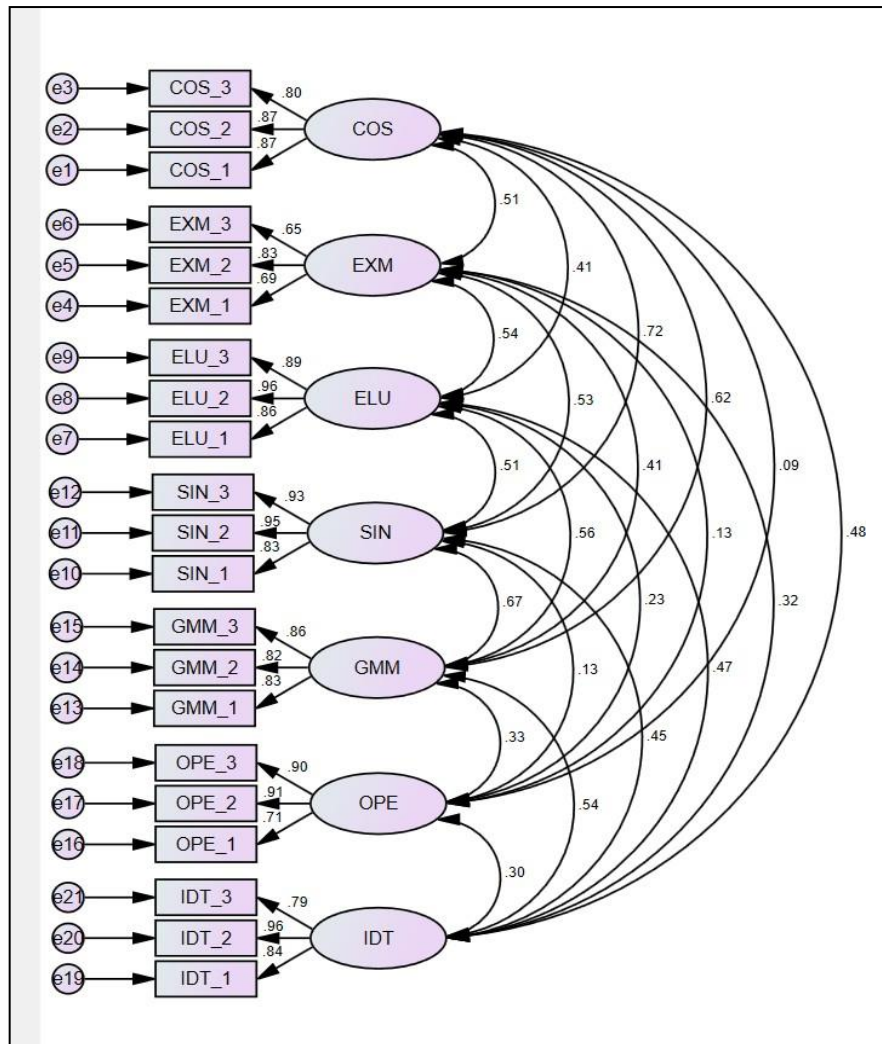
$P \leq .01^*$     $P \leq .05^{**}$     $P \leq .10^{***}$

### 3.5 Confirmatory factor analysis

The AGCC scales were evaluated using the confirmatory factor analysis (Carpenter et al., 2013). To measure the goodness of Fit (GOF), several indices were used such as the comparative fit index (CFI) which was 0.921, the Tucker-Lewis Index (TLI) which was 0.901, are above the accepted threshold of 0.90. This indicates a good fit of the model to the data. However, the

root mean square error of approximation (RMSEA) is 0.086 which should be below the accepted value of

0.08. The illustration in Figure 4 indicates that all items were loaded with more than 0.6 (Carpenter et al., 2013).

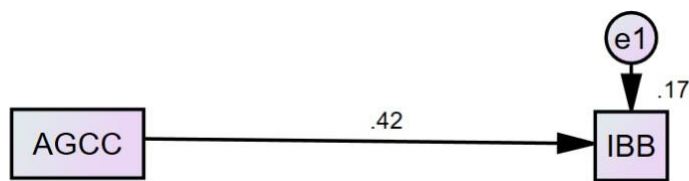


**Figure 4: Confirmatory factor analysis**

### 3.6 Path analysis

For the directional model, the GOF values were: CFI = 1.0 and RMSEA = 0.427. The directional hypothesis anticipated a positive impact of AGCC on IBB. The values indicate a positive relationship, ( $\beta = 0.417$ ,  $t = 4.855$ ,  $p \leq .01$ ) (Table 3).



**Figure 5: Path analysis****Table 3: Path analysis regression weights**

	Unstandardized Regression Weights				Standardized Regression Weights
	Estimate	S.E.	C.R.	P	Estimate
IBB <--- AGCC	0.607	0.124	4.877	***	0.417

### 3.7 Hypothesis testing

The first hypothesis, tries to understand the relationship between demographic characteristics, age, gender, education, income, and the independent variable AGCC. Regression analysis findings show that only ELU and SIN were influenced by certain demographic characteristics. Both ELU and SIN have been negatively influenced by age and positively influenced by education. Gender and income to have positively influenced ELU. Since only two out of the seven dimensions were related with some of the demographic characteristics the first hypothesis – there is a significant relationship between AGCC and demographic characteristics, is rejected.

The second hypothesis, tends to investigate the impact of AGCC on impulsive buying behavior. The path analysis found that there is a positive relationship between the two variables and the P value is significant. Therefore, the second hypothesis – the higher the level of AGCC, higher the level of impulsive buying, was accepted.

The following table summarizes the acceptability or rejection of hypotheses.

**Table 4: Hypotheses summary**

Hypotheses	Supported/Not supported
H1: There is a significant level of relationship between the demographic characteristics and AGCC.	Not supported
H2: AGCC positively influences impulsive buying behavior	Supported

## 4.0 Discussion and conclusion

### 4.1 Discussion

The current study did not find a significant relationship between demographic factors and the dimensions of COS, EXM, GMM, OPE, and IDT. However, it was found that there is a negative influence of age on ELU and SIN while there is a positive influence of gender, income, and education on these dimensions. This is quite similar to the findings by Carpenter et al. (2013) which highlighted that COS, EXM, SIN, and IDT were negatively affected by age and positively affected by education in their study on whether a linkage exists between the dimensions of AGCC and consumer ethnocentrism towards food and fashion retail brands. Despite having a higher sample size, the study by Carpenter et al. (2013) indicated age, education, and income level to be different from the general population similar to the current study. To further add to this discussion, Cleveland et al. (2009) cross-culturally compared the demographic antecedents with cosmopolitanism, ethnocentrism, and materialism in eight countries. The findings support the applicability of these three constructs across cultures, yet demographic factors differ across cultures. The authors found that there is a negative relationship between age and COS among consumers in Hungary, Korea, and Sweden and that there is a positive relationship between education and COS in Greece, Hungary, and Sweden (Carpenter et al., 2013). Cleveland et al. (2009), Cleveland et al. (2011), and Carpenter et al. (2013) found COS to be negatively impacted by age and positively impacted by education. Our study did not find any relationship between COS and demographic characteristics. This can be argued from the point of view of the national culture where the current study conducted in Sri Lanka tends to be more collectivist and high uncertainty avoidance in nature compared to the above-mentioned studies which have collected data from the United States of America (USA) which tend to have less collectivist/ more individualist and low uncertainty avoidance national culture since Hofstede dimensions are said to affect AGCC (Carpenter et al., 2013) and thereby resulting in dissimilar findings.

Moreover, our study found only ELU to be positively affected by income. The findings of Cleveland et al. (2009) and Cleveland et al. (2011) found income to have a predictive power over COS but the findings of Carpenter et al. (2013) found income to have predictive power over IDT but not over COS.

The current study was able to identify a positive relationship between the two variables, AGCC and impulsive buying which was consistent and supported by the findings of Czarnecka and Schivinski (2018) and Czarnecka and Schivinski (2019). Czarnecka and Schivinski (2019) found that when consumers are more acculturated to GCC, they are likely to have attitudes and beliefs that are positively oriented towards advertising and they are likely to engage in more impulse buying. This appears to be obvious given the nature of impulsive buying behaviour being less deliberate and unplanned purchase behaviour which tends to be further reinforced when consumers acquire knowledge about a de-territorialized global consumer culture (Cleveland & laroche, 2007).

### 4.2 Implications

Specific contributions of the current study include its findings which highlight that out of the seven dimensions of AGCC, only the exposure to/the use of the English language (ELU) and social interactions, including travel, migration, and contacts with foreigners (SIN) were influenced by certain demographic characteristics (age, gender, and education). For instance, both these dimensions are negatively influenced by age and positively influenced by gender

and education. However, since the rest of the five dimensions are not influenced by demographic factors it can be suggested that the current study highlights that there is no significant impact of these demographic factors on AGCC. This can be considered quite unique to the current study given most related literature highlight a significant influence of these demographic factors on AGCC. Nevertheless, the current study seems to be in line with extant literature through the finding which highlights that there is a positive relationship between AGCC and impulse buying behaviour. Accordingly, the current study would contribute to the existing literature such as Carpenter et al. (2013), Carpenter et al. (2012), Cleveland (2018), Cleveland & Laroche (2007), Czarnecka & Keles (2015) Czarnecka & Schivinski (2018), Czarnecka & Schivinski (2019), Czarnecka et al. (2020), Durvasula & Lysonski (2015), Durvasula & Lysonski (2016), Gupta (2013), Hallab (2009), Lysonski & Durvasula (2013), and Naghavi (2011) by extending the previous literature to specifically address the impact of AGCC on impulsive buying behavior in the Sri Lankan context. This can also be taken as the first empirical study to evaluate the relationship between the two variables in the Sri Lankan context to the best of the researcher's knowledge. Furthermore, the findings of the current study would also have theoretical implications by extending studies that have considered the consumer culture theory (Arnould & Thompson, 2005), cultural globalization theory (Steenkamp, 2019) as well as acculturation theory (Shwartz, 1992). The current study also seems to shed some light on the impact of national culture in terms of collectivism/individualism by highlighting that countries can be different based on their response to impulsive buying behaviour despite the overall trend of consumers trying to 'acculturate' to a uniform global culture. This seems to be obvious given that this study has used a sample of Sri Lankan consumers, its national culture tends to be more collectivist compared to the national culture of a country such as the United States of America or Canada (Hofstede insights, 2022) which is considered in several existing studies such as Carpenter et al. (2013), Cleveland et al. (2022).

The study will be helpful to global marketers to implement effective marketing campaigns in Sri Lanka, either through a generic marketing strategy to target global consumers or locally adapted strategies for domestic consumers (Carpenter et al., 2013; Durvasula & Lysonski, 2016) geared explicitly to Sri Lanka. This is mainly due to the unique finding of this current study which highlights the lack of influence of demographic factors on the seven dimensions of AGCC. For managers, the findings of the current study provide evidence that the higher the acculturation to GCC, the higher the impulse buying behaviour by consumers and accordingly, they can improve their strategies and campaigns to reach the target audience more effectively (Czarnecka & Schivinski, 2019). Retailers can successfully promote impulse purchasing through individual cultural marketing strategies suited to the country's context.

Additionally, this will assist multinationals to be responsive to consumer behavior while considering cultural differences and adapting their product offerings to suit the Sri Lankan context, especially with regard to the country of origin (Carpenter et al., 2013).

### **4.3 Limitations**

The external validity of this study is influenced by several factors and the study is not without limitations even though it was carefully planned and executed. It is assumed in this study, that

the measures of AGCC are driven and shaped by American brands and media (Czarnecka & Schivinski, 2019). It seems to neglect the various other market forces that influence GCC apart from the American consumer culture (Czarnecka & Schivinski, 2019). The pro-Western orientation of the AGCC may not reflect the exact level of acculturation in an Asian country like Sri Lanka (Carpenter et al., 2013).

Another noted limitation is the measurement of impulsive buying has only focused on the perception of impulse buying rather than actual impulsive buying (Carpenter et al., 2013). A variety of factors are likely to affect impulse buying such as market conditions and structures, systems of exchange, and cultural forces (Czarnecka & Schivinski, 2019). Acknowledging the above fact, data for the research was collected during the first few months of 2022 when Sri Lanka was going through economic and political turmoil as well as within the context of a pandemic. Measuring impulsive buying during this period could have not been ideal since people were cutting back on their expenses due to the high inflationary rates as well as the need to maintain social distancing. Due to the skyrocketing prices of essential items in the country, people had to change their irresponsible buying behaviors by not engaging in impulsive buying. The prevailing economic and market instability in the country could have negatively affected respondent sentiment toward impulsive buying.

## **5.0 Conclusion**

Globalization has altered many aspects of consumer behavior and accordingly, GCC has been a driving force that plays a crucial role in converging individual lifestyles, values, and behaviours across the world (Naghavi, 2011; Sobol, 2008). Researchers developed the GCCT and operationalized AGCC to measure the extent to which globalization influences culture, values, social identities as well as global consumer behaviour (Carpenter et al., 2013; Cleveland, 2018). Often times AGCC is painted in a good light; its negative impacts tend to be overlooked in favor of its favorable impacts. This paper has investigated the relationship between one such negative impact i.e., impulsive buying behavior, and AGCC.

The findings of this research will be helpful for managers and marketers to implement effective marketing strategies in Sri Lanka. Higher the acculturation of consumers towards GCC, the higher the impulse buying behaviour (Czarnecka & Schivinski, 2019). The multinationals and foreign companies operating in Sri Lanka can be more responsive to consumer behavior while considering cultural differences and to adapt their product offerings to suit the Sri Lankan context.

## **5.1 Limitations and avenues for future research**

Since the study assumes GCC to be shaped by American consumer culture, future studies could measure GCC components that are affected by other consumer cultures such as European and Asian cultures (Czarnecka & Schivinski, 2019). Due to the fact that the usage of a non-probability convenience sampling could potentially affect the results, future studies could use alternative data sampling and data collection methods to advance the theoretical research into AGCC. For example, methods such as in-depth interviews might lead to more rich findings (Carpenter et al., 2013). It would be useful for future researchers to consider longitudinal studies since it will enable researchers to examine social factors that affect AGCC over a period of time (Czarnecka & Schivinski, 2019). To reach a wide range of consumers, more research in their native language can be done in the future.

## Competing Interests

The authors declare that no competing financial interests or personal relationships could have appeared to influence the work reported in this paper.

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## **Annexures**

### **1. Seven dimensions of AGCC (Durvasula & Lyonski, 2016)**

1. Tendency for Cosmopolitanism (COS)
  - a. I am interested in learning more about people who live in other countries.
  - b. I like to learn about other ways of life.
  - c. I would enjoy being with people from other countries to learn about their unique views and approaches.
2. Exposure to Marketing Activities of Multinational Corporations (EXM)
  - a. When I am watching TV, I often see advertising for products that are from outside of Nigeria.
  - b. Ads for foreign or global products are everywhere.
  - c. In my city, there are many billboards and advertising signs for foreign and global products.
3. Exposure to/Use of the English Language (ELU)
  - a. I feel very comfortable speaking in English.
  - b. I speak English regularly.
  - c. I often speak English with family or friends.
4. Social Interactions, Including Travel, Migration, and Contacts with Foreigners (SIN)
  - a. I would prefer to spend my vacations outside of Nigeria.
  - b. Visiting foreign countries would be one of my favorite things.
  - c. I often think about going to different countries and doing some traveling.
5. Global/Foreign Mass Media Exposure (GMM)
  - a. I enjoy watching Hollywood films at the theatre.
  - b. I enjoy watching Hollywood movies that are in English. ☐. Some of my favorite actors/actresses are from Hollywood.
6. Openness to and Desire to Emulate Global Consumer Culture (OPE)
  - a. I think people my age are basically the same around the world. For example, a 20-something in Nigeria is basically the same as a 20-something in the U.S., Germany, or anywhere else.
  - b. I think that my lifestyle is almost the same as those of my age-group in other countries.
  - c. I think my lifestyle is almost the same as those of people of my social class in other countries.
7. Identification with Global Consumer Culture (IDT)
  - a. The way that I dress is influenced by the advertising activities of foreign or global companies.
  - b. Advertising by foreign or global brands has a strong influence on my clothing choices.
  - c. I pay attention to the fashions worn by people in my age-group who live in other countries

### **2. Impulse Buying Behaviour scale (Ridgeway et al., 2008)**

1. 'I consider myself an impulse purchaser',
2. 'I buy things I do not need'
3. 'I buy things that I do not plan to buy'

# “A Study on Online consumer Engagement and Intention on FMCG sector”

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## **Abstract**

Online shopping is the practice of making purchases of goods or services over the internet. There are five steps in the procedure, which are comparable to those in conventional shopping Behavior. The term "online buying attitude" describes the psychological state of a customer when making purchases online. **Chang, M., K., Cheung, W., Lai, V., S. (2005).** There is no denying that the internet has had a significant impact on our lives, playing an integral and irreplaceable function. Online purchasing has grown in popularity and convenience for consumers. This brand-new, cutting-edge method of buying offers buyers a huge selection of goods. A sizable market and a plethora of business prospects are also provided. With an increase in studies, online consumer behavior became a current research topic.

Modern shopping and product purchasing have undergone a profound upheaval thanks to the internet. Since the invention of the internet, a particular demographic of consumers has become accustomed to and prefers buying online for goods like travel, books, music, electronics, etc. Even if online shopping and internet usage are highly advanced in Western countries, the situation is different in India. The growth of internet penetration in our nation is all but halted by our political system's sluggish attitude and subpar infrastructure. By then, there will likely be 38 million active internet buyers in India. Companies are now operating in this internet sector to take advantage of its immense potential.

Consumers are time-constrained on the demand side. Online shopping is growing more and more popular and preferred among consumers who seek a better value proposition when compared to offline shopping in terms of information, convenience, cost, and choice, as more and more people become familiar with the internet and its advantages. Online orders increased by 13 percent in the first quarter of 2014 compared to the same period in 2013, and online retail income increased by 11 percent year over year. Before visiting a store or the mall, 72% of millennial do their research and comparison shopping online, **Internet Facts (2012).**

**Key Words:** FMCG, E-COMMERCE, B2C, B2B, D2C, C.O.D, DISCOUNTS, REFERAL

## Introduction

### INDIA'S ONLINE SHOPPING SCENARIO

The largest event of the century has been the development of the internet. From a hesitant start in 1999–2000, e-commerce in India has advanced significantly to a time when one may sell and find a wide range of items online, from a high end goods to a modest peanut. The majority of businesses use the internet to sell their services and product lines so that they are available on the global market and may reach a wider audience. Online shopping is only one example of how computers and the internet have fundamentally altered how people conduct daily business. The shopping habits of consumers have undergone significant shift as a result of the internet.

According to **Bloomberg (2012)**, one can log on and purchase almost everything from clothing, books, music, and diamond jewelry to digital cameras, mobile phones, mp3 players, video games, cinema tickets, train, and plane tickets while sitting comfortably at their home, workplace, or cyber cafe. The primary drivers of internet shopping are ease, simplicity, convenience, and security. According to projections, the country's e-commerce sales will total Rs 2,300crore in 2006–07, an increase of 95% from 2004–05. This is relevant to the business-to-consumer (B2C) market, according to **Cao, Zhang, and Seydel (2005)**.

Although it may be too soon to draw comparisons with the e-commerce scenes in developed nations like the US, where billions of dollars are spent online, the Indian market is expanding exponentially each year, even though it started from a smaller base. As a result, total revenues have grown to a respectable level. 2011 is likely to be remembered as the year that internet shopping in India really took off. **A. Deaton and J. Muellbauer (1980)**. According to the most recent data, in November of last year, approximately 60% of Indian internet users visited a retail website. Online consumers climbed by 18% over the previous year.

It only seems sense that as ecommerce expands, so will the number of online shoppers globally. As of 2021, there are 2.14 billion digital consumers worldwide. That amounts to 27.6% of the 7.74 billion people on the planet. To put it another way, more than one in every four people you see are online shoppers.

### Objective Of the study

- The objective of the Study is to understanding the online consumer Engagement and Purchase intention on FMCG Sector
- To determine the correct source of information that influences the Online Marketing of FMCG Sector.
- To determine the awareness about Online Marketing of FMCG Sector.
- The first goal of this study is to observe the marketing environment for online buying.
- To determine the connections between the demographic parameters that affect online shopping.
- To research the factors that affect a customer's decision to make an online purchase.

- To research consumer approval of online buying.
- To determine the degree of online client happiness.

## REVIEW OF LITRATURE

The practice of using digital technologies to advertise, market, or promote goods or services is known as digital marketing. Digital platforms like social media, email, search engines, and websites can all be used for this. Companies have significantly increased their usage of digital marketing in recent years, particularly in the FMCG industry.

This is due to the fact that digital marketing enables a more Individualized and focused approach to marketing, which can be quite successful in connecting with customers. Additionally, digital marketing is frequently far less expensive than conventional marketing strategies, making it a desirable choice for businesses trying to cut costs.

However, there are several difficulties with FMCG product internet marketing. The fact that the FMCG industry is extremely competitive and businesses must be extremely careful about how they position their items in the market presents one of the largest hurdles.

Additionally, digital marketing needs extensive preparation and execution, and keeping up with the most recent trends can be challenging. In conclusion, businesses need to be able to analyze data in order to make wise judgments about their marketing strategy because digital marketing can be very data-driven.

Globally and especially in the fast-moving consumer goods (FMCG) sector, digital media is altering the marketing environment. Every FMCG product campaign has historically relied on choosing the right combination of the four Ps (Product, Price, Place, and Promotion) to affect the target audience's purchasing Behavior.

Contrarily, modern consumers make purchases in a variety of methods, prompting the development of techniques intended to affect this process. The increase of transactions made through marketplaces, applications, and direct-to-consumer businesses was only aided by COVID-19. The time that consumers spend on mobile phones and laptop screens has surpassed that of television, newspapers, and billboards. Additionally, a growing number of customers choose to buy FMCG products online over at a physical store. Online marketing will effect \$11 billion in sales of cosmetics and hygiene products, or 2/3 of total sales, according to a report by Google and Bain and Co. Companies in the FMCG sector will need to review their digital strategy and digital inventory management as spending on online groceries is expected to surpass \$100 billion in 2022. By mastering their digital product marketing, they will need to be more digitally savvy and take full use of online chances. FMCG digital marketing is, in a nutshell, the direction of the sector.

Instead, it entails adjusting FMCG product marketing methods to fit the current online shopping and e-commerce boom age. Digital marketing will enable businesses to build relationships with customers rather than just capturing them at the point of ultimate purchase.

Describe how industrial marketing research is focusing more and more on digital marketing skills. The Researcher has divided our census period into various intervals in accordance with earlier literature evaluations ( **Guesalaga et al., 2018, Lamberton & Stephen, 2016**) studies from 2000 to 2004 mostly concentrate on the increase of 77% of all digital capabilities taken into consideration during the census period were via the web channel. Even though numerous studies published from still investigating the online channel from 2005 to 2009, its interactions with other channels became more significant.

With the aid of research, we will ascertain which component of the Online Consumer Engagement and Intention Attracts FMCG Sector.

We will identify the online media that consumers frequently utilize with the aid of this research so that businesses may continue to base their Digital marketing strategies for FMCG Products.

## **Research design and Problem identification**

India has seen a growth in the use of smartphones and the internet in recent years. Due in large part to the "Digital India" effort, there were 830 million internet connections worldwide in 2021. 55% of all connections to the internet were in metropolitan areas, and 97% of those connections were wireless. The number of smartphones has also greatly grown, and by 2026, that number is anticipated to be 1 billion. India's digital economy has benefited from this, and by 2030, it is predicted to be worth US\$1 trillion. The rapid growth of India's e-commerce industry has been aided by the country's increasing affluence, quick increase in internet users, and smartphone penetration. The e-commerce industry in India has changed how business is conducted there and opened up a variety of market niches, including business-to-business (B2B), direct-to-consumer (D2C), consumer-to-consumer (C2C), and consumer-to-business (C2B) (C2B). Significant markets like D2C and B2B have grown tremendously in recent years. By FY27, the D2C market in India is anticipated to grow to \$60 billion. The global e-commerce market is anticipated to increase by 21.5% in 2022 to reach US\$ 74.8 billion, and is projected to reach US\$ 350 billion by 2030.

## **Hypothesis and Statistical Tools**

The Researcher Has Used,

**Chi Square Test** - A statistical technique called the chi-square test is used to compare actual outcomes with predictions. This test's goal is to establish whether a discrepancy between actual and expected data is the result of chance or an underlying relationship between the variables

Hypotheses to be tested: -

H01:- Product Attribute and Intention of Online Purchase

Ho2: Perceived Risk influences online purchase intent

Ho3: Ease of use influences online intent

Ho4: Utility motivates the intention to make an online purchase

### Data Collection Method

Questionnaire – The Researcher has used a questionnaire for our survey as it can reach many at one time and will cover all required details in it for all different groups at same time

### Sampling Plan

The researcher has used Probability Sampling in that Cluster Sampling as we will divide our research population into different groups and then will select random members out of that different group.

### Theoretical Connect with Hypothesis

Selling of FMCG Products faced difficulties in online market

			yes	no	may be	may be no	
Gender	Male	Count	82	43	61	21	207
		Expected Count	43.9	23.0	128.9	11.2	207.0
	female	Count	0	0	180	0	180
		Expected Count	38.1	20.0	112.1	9.8	180.0
Total		Count	82	43	241	21	387
		Expected Count	82.0	43.0	241.0	21.0	387.0

### Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	203.868 <sup>a</sup>	3	<.001
Likelihood Ratio	261.930	3	<.001
N of Valid Cases	387		



a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 9.77.

- From the above Chi-Square table it can be identified that the P-value is (0.001) which is less than the significance level (0.05) so alternative hypothesis is accepted, which means that there is a significant relation, between age and use of digital marketing. The cross tabs states that most respondents who is thinking that selling of FMCG Products faced difficulties in online market.

## Conclusion

In conclusion, businesses need to be able to analyze data in order to make wise judgments about their marketing strategy because digital marketing can be very data-driven.

Globally and especially in the fast-moving consumer goods (FMCG) sector, digital media is altering the marketing environment. Every FMCG product campaign has historically relied on choosing the right combination of the four Ps (Product, Price, Place, and Promotion) to affect the target audience's purchasing Behavior.

Contrarily, modern consumers make purchases in a variety of methods, prompting the development of techniques intended to affect this process. The increase of transactions made through marketplaces, applications, and direct-to-consumer businesses was only aided by COVID-

19. The time that consumers spend on mobile phones and laptop screens has surpassed that of television, newspapers, and billboards. Additionally, a growing number of customers choose to buy FMCG products online over at a physical store.

## Findings

- One of the main things that has revolutionized business is e-commerce. It is generating a brand-new economy with enormous potential that is radically altering how operations are conducted.
- Electronic commerce is thought to play a big part in consumers' daily lives, helping them conveniently meet their endless demands.
- Online purchasing is expanding and getting more popular. According to the research, more consumers are engaging in online shopping due to the benefits it offers, including convenience, 24-hour shopping, doorstep delivery, a wide selection of products, an ever-growing selection of unusual and unique gift ideas, and increased consumer confidence in online shopping.
- The convenience and customer service were the primary driving forces for consumers to shop online, as seen by the fact that they are now purchasing books, home appliances, electronic devices, movie tickets, and other items.

- Simply visiting a website, then getting in the car and going to a store. There is a need to boost broadband penetration since it will hasten the rise of online trade, as the researchers' findings imply that increased internet usage will increase online shopping.

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# **“A Study on Sustainable Development Goals and CSR Education Projects in selected Indian Companies”**

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## **Abstract**

This study investigates the integration of Sustainable Development Goals (SDGs) within Corporate Social Responsibility (CSR) education projects undertaken by a sample of Indian companies. The United Nations' SDGs provide a comprehensive framework to address pressing global challenges, encompassing areas such as poverty alleviation, education, gender equality, and environmental conservation. Simultaneously, CSR initiatives by corporations play a crucial role in promoting societal welfare and sustainable development.

The findings reveal diverse approaches to CSR education projects, with some companies emphasizing access to quality education, while others focus on vocational training, digital literacy, or education for underprivileged communities. Furthermore, the study assesses the degree to which these initiatives contribute to achieving specific SDGs and their overall effectiveness in promoting sustainable development. The results highlight successful strategies adopted by companies to integrate SDGs into their CSR education projects and the challenges they encounter in the process. Moreover, the study identifies potential synergies between the private sector, government agencies, and civil society organizations to enhance the impact of CSR initiatives. The study's insights can inform policymakers, corporate leaders, and stakeholders in shaping more effective and targeted CSR initiatives aligned with the global agenda of sustainable development.

**Key Words:** Millennium Development Goals (MDG), Sustainable Development Goals (SDG), CSR

## **Introduction**

Sustainable Development has become the buzz word of the international community. The struggle for growth and excellence has created imbalance in the economic development among countries, depleted some of the natural resources and has thus altered the ecological balance. Since this threatens the very existence of human life on earth, a course of action that would ensure a safe environment for future generations has become the need of the hour. Sustainable development is a term coined to ensure that development takes place in such a way that natural resources are sustained and passed on to the future generations unimpaired. Seventeen Sustainable Development Goals (SDGs) aimed to build a more prosperous, more equal, and more secure world by the year 2030 have been developed. They have been adopted by 193 Member States at the UN General Assembly Summit in September 2015 as a part of their agenda for Sustainable Development. India is a signatory to this summit and is strongly committed to the 2030 agenda.

Corporate social responsibility (CSR) is an essential time period in India. Some Indian organizations trust that simply complying with laws & regulations fulfils their want for social responsibility. A responsible corporate recognizes that if it does work for the society that will create a great impact in society. So we can say that all level activities are done by the Corporate create an impact on the mind of the stakeholders.

## The Sustainable Development Goals

The Sustainable Development Goals (SDGs) which came into effect on 1 January, 2016 is an improvement on the Millennium Development Goals (MDGs). In India, as far as MDGs are concerned, considerable progress has been made in the field of basic universal education, gender equality in education, and global economic growth. However there was slow progress in the improvement of health indicators related to mortality, morbidity, and various environmental factors contributing to poor health conditions. With SDGs in place the Indian government is now trying to integrate the efforts taken towards achieving MDGs with SDGs. SDGs are wider in scope. Sustainable Development Goals have been built on the universal principle of 'leave no one behind' As far as India is concerned, the national development goals of India, converge well with the SDGs and India is expected to play a leading role in determining the success of the SDGs, globally.

### **SDG 4: QUALITY EDUCATION-Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**

Total 17 SDG Goals are there out of which SDG-4 related with quality education.

Achieving inclusive and quality education for all reaffirms the belief that education is one of the most powerful and proven vehicles for sustainable development. This goal is aimed at ensuring that all girls and boys complete primary and secondary schooling by 2030 and are provided equal access to affordable vocational training, to eliminate gender and wealth disparities, and achieve universal access to a quality higher education. Additionally, it emphasizes on lifelong learning opportunities, so as to achieve substantial adult literacy and numeracy, and on building and upgrading existing education facilities that are child, disability and gender-sensitive. Someone has truly said that-

*“The Sustainable Development Goals(SDG4) are designed to be a blueprint to achieve a better and more sustainable future for all”*

## Corporate social responsibility

Corporate social responsibility (CSR), also known as corporate obligation, corporate citizenship, responsible commercial enterprise, sustainable accountable enterprise (SRB), or company social performance, is a form of company self - regulation incorporated into a enterprise model. CSR policy might function as a built-in, self-regulating mechanism whereby enterprise would screen and ensure their adherence to law, ethical standards, and worldwide norms. Business would embrace obligation for the effect of their sports at the environment, consumers, employees, communities, stakeholders and all other individuals of the general public sphere. CSR mainly depend upon the three bottom line principles: People, Planet, and Profit.

There are many focus areas under CSR but this study try to focus on education project related with CSR.

## Applicability

Section 135 of the Act provides for the applicability of the CSR provisions on corporate. Sub-section (1) of section lays down that every company having:

- net worth of Rs. 500 Crore or more; or
- turnover of Rs. 1000 Crore or more; or
- net profit of Rs. 5 Crore

## SDGs and CSR

As an evolution from the MDGs (Millennium Development Goals), SDGs explicitly call for business to apply their creativity and innovation to solve development challenges. SDGs have more opportunities for private sector participation. The goals bring together players from all sectors for pursuing the common vision of sustainable development and address the socio-economic and environmental challenges. In order to

effectively execute the sustainable growth agenda is it essential to revitalize the partnership between key stakeholders. Fostering partnerships for growth can definitely be a key pillar in achieving SDG targets. Furthermore, the impact of such collaboration on overall SDG targets can only be realized through effective mechanisms to capture credible data.

One of the key drivers of SDGs is their aptness for businesses to apply their creativity and innovation in solving the sustainable challenges. Though the SDGs are universally accepted by various governments, their success relies heavily on the action and collaboration with businesses and civil society. SDGs will present an opportunity for business led solutions, thereby show casing the role of businesses in advancing with sustainable development by minimizing negative impact and maximizing positive impacts on people and planet. The need of the hour is to have interventions focusing local sustainable development, and manifesting opportunities of cohesive development thereby meeting the country commitments on SDGs.

## Literature Review

Debabrata Chatterjee (2010) in his research paper entitled “Corporate Governance and CSR: The case of three Indian corporations” tried to examine the corporate governance practices of 3 distinguished Indian companies i.e.; ITC Ltd., Infosys Technologies Ltd., and Reliance Industries Ltd. The examiner became made taking 4 parameters i.E., Approach to Corporate Governance, Governance Structure and Practices, Board Committees and CSR activities. The examiner discovered that although the Corporate Governance practices are exemplary, there exist differences inside the manner the companies undertake these practices. Infosys appears to be doing much better than the opposite two.

Prasenjit Maiti (2011) on his paper entitled “It is Politics or Profits or maybe Compassion? Unraveling the Motivation for Corporate Citizenship” tried to examine theoretically the motives of company before their CSR initiatives. The examiner determined that CSR is related to profits, power plays, politico-felony equation, situation of market flux, accountable images, humane concerns and other ethical dynamics.

Monika Hartman (2011) in her article “CSR in the food sector” analyzed the importance of CSR in meals quarter especially those corporations which have high brand. The study determined that SME’s are less able to discharging their obligation towards society. Further they have a look at revealed that meals area constantly tries to enhance the controlling and discharging its services in the direction of consumers. It changed into also determined that consumers show preference for those brands or food sector that delivers importance to CSR activities.

Chaturvedi, S., James, T. C., Saha, S., & Shaw, P. (2019) This book presents a selection of multifaceted development issues involving social, economic and environmental aspects, in order to inspire and guide implementation of the United Nations’ SDGs. It focuses on economic development, human well-being and sustainable pathways, with special attention to financial and knowledge resources, as well as measurement concepts. In doing so, the book draws a distinction between sustainability and sustainable pathways by refraining from dealing with broader and more direct environmental sustainability issues like climate change, environmental degradation and sustainable energy.

Harish Kumar (2012) in his research article entitled “CSR Revisited” has thrown lighting on four one-of-a-kind methods of agencies towards CSR i.e.; Good Governance, Ruinous CSR, Discretionary CSR, and Illusion CSR. He also attempted to spotlight argument against the CSR as well as the CSR driver. The researcher also located eight elements that drive the CSR tasks.

M. Prabhakar (2018) identified challenges in India’s implementation of SDGs such as defining indicators, monitoring and ownership, measuring progress, financing SDGs.

## Objectives of the Study

The main objectives of the study are stated below:

1. To Study on Sustainable Development Goals and CSR Education Projects in an effective way.

## Research Gap

The research gap in a study on Sustainable Development Goals (SDGs) and CSR education projects in selected Indian companies refers to the areas or aspects that have not been adequately explored or addressed in existing literature and research on the topic. Identifying research gaps is crucial as it highlights the specific areas where further investigation and analysis are needed to enhance the understanding and knowledge in the field. In this context, some potential research gaps in such a study could include:

**Limited Focus on Impact Assessment:** Many existing studies may have reported on the CSR education initiatives undertaken by Indian companies and their alignment with SDGs. However, there might be a lack of comprehensive impact assessment methodologies that measure the tangible outcomes and long-term effects of these projects on the target beneficiaries and communities.

**Sector-specific Analysis:** While some research might have explored CSR education projects across various industries, there may be a dearth of sector-specific analyses. Different industries may have distinct approaches, challenges, and opportunities when integrating SDGs into their CSR education initiatives. A study focusing on individual sectors could uncover tailored strategies and best practices that maximize impact.

**Stakeholder Perspectives:** The views and perceptions of various stakeholders, such as local communities, employees, and government officials, might not have been adequately examined in existing research. Understanding their perspectives can shed light on the real-world implications of these projects and highlight areas for improvement or collaboration.

**Comparative Analysis:** While individual company case studies are insightful, limited research may have conducted comparative analyses across multiple Indian companies. Such an approach could provide a broader view of the varying practices, strengths, and weaknesses of different companies' CSR education projects.

By addressing these research gaps, future studies can contribute to a more comprehensive understanding of how Indian companies can optimize their CSR education projects to effectively contribute to the achievement of Sustainable Development Goals, while also promoting their own sustainable growth and social impact.

## Research Methodology

The Research methodology of the study mentioned below:

- Duration of the study: FY 18-19, 19-20 & 20-21
- Geographical coverage of the study: The geographical coverage of the study "A Study on Sustainable Development Goals and CSR Education Projects in selected Indian Companies" would encompass specific regions or locations within India where the selected companies have implemented their CSR education projects. The study would focus on a representative sample of Indian companies, which could be from various states, cities, or regions across the country.
- Data collection: The secondary statistics which is accrued from exceptional sources like annual reviews posted via the enterprise, articles published in newspapers, journals, textbooks, net sources, exclusive academic web sites and research papers posted in on-line journals etc.

- Sample size and sampling method: The sample size is 300 companies. Using random sampling techniques, the researcher had randomly selected a subset of companies from the sampling frame.
- Research instrument: The research instrument for the study on "Sustainable Development Goals and CSR Education Projects in selected Indian Companies" refers to the tool or method used to collect data from the selected companies and stakeholders involved in CSR education projects. Data from existing surveys or reports related to CSR and SDGs in India can be utilized to supplement the primary data collected in the study.
- Limitation of the study: Every research study has its limitations, and it's crucial to acknowledge them to ensure the findings are interpreted and generalized appropriately. Some potential limitations of the study on "Sustainable Development Goals and CSR Education Projects in selected Indian Companies" could include:
  1. Sampling Bias: While random sampling may have been used, there could still be sampling bias if certain companies or regions are overrepresented or underrepresented in the sample. This could impact the generalizability of the findings to the entire population of Indian companies engaged in CSR education projects.
  2. Limited Scope of Companies: The study may have focused on a specific group of companies, which might not fully represent the diversity of CSR education projects across all sectors and industries in India.
  3. Time Constraints: Depending on the research timeline, the study might not have been able to capture the full extent of the long-term impact and changes resulting from the CSR projects.
  4. Geographical Variations: The study may not have accounted for regional differences and variations in socio-economic contexts that could influence the implementation and outcomes of CSR education projects.

## Data analysis & Findings of the Study

The below table indicates Number of Companies, amount spent, number of projects, percentage of companies, and percentage share in funding for FY 18-19, 19-20 & 20-21.

FY18-19					
	Number of Companies	Amount Spent in INR Cr.	Number of Projects	Percentage of Companies	Percentage Share in Funding
BSE/NSE	243	2473.50	1180	81%	79%
PSU	46	592.13	583	15%	19%
None	11	55.85	74	4%	2%

- In FY 18-19, BSE/NSE listed companies 243 and in which Amount Spent 2473.50 Cr. and total number of project 1180 and percentage of companies 81% and Percentage Share in Funding 79%.
- PSU companies 46 and in which Amount Spent 592.13 Cr. and total number of project 583 and percentage of companies 15% and Percentage Share in Funding 19%.
- None reflect that is not covered by BSE/NSE and PSU, in which companies 11 and in which Amount Spent 55.85 Cr. and total number of project 74 and percentage of companies 4% and Percentage Share in Funding 2%.

<b>FY19-20</b>					
	<b>Number of Companies</b>	<b>Amount Spent in INR Cr.</b>	<b>Number of Projects</b>	<b>Percentage of Companies</b>	<b>Percentage Share in Funding</b>
BSE/NSE	245	2294.45	1152	82%	72%
PSU	49	878.23	597	16%	28%
<b>None</b>	6	11.81	11	2%	0%

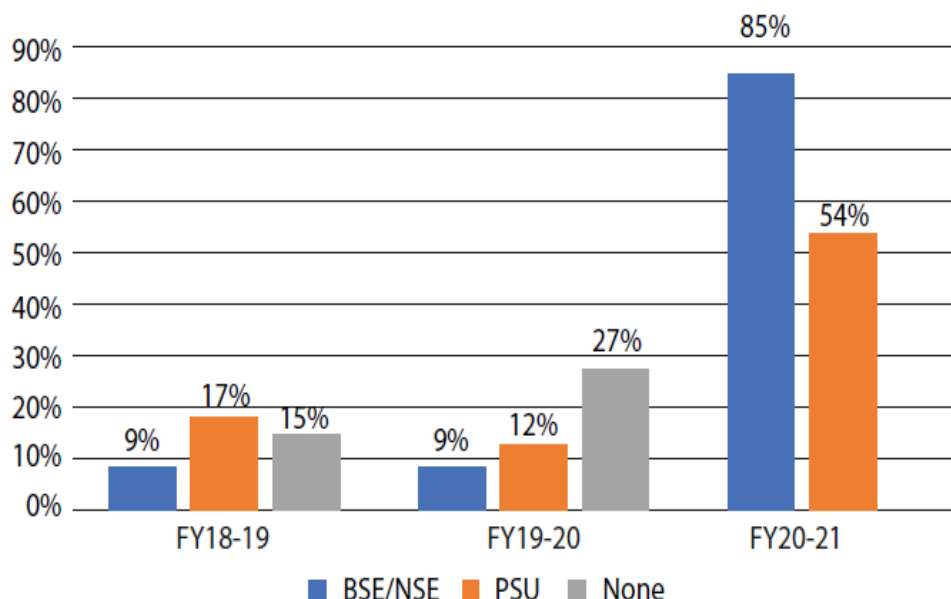
- In FY 19-20, BSE/NSE listed companies 245 and in which Amount Spent 2294.45 Cr.and total number of project 1152 and percentage of companies 82% and Percentage Share in Funding 72%.
- PSU companies 49 and in which Amount Spent 878.23 Cr.and total number of project 597 and percentage of companies 16% and Percentage Share in Funding 28%.
- None reflect that is not covered by BSE/NSE and PSU, in which companies 6 and in which Amount Spent 11.81 Cr.and total number of project 11 and percentage of companies 2% and Percentage Share in Funding 0%.

<b>FY20-21</b>					
	<b>Number of Companies</b>	<b>Amount Spent in INR Cr.</b>	<b>Number of Projects</b>	<b>Percentage of Companies</b>	<b>Percentage Share in Funding</b>
BSE/NSE	245	2069.75	1322	92%	87%
PSU	21	297.91	386	8%	13%
<b>None</b>	0	0	0	0%	0%

- In FY 20-21, BSE/NSE listed companies 245 and in which Amount Spent 2069.75 Cr.and total number of project 1322 and percentage of companies 92% and Percentage Share in Funding 87%.
- PSU companies 21 and in which Amount Spent 297.91 Cr.and total number of project 386 and percentage of companies 8% and Percentage Share in Funding 13%.

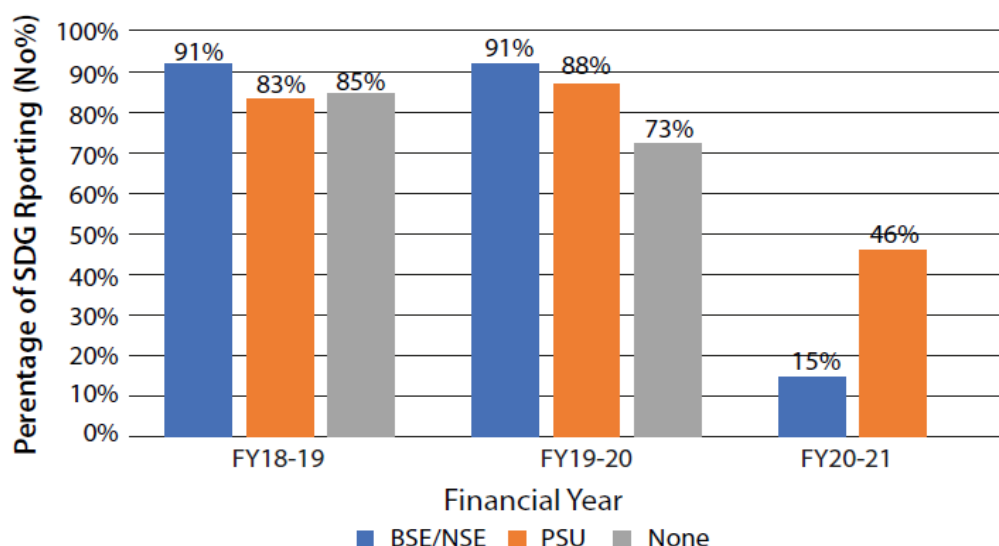


### Type of Company Reporting on SDG (Share of Funding)



Education projects align with SDG 4 indicators of net enrolment and average drop-out rates. SDG reporting trend has been the highest in FY20-21, where 85% of BSE/NSE listed companies performed SDG reporting. Overall, PSUs show a higher tendency of SDG reporting than BSE/NSE listed companies across the financial year, except FY 20-21.

### Type of Company Reporting on SDG (Share of Funding)



## Recommendations & Policy implication of the study

Based on the findings of the study on "Sustainable Development Goals and CSR Education Projects in selected Indian Companies," several recommendations and policy implications can be suggested to enhance

the effectiveness and impact of CSR education projects aligned with SDGs. These recommendations and policy implications are intended to guide both Indian companies and policymakers in their efforts towards sustainable development:

**Strengthen Monitoring and Evaluation:** Companies should establish robust monitoring and evaluation frameworks for their CSR education projects. This includes defining clear indicators to measure progress towards SDGs, conducting regular impact assessments, and tracking long-term outcomes. Policymakers can encourage companies to adopt standardized reporting mechanisms for CSR initiatives to enhance transparency and accountability.

**Promote Multi-stakeholder Collaboration:** Companies should collaborate with government agencies, NGOs, and local communities to design and implement CSR education projects collaboratively. Policymakers can facilitate partnerships through incentive programs and policy frameworks that promote private-public partnerships for sustainable development.

**Encourage Sector-specific Approaches:** Policymakers can encourage companies to adopt sector-specific approaches to CSR education projects based on the unique needs and challenges of each industry. This can lead to more targeted and impactful initiatives..

**Enhance Technology Integration:** Companies should leverage technology and digital tools to enhance the reach and impact of their CSR education initiatives. Policymakers can foster an environment conducive to innovation by offering grants or tax incentives for companies adopting technology-driven approaches.

## Conclusion

India is a country with the second largest population in the world. The steps taken by India for the achievement of SDGs matter a lot to the world. If India succeeds in attaining the SDGs it would mean a larger section of the world has achieved it. Therefore it is imperative for India to develop effective methods for implementing, monitoring and measuring the progress of SDGs.

A society's development can be measured by the level of education of its people. Education is one of the primary and most important pillars of human development on whose shoulder lays the burden of development. Investing in education is investing in the country's future and its people. It creates and creates avenues of development of society, improves the standard of living, and fosters an equitable community where everyone becomes a part of the development process.

Corporate social responsibility is one such niche place of corporate behavior & governance that desires to get aggressively addressed & carried out tactfully in the organizations. CSR is a best tool and by doing activities the corporate can give back to the society and also increase goodwill in the market.

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# **Examining the Perspectives of College Faculties of Ahmedabad City Relating to Indian Knowledge System & Factors Significantly Influencing the Indian Knowledge System**

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## **Abstract**

The influences of the religious, family, educational and social systems of a society on the business system comprise the Indian knowledge system dimension of our picture. Because cultural attitudes vary so much among countries, it is harder to find general patterns here than for the economic dimension. The French and the Germans, for example, though their economic levels are similar, are culturally quite different. The researcher in this research paper tries to examine the criterias which significantly affects the Indian knowledge system of a given country. The research effort therefore concentrates on analysis of the opinions of the learned fraternity of any country, i.e. the College faculties of Ahmedabad City with respect to the criterias which have significant influence on the Indian Knowledge System of a nation. Perception Score Analysis is used by the researcher for arriving at the outcome as to which factors viz attitudes and beliefs, attitude towards time, attitude towards work and leisure, attitude towards achievement are responsible for influencing the Indian knowledge system.

**Key Words:** Attitude, Beliefs, Indian Knowledge System, College Faculties, Ahmedabad City

## **Introduction**

A good basic definition of concept of knowledge system is that it is a set of traditional beliefs and values that are transmitted and shared in a given society. The knowledge system is also the total way of life and thinking pattern that are passed from generation to generation. The knowledge system means many things to many people because the concept encompasses norms, values, customs, art and mores. It prescribes the kinds of behaviour considered acceptable in the society. Smoking, for example, was once socially acceptable behaviour, but now it has become socially undesirable and medically unhealthy. Social drinking is also looked down upon in society especially in developing countries like India. Cultural pride and prejudice make many nations reject foreign ideas and important products. But the reverse may also be true and a perception of greatness attributed to another culture may lead to eager acceptance of things reflecting the culture. For example, Japanese are proud of their culture and economic achievements and prefer to buy Japanese goods. On the other hand, the words 'Made in America' marked on a product communicate quality and sophistication to people in many developing countries. However it can be said that a knowledge system is significantly influenced by Attitude and Beliefs, Attitude towards time, Attitude towards work and leisure, and attitude towards achievement.

## Literature Review

The review of the available literature which describes about the culture is carried out by the researcher. The literature reviews focuses on four criterias which have a significant impact on the knowledge system in any given society. These criterias are attitudes and beliefs, attitude towards time, attitude towards work and leisure as well as attitude towards achievements.

### Attitudes and Beliefs

*Hofstede, Geert (2018)* opined that in every society, there are norms of behaviour based on attitudes, values and beliefs that constitute a part of its knowledge system. These vary from country to country. The set of attitudes and beliefs of a knowledge system will influence nearly all aspects of human behaviour, providing guidelines and organisation to a society and its individuals. Identifying the attitudes and beliefs of a society and how they differ from one's own knowledge system will help the business person to more easily understand the behaviour of people.

### Attitudes towards Time

*Hampden-Turner, Charles & Trompenaars, Fons (2019)* said that everywhere in the world people use time to communicate with each other. In international business, attitudes towards time are displayed in behaviour regarding punctuality, responses to business communication, responses to deadlines, and the amount of time that is spent waiting in an outer office for an appointment. For example, while Americans are known to be punctual, few other cultures give the same importance to being on time as Americans.

Tarakeshwar, Nalini et.al. (2020) perceived that in terms of business communications, Japanese companies may not respond immediately to an offer from a foreign company but a foreign company may see it as a rejection of the offer or disinterest which may simply be the lengthy time the Japanese companies take to review the details of the deal. In fact, the Americans emphasis on speed and deadline is often used against them in foreign business dealings where local business managers have their own schedules.

### Attitude towards Work and Leisure

*Kumar, Rajesh (2021)* stated that most people in industrial societies work many more hours than is necessary to satisfy their basic needs for food, clothing and shelter. Their attitudes towards work and leisure are indicative of their views towards wealth and material gains. These attitudes affect the types, qualities and numbers of individuals who pursue entrepreneurial and management careers as well.

### Attitude towards Achievement

*Raghav, Gaiha (2022)* said that Cultural differences in the general attitudes towards work are also accompanied by significant national differences in achievement motivation. In some cultures, particularly those with high stratified and hierarchical societies, there is a tendency to avoid personal responsibility and to work according to precise instructions received from supervisors that are followed by the latter. In many societies, especially where social security is low and jobs are prized, there is a tendency to avoid taking risks and little innovation in work or production processes.

## Research Gap

The above cited literature reviews depicts the generalizations about the factors affecting the Indian knowledge system. The reviews specifically does not cover the measurement of the perceptions about the factors that influence the Indian knowledge system. Hence the endeavour was to examine the perspectives of college faculties of Ahmedabad City relating to Indian Knowledge System & Factors significantly influencing the Indian Knowledge System

## Research Objective

The aim is to know the perspectives of college faculties across Ahmedabad City by examining their perceptions as to the criterias which significantly affect the Indian knowledge system in a given society.

## Research Design / Methodology

The sampling process has been used for the study. The samples of the population (college faculties have been selected). The non-probability convenience sampling method has been used in the research. The sample size is 200. The samples include the Faculties teaching at Undergraduate colleges across Ahmedabad City. For the research work the primary data have been used. The primary data have been collected from the faculties in undergraduate programmes located in Ahmedabad area in Gujarat state. For research purpose relating to the topic for collection of data from respondents the instruments used includes telephone, internet, questionnaire, interview, and mail. Survey and observation methods have been used for data collection in this research work. The topic of the research work is a theoretical topic and there is no need to have experiments. The duration of the research work is one year. The limitation of the study is that the survey was carried out only in Ahmedabad city. The survey in the other cities will be considered as a part of future direction of the research.

## Results

It describes the calculation of the respondent's perception through ideal and least score. Ideal scores are calculated by multiplying the number of respondents in each category with (+3) and the product with total number of criterias. Least score is calculated by multiplying the number of respondents in each category with (-1) and the product with the number of criterias in the questionnaire.

**Table 1: Ideal and Least score of Respondents**

Category	Equation	Ideal Score	Equation	Least Score
Lecturers taking the lectures in the Commerce & Arts College across Ahmedabad City	$200 \times 3 \times 4$	2400	$200 \times -1 \times 4$	-800

**Table No. 2 Responses of the Respondents**

No.	Factors which Influence the Indian Knowledge System	Completely Agree	Agree	Neutral	Disagree	Completely Disagree	Total score
		+3	+2	+1	0	-1	
1	Attitudes and Beliefs	80	100	10	06	04	446
2	Attitudes towards Time	70	120	04	04	02	452
3	Attitude towards Work and Leisure	46	130	24	00	00	422
4	Attitude towards Achievement	50	120	12	14	04	398

Source: Survey

**Table No. 3 Aggregate score**

No.	Criterias which affect the culture	Total score
1	Attitudes and Beliefs	446
2	Attitudes towards Time	452
3	Attitude towards Work and Leisure	422
4	Attitude towards Achievement	398
Total Score		+1718
Least Score		-800
Ideal Score		+2400

Source: Survey

## Discussion

In present case the total score of the respondents is 1718. The ideal score of the same is 2400. The percentage of the ideal score generated from the responses given by the respondents is 71.58. However in no case the total score comes near to the least score. This reflects that Indian Knowledge System is influenced by Attitude and Beliefs, Attitude towards time, Attitude towards work and leisure, and attitude towards achievement. Further on the basis of score given by the respondents out of the four criterias which affect the Indian Knowledge System, attitude towards the time is most significant parameter which affects the Indian Knowledge System whereas attitude towards achievement is the least significant criteria which affects the Indian Knowledge system in a given society.

## Recommendation / Policy Implications

The above discussed findings imply that attitude towards time describes more significantly about the Indian knowledge system. Thereafter the attitudes and beliefs of an individual are also instrumental to assess the progress of the Indian knowledge system. However the attitude towards work and leisure as well as attitude towards achievement do not describe much about Indian knowledge system. This is perceived by the faculties who teach in undergraduate programs in Ahmedabad city.

## Conclusion

Thus on the basis of the above study the researcher concludes that Indian Knowledge System is the sum total of knowledge, arts, beliefs, laws, morals, customs and other abilities and habits gained by people as part of society. The art and other signs or demonstrations of human customs, civilisation and the way of life of a specific society or group is all included in Indian Knowledge system. Moreover Attitude and beliefs, Attitude towards time, Attitude towards work and leisure as well as Attitude towards achievement helps in understanding the Indian Knowledge System in a significant manner.

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## **“Comparative Analysis of Credit Risk Ratio with reference to Public and Private Sector Banks”**

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### **Abstract**

In the last five years, the Indian banking industry has grown exponentially, providing a wide range of services to the nation's rural, urban, and metropolitan areas. Both public and private sector banks are aggressively growing their client bases to provide a range of services as a result of the banking sector reform that the Reserve Bank of India began. Risk measurement and management are becoming more significant in the Indian banking industry. The cornerstone of all banking operations for both private and public sector institutions is credit risk. In light of this, research was conducted utilising information from the previous five years to quantify the credit risk component of the Indian Banking industry (2018 – 2022). Our study provides an example of how several important credit risk ratios might be utilised to assess credit risk in the banking industry.

The findings show that the total loans to total assets ratio for the public and private sectors have consistently increased during the research period. From 2018 to 2022, both public and private sector banks saw a progressive decline in the percentage of non-performing loans to total loans. Additionally, during the past five years, the ratio of total loans to total equity in public sector banks has increased significantly. A unique and positive and negative association between the credit risk ratios and macroeconomic factors was also found, which further clarified the nature of the risks related to the Indian banking industry.



**Keywords:** Credit risk ratio, NPA, Private Sector Banks, Public Sector Banks, EX/IM%, Repo rate, Exchange rate

## Introduction

Credit risk refers to the likelihood of suffering a loss as a result of a borrower's inability to make loan payments or fulfil contractual commitments. It often refers to the possibility that a lender won't get the main and interest that is owed, which would disrupt cash flows and raise collection expenses. Excess cash flows might be written to offer more protection against credit risk. A higher coupon rate, which generates more cash flows, can be used to reduce credit risk when it is present for a lender.

The danger of a borrower defaulting, not paying, or disobeying a contract is referred to as credit risk. Financial products such as acceptances, interbank transactions, trade finance, foreign currency transactions, futures, swaps, bonds, options, transaction resolution, and others provide credit risks to banks. Loan interest is the main source of income for banks; hence loans are also a significant source of credit risk.

Some banks have created divisions that are only in charge of evaluating the credit risks of their present and future clients. Banks now have the capacity to swiftly review the data required to determine the risk profile of a consumer thanks to technology.

## Causes of Credit Risk

Although credit risk is a given in lending, it may be reduced in a number of ways. Higher credit risk and associated losses occur from bad lending practises. Some banking activities that raise the bank's credit risk include the following: Credit Concentration: Credit issuing process: Cyclical performances: Almost all sectors experience periods of growth and decline. The evaluations may show that the borrower has strong creditworthiness during the boom. To determine the outcomes of credit assessments more precisely, it is also necessary to consider the industry's cyclical performance. Risk is an element that is inherent to banking operations. In simple words, risk is the unpredictability of a future circumstance or event, and for banks, it's the uncertainty of the results of business investments. The numerous banking risks may be divided into categories such as operational risk, liquidity risk, market risk, compliance risk, credit risk, cyber security risk, and strategic risk. For commercial banks, Credit Risk stands out among these as the most significant sort of risk.

Credit Risks in Banks are inherent to the lending function. They cannot be avoided wholly; however, their impact can be minimized with proper evaluation and controls. Banks are more prone to incur higher risks due to their high lending functions. It is important that they identify the causes of major credit problems and implement a sound risk management system to maximize their returns while minimizing the risks.

## Credit Risk Ratios:

**TL/TA:** The loans to assets ratio is a fundamental indicator of a bank's asset mix, instantly illuminating the proportion of loans on the books. A higher figure might indicate that a bank has less liquidity and is therefore more vulnerable to defaults. Another sector-specific statistic that might assist investors in getting a thorough picture of a bank's activities is the loan-to-assets ratio. Banks with lower levels of loans-to-assets ratios derive a relatively greater portion of their total income from more diversified, noninterest-earning sources, such as asset management or trading, while banks with higher levels of loans-to-assets ratios derive a greater portion of their income from loans and investments. In periods of low interest rates or tight credit, banks with lower loan-to-asset ratios may perform better. They might fare better when the economy is struggling.

The greater this ratio, the more leveraged and less liquid a bank is. A bank may be more vulnerable to increased defaults the higher the ratio.

**NPA/TL:** A non-performing asset (NPA) is one for which the borrower is in default and has missed making the required principal and interest payments on a regular basis for a predetermined amount of time. Non-performing loans happen when borrowers are unable to continue making loan payments because they either run out of money or find themselves in challenging circumstances. As a gauge of the bank's level of credit risk and the calibre of its outstanding loans, banks are required by law to report their ratio of non-performing loans to total loans. Commercial loans are deemed nonperforming in the banking industry if the debtor has not made any interest or principal payments within 90 days or is 90 days past due. Consumer loans that are 180 days past due are considered NPAs.

A high ratio indicates that the bank faces a greater risk of loss if it is unable to recoup the outstanding loan balances, whereas a low ratio indicates that the bank faces little risk from the outstanding loans.

**TL/TD:** The total loan to total deposit ratio, which compares a bank's total loans to its total deposits for the same time period, is used to determine how liquid a bank is. A bank's capacity to handle loan losses and client withdrawals is indicated by its loan-to-deposit ratio. Investors keep an eye on banks' LDRs to make sure there is enough liquidity to cover loans in the event of a recession leading to defaults. The LDR also aids in demonstrating how well a bank is luring and keeping clients. If a bank's deposits rise, additional funds and customers are being accepted. The bank will probably have more money to lend as a result, which should boost revenues. Despite the fact that it seems contradictory, loans are a bank's asset since they allow it to generate interest. Banks are required to pay interest on deposits, although at a very low rate, hence deposits are liabilities.

The preferred loan-to-deposit ratio is between 80% and 90%. A bank that had a loan-to-deposit ratio of 100% would have lent clients \$1 for every \$1 in deposits. Additionally, it implies that a bank won't have many

reserves on hand to cover any calamities. The bank may not have adequate liquidity to meet any unanticipated funding needs if the ratio is too high. If the ratio is too low, on the other hand, the bank could not be making as much money as it might.

**TE/TA:** The total equity to total asset ratio, which is determined by dividing equity by total assets, is a gauge of a bank's financial leverage. It shows what proportion of total assets are funded by shareholder equity. A bank is more likely to be able to repay its loans if its equity to asset ratio is high. A bank is more likely to fail if its equity to asset ratio is low.

The less debt a bank has, and the less hazardous it is, the greater the equity to asset ratio. A low equity to asset ratio indicates that the bank is riskier and has higher debt. Because it displays how much equity a bank has in relation to all of its assets, the equity to asset ratio is significant. When a bank has a high equity to asset ratio, it is considered to be less dangerous than when it has a low equity to asset ratio.

**TL/TE:** The total loans to total equity ratio, a measure of leverage, reveals how much of a bank's funding is provided by loans versus equity.

A greater TL/TE ratio indicates that a corporation is funding itself more through loans than through equity. Due to the fact that banks must borrow money in order to lend to customers, their TL/TE ratios are typically higher. A corporation that has taken on debt typically has an ambitious expansion strategy, which is indicated by a relatively high TL/TE ratio. For investors, this might result in higher earnings with a proportionately higher chance of losing money. The corporation should give investors a higher return on equity (ROE) if the new debt it incurs allows it to boost net profits by a sum larger than the interest expense of the increased debt.

**NPA/(NPA+TE):** This shows what proportion of equity is utilised to set off NPAs that aren't mortgage related. In order to compare, divide your net NPA by the annual payments required to set off all NPAs. This should represent 20% of net income or less. 15% or less is regarded as a good ratio, while 20% or more as a red flag.

A specific bank's NPA ratio displays whether or not it has NPA and, if it does, how its credit financing stacks up against its equity. Larger NPA ratios indicate higher levels of equity financing. It is computed by dividing total NPA by total equity. NPA ratios can be used to assess a bank's financial stability.

## **Macro factors that affect the performance of banks**

**Inflation:** The solid expansion of the Indian economy, the country's favourable demographics, and its low penetration are anticipated to be advantageous for its banks. Growth, however, might be hampered by escalating inflation, intense competition, and changing risk management techniques. Even while inflation

has remained persistently high, the rate increases are beginning to have an effect as India's economic growth has fallen to 7.8%. The biggest danger to banks in India and other nations is high inflation. High inflation, however, may cause the rating agency to lower its assessment of the Asia-Pacific banking sector. The impact is most likely the result of the government's response to excessive inflation, which might lead to sharp drops in real estate prices and strain bank profits.

**GDP:** The growth of the banking industry is essential to the economic progress of every nation. A developed and capable body that can manage the whole financial system is given important importance. Capital or finances may be thought of as one of the main components when evaluating the progress of a nation. Thus, the vital services of a developed financial system of the nation are taken into account in order to achieve a constant GDP growth and ensure economic development.

The essential tenets of every economy, demand and supply, must be understood in order to comprehend economic progress. When there is consumption, or when there is a need for the products and services provided by diverse industries, an economy expands. One way to think about consumption is as a GDP growth engine. However, an industry will experience a recession when goods are produced but there is a lack of consumer demand, like the automotive sector did in the previous year.

**EX/IM%:** One important factor to keep in mind is that, in the absence of EXIM assistance, practically all of the goods and services exports associated with medium- and long-term applications for Bank support might be delivered by foreign suppliers and backed by their export credit agencies (ECAs). Therefore, whether EXIM finances the project or not, it will move forward, and any negative effects will happen regardless of whether EXIM backs the project.

**Repo rate:** A rise in the repo rate increases the cost of borrowing for banking institutions, which is then passed on to account holders as higher interest rates on loans and deposits. As a result, borrowing money from a bank becomes more expensive, which slows market investment and money supply. Since it regulates liquidity, the bank rate is always greater than the repo rate. When the RBI increases the bank rate, the cost of borrowing for the bank also rises, creating a funding gap in the market.

**Exchange rate:** The performance of banks is impacted by exchange rate volatility both directly and indirectly. Because banks engage in operations relating to foreign exchange, exchange rate volatility has a direct impact on the performance of those institutions. All foreign exchange transactions must take into account the behaviour of exchange rates, the risks associated with them, the effects they have on the bank's foreign currency liabilities, and how profitable its banking activities are. Exchange rate volatility has a negative impact on banking risk and performance as well as indirectly influencing depositor and borrower behaviour and performance.

## Literature Review

Many researchers have done study on credit risk of banks in various countries. Research by (Somanadevi Thiagarajan, A. Ramachandran, 2011) on comparative analysis of credit risk ratio between PVBs and PSBs found that total loans to total equity ratio has increased drastically. (Adela Socol, Adina Elena Dănuleşiu, 2013) research on performance analysis of Romanian banks shows that ROA & ROE of a bank varies as per credit risk ratio (CRR). (Suganthi Ramasamy, Jothee Sinnakannu, Sockalingam Ramasamy, 2021) concluded that well capitalized Islamic banks attain high profits in both mena & non-mena regions. Research by (Hind Qadiri & Sulaiman Alsughayer, 2021) tells that there is no impact of bank's age and profitability on credit risk disclosure. (Emmanuel IKPE Michael & Ekwere Raymond Enang, 2022) researched on credit risk and performance of banks in Nigeria and found that NPA has positive relationship with ROE. (Okan Veli ŞAFAKLI, 2007) concluded that when legal, administrative and financial measures are taken, risk drops. (Bezawada Brahmaiah, 2022) compared the risk management practices followed by PSBs and PVBs and found that PVBs have better credit risk management practices than PSBs. (Mr. Ganesh Mergu, Dr. Murali Merugu & Prof. Chandrasekhara Rao, 2022) also compared the credit risk management practices of commercial banks in Ethiopia and India and the results shows that Ethiopia has better CRM practices than India. (Odunga R. M., Nyangweso P. M, Carter D. A & Mwarumba M., 2013) researched on Credit risk, capital adequacy and operating efficiency of commercial banks in Kenya and tells that banks should improve their risk-based capital ratio in order to improve operating efficiency. According to (ALrfai, Mohammad Motasem, Danilah Binti Salleh & Waeibrorheem Waemustafa, 2022), credit risk is directly related to FDI. (Shah, B. A., Shareef, M., & Khan, F., 2021) tells that maintaining adequate capital adequacy ratio is essential for a bank to manage its credit risk. (Abinzano, I., Corredor, P., & Mansillafernández, J. M., 2022) states that holding sovereign debt improves the level of banks credit risk. (Adesugba, A. K., & Dotun, O. V., 2022) tells that loans and advances have negative impact on DMBs financial performance. (Pham, T. B. D, 2022) found that by increasing the foreign ownership ratio, credit risk for listed banks reduces.

## Research Gap

Research papers studied above have been studied on parameters like CRR, PVBs, PSBs, ROE, ROA and other factors. However less studies have been conducted on Indian PSBs and PVBs. Majority of the papers are written by foreign authors. Most of the studies have used regression analysis or hypothesis testing. Hence, I undertook this study with the aim to study the CRR of Indian PSBs and PVBs using various ratios like TL/TA, NPA/TL, TL/TD, TE/TA, TL/TE & TA/GDP.

The objectives of this study are as follows:

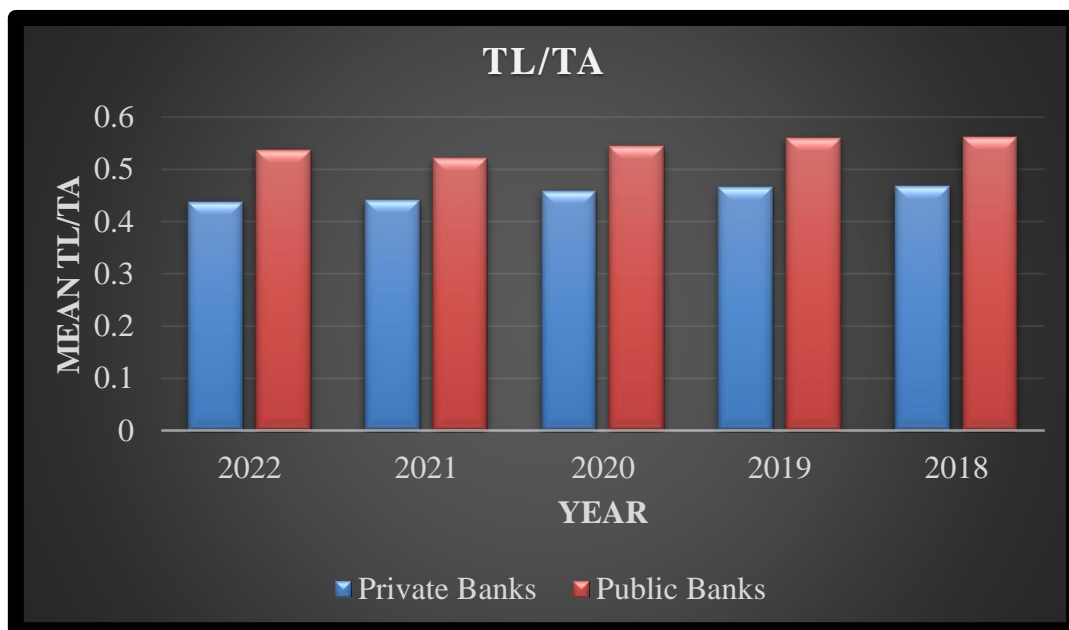
- To study the relation between total loans (TL) and total assets (TA) of private and public banks
- To study the relation between non-performing assets (NPA) and total loans (TL) of private and public banks
- To study the relation between total loans (TL) and total deposits (TD) of private and public banks
- To study the relation between total equity (TE) and total assets (TA) of private and public banks
- To study the relation between total loans (TL) and total equity (TE) of private and public banks
- To study the relation between non-performing assets (NPA) and non-performing assets (NPA) and total equity (TE)
- To study the impact of various macroeconomic factors on the performance of banks

## **Research Methodology**

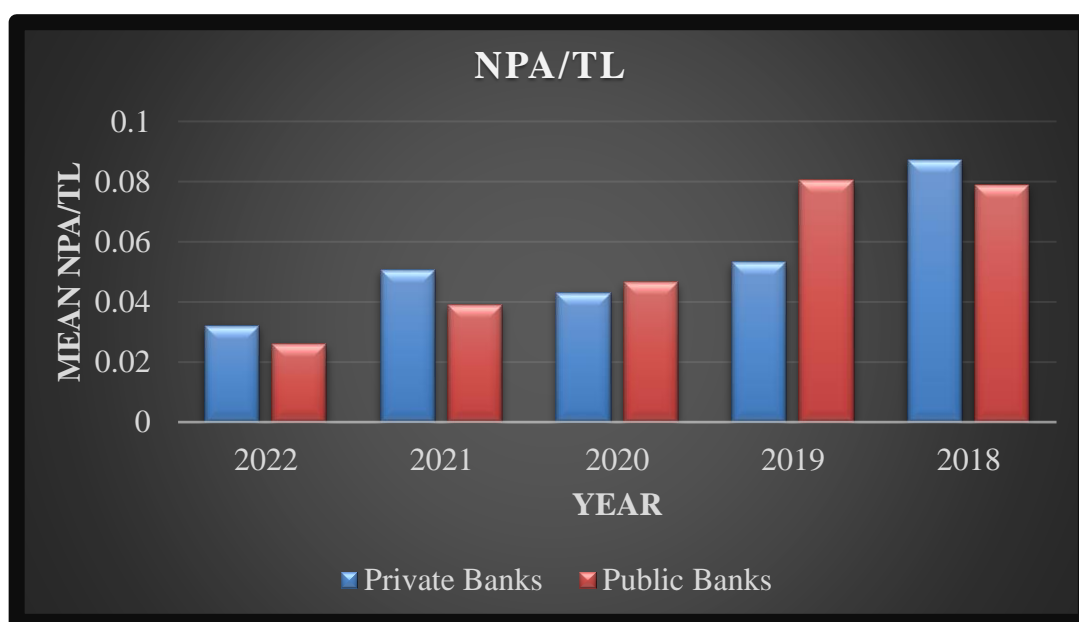
The Analytical research approach was used to conduct this study. This research uses pre-verified facts and evidence to back up the inquiry. This research focuses on understanding the cause-effect relationships between two or more variables. In order to better understand credit worthiness and factors affecting the performance of public and private sectors banks, analytical research is being done. Secondary source of information was used to conduct this study. The research's main goal is to learn more about impact of credit risk ratio on the performance of public and private sector banks. Understanding their degree of relation with various macroeconomic factors is one of the study's primary goals. Therefore, this study took 2 months and using convenience sampling, past 5 years i.e. (2018-2022) sample data of 10 public sector and 10 private sector Indian banks was collected from the balance sheet of banks. These banks were selected on basis of market capitalisation. The data used here was collected from the financial reports of respective banks.

## Data Analysis

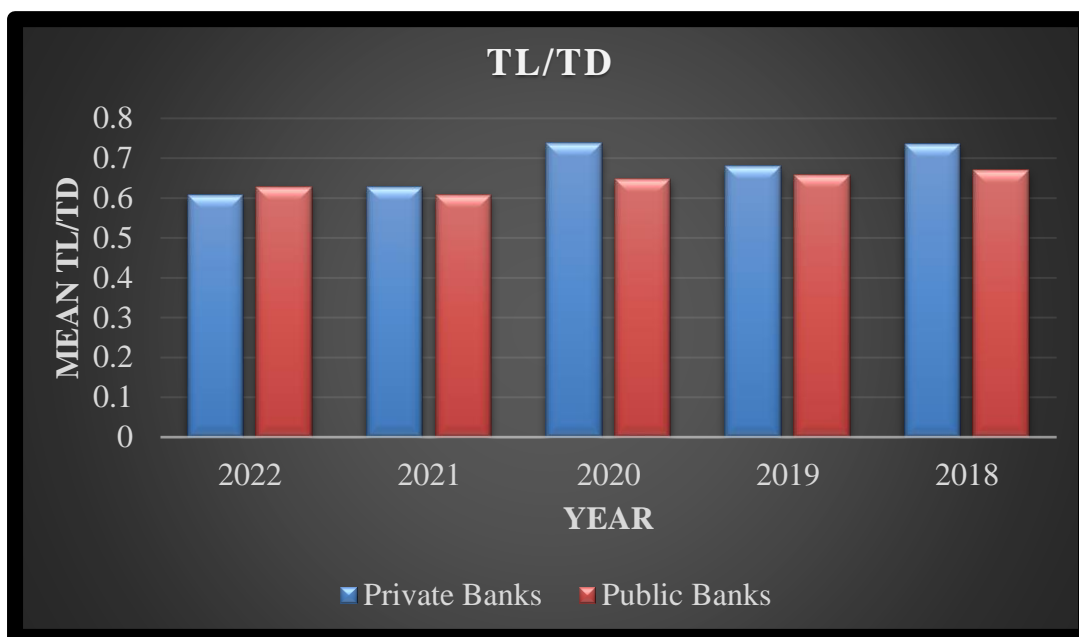
### The Ratio of Total Loans to Total Assets (TL/TA)



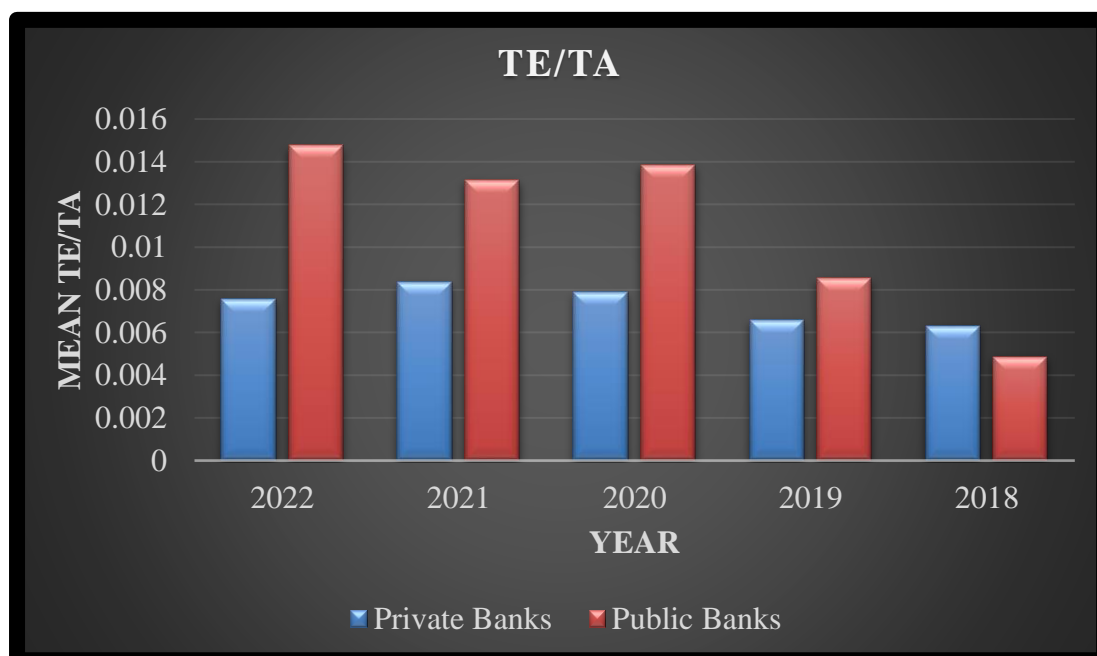
### The Ratio of Non-Performing Assets to Total Loans (NPA/TL)



### The Ratio of Total loans to Total Deposits (TL/TD)

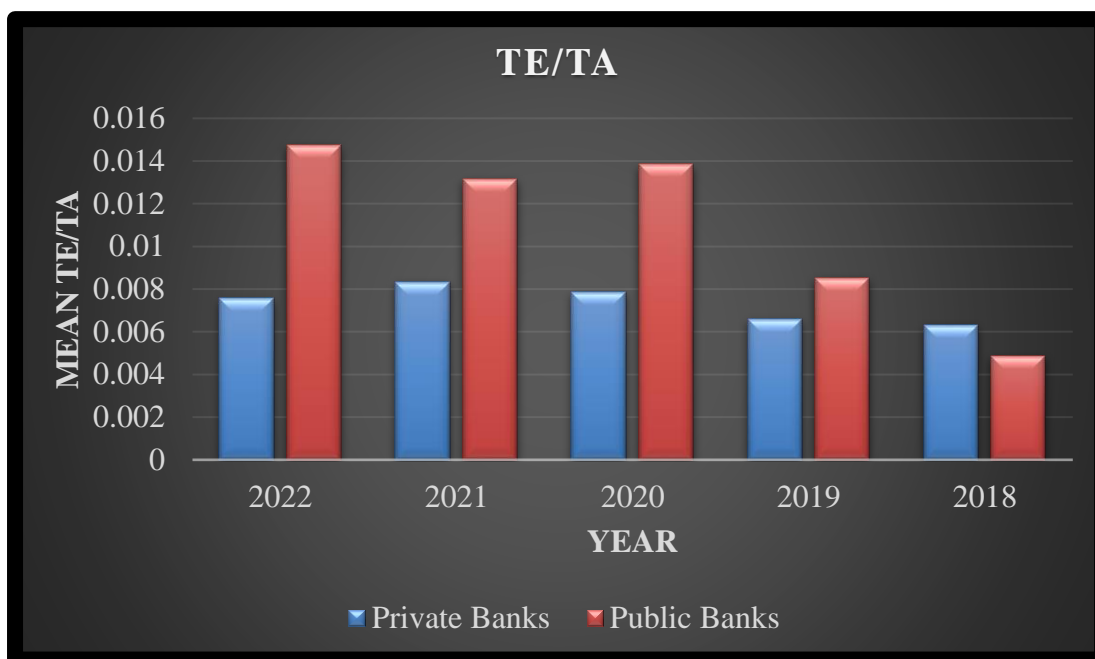


### The Ratio of Total Equity to Total Assets (TE/TA)

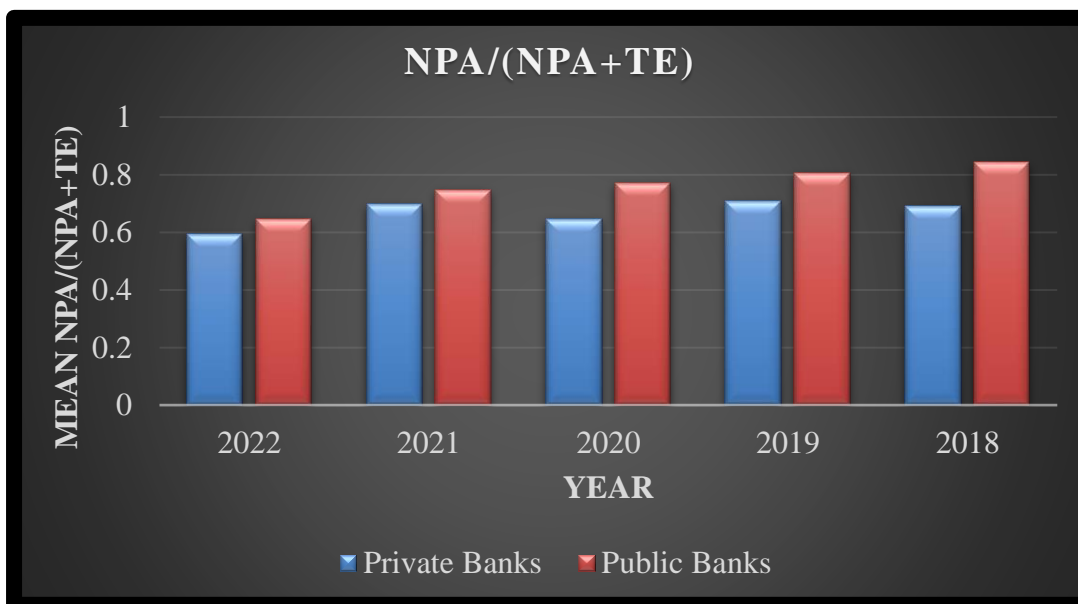




### The Ratio of Total Equity to Total Assets (TE/TA)



### The Ratio of Non-Performing Assets to Non-Performing Assets and Total Equity



From the above data, it can be observed that the total loans to total assets ratio for the public and private sectors have consistently increased during the research period. From 2018 to 2022, both public and private sector banks saw a progressive decline in the percentage of non-performing loans to total loans. Additionally, during the past five years, the ratio of total loans to total equity in public sector banks has increased significantly. A unique and positive and negative association between the credit risk ratios and

macroeconomic factors was also found, which further clarified the nature of the risks related to the Indian banking industry.

## Hypothesis Testing

On the basis of P-value hypothesis testing was done and results of null hypothesis are shown below.

Based on P-value, if the p-value is less than 0.05, null hypothesis is rejected. We can conclude that there is a relation between TE/TA and repo rate in case of Private banks.

### Public banks

**Table 1 Hypothesis Testing of Public Banks**

Sr.No	Hypothesis	P-Value	Result
1	Ho: There is no significant relation between TL/TA and Inflation.	0.309	Accepted
2	Ho: There is no significant relation between TL/TA and GDP.	0.638	Accepted
3	Ho: There is no significant relation between TL/TA and EXIM.	0.007	Rejected
4	Ho: There is no significant relation between TL/TA and Repo rate.	0.043	Rejected
5	Ho: There is no significant relation between TL/TA and Exchange Rate.	0.675	Accepted
6	Ho: There is no significant relation between NPA/TL and Inflation.	0.058	Accepted
7	Ho: There is no significant relation between NPA/TL and GDP.	0.644	Accepted
8	Ho: There is no significant relation between NPA/TL and EXIM.	0.153	Accepted
9	Ho: There is no significant relation between NPA/TL and Repo rate.	0.015	Rejected
10	Ho: There is no significant relation between NPA/TL and Exchange Rate.	0.944	Accepted
11	Ho: There is no significant relation between TL/TD and Inflation.	0.39	Accepted

12	Ho: There is no significant relation between TL/TD and GDP.	0.458	Accepted
13	Ho: There is no significant relation between TL/TD and EXIM.	0.015	Rejected
14	Ho: There is no significant relation between TL/TD and Repo rate.	0.058	Accepted
15	Ho: There is no significant relation between TL/TD and Exchange Rate.	0.616	Accepted
16	Ho: There is no significant relation between TE/TA and Inflation.	0.051	Rejected
17	Ho: There is no significant relation between TE/TA and GDP.	0.982	Accepted
18	Ho: There is no significant relation between TE/TA and EXIM.	0.271	Accepted
19	Ho: There is no significant relation between TE/TA and Repo rate.	0.003	Rejected
20	Ho: There is no significant relation between TE/TA and Exchange rate.	0.578	Accepted
21	Ho: There is no significant relation between TL/TE and Inflation.	0.302	Accepted
22	Ho: There is no significant relation between TL/TE and GDP.	0.451	Accepted
23	Ho: There is no significant relation between TL/TE and EXIM.	0.251	Accepted
24	Ho: There is no significant relation between TL/TE and Repo rate.	0.172	Accepted
25	Ho: There is no significant relation between TL/TE and Exchange rate.	0.759	Accepted
26	Ho: There is no significant relation between NPA/NPA+TE and Inflation.	0.162	Accepted
27	Ho: There is no significant relation between NPA/NPA+TE and GDP.	0.403	Accepted
28	Ho: There is no significant relation between NPA/NPA+TE and EXIM.	0.353	Accepted

29	Ho: There is no significant relation between NPA/NPA+TE and Repo rate.	0.094	Accepted
30	Ho: There is no significant relation between NPA/NPA+TE and Exchange rate.	0.899	Accepted

Based on P-value, if the p-value is less than 0.05, null hypothesis is rejected. We can conclude that there is relation between TL/TA and EXIM & Repo rate, NPA/TL and repo rate, TL/TD and EXIM, TE/TA and inflation & repo rate in case of public banks.

### Private Banks

**Table 2 Hypothesis Testing of Private Banks**

Sr.No.	Hypothesis	P-Value	Result
1	Ho: There is no significant relation between TL/TA and Inflation.	0.257	Accepted
2	Ho: There is no significant relation between TL/TA and GDP.	0.304	Accepted
3	Ho: There is no significant relation between TL/TA and EXIM.	0.081	Accepted
4	Ho: There is no significant relation between TL/TA and Repo rate.	0.066	Accepted
5	Ho: There is no significant relation between TL/TA and Exchange Rate.	0.686	Accepted
6	Ho: There is no significant relation between NPA/TL and Inflation.	0.149	Accepted
7	Ho: There is no significant relation between NPA/TL and GDP.	0.949	Accepted
8	Ho: There is no significant relation between NPA/TL and EXIM.	0.533	Accepted
9	Ho: There is no significant relation between NPA/TL and Repo rate.	0.063	Accepted
10	Ho: There is no significant relation between NPA/TL and Exchange Rate.	0.41	Accepted

11	Ho: There is no significant relation between TL/TD and Inflation.	0.714	Accepted
12	Ho: There is no significant relation between TL/TD and GDP.	0.119	Accepted
13	Ho: There is no significant relation between TL/TD and EXIM.	0.228	Accepted
14	Ho: There is no significant relation between TL/TD and Repo rate.	0.289	Accepted
15	Ho: There is no significant relation between TL/TD and Exchange Rate.	0.546	Accepted
16	Ho: There is no significant relation between TE/TA and Inflation.	0.167	Accepted
17	Ho: There is no significant relation between TE/TA and GDP.	0.958	Accepted
18	Ho: There is no significant relation between TE/TA and EXIM.	0.07	Accepted
19	Ho: There is no significant relation between TE/TA and Repo rate.	0.017	Rejected
20	Ho: There is no significant relation between TE/TA and Exchange rate.	0.946	Accepted
21	Ho: There is no significant relation between TL/TE and Inflation.	0.526	Accepted
22	Ho: There is no significant relation between TL/TE and GDP.	0.631	Accepted
23	Ho: There is no significant relation between TL/TE and EXIM.	0.378	Accepted
24	Ho: There is no significant relation between TL/TE and Repo rate.	0.612	Accepted
25	Ho: There is no significant relation between TL/TE and Exchange rate.	0.755	Accepted
26	Ho: There is no significant relation between NPA/NPA+TE and Inflation.	0.089	Accepted
27	Ho: There is no significant relation between NPA/NPA+TE and GDP.	0.746	Accepted

28	Ho: There is no significant relation between NPA/NPA+TE and EXIM.	0.85	Accepted
29	Ho: There is no significant relation between NPA/NPA+TE and Repo rate.	0.326	Accepted
30	Ho: There is no significant relation between NPA/NPA+TE and Exchange rate.	0.555	Accepted

Based on P-value, if the p-value is less than 0.05, null hypothesis is rejected. We can conclude that there is relation between TE/TA and Repo rate in case of private banks.

The objective of this research paper is to study the impact of various macroeconomic factors and on credit risk ratios to analyze the performance of private and public sector banks. 30 hypotheses were framed based on credit risk ratio and macroeconomic factors. Correlation has been applied as under:

<b>Public Banks</b>						
<b>Credit risk ratios\</b>	<b>Macroeconomic factors</b>					
		<b>Inflation</b>	<b>GDP</b>	<b>EXIM</b>	<b>Repo Rate</b>	<b>Exchange Rate</b>
<b>TL/TA</b>	Pearson					
	Correlation	-0.576	-0.288	-0.967	0.89	-0.258
	P-Value	0.309	0.638	0.007	0.043	0.675
<b>NPA/TL</b>	Pearson					
	Correlation	-0.866	-0.284	-0.74	0.945	0.044
	P-Value	0.058	0.644	0.153	0.015	0.944
<b>TL/TD</b>	Pearson					
	Correlation	-0.501	-0.44	-0.947	0.865	-0.306
	P-Value	0.39	0.458	0.015	0.058	0.616
<b>TE/TA</b>	Pearson					
	Correlation	0.877	0.014	0.613	-0.983	-0.338
	P-Value	0.051	0.982	0.271	0.003	0.578
<b>TL/TE</b>	Pearson					
	Correlation	-0.583	0.446	-0.633	0.718	0.19
	P-Value	0.302	0.451	0.251	0.172	0.759
<b>NPA/NPA+TE</b>	Pearson					
	Correlation	-0.729	-0.489	-0.535	0.814	0.079
	P-Value	0.162	0.403	0.353	0.094	0.899

### Private Banks

Credit risk ratios\Macroeconomic factors		Inflation	GDP	EXIM	Repo Rate	Exchange Rate
TL/TA	Pearson Correlation	-0.628	-	-0.831	0.853	-0.249
	P-Value	0.257	0.304	0.081	0.066	0.686
NPA/TL	Pearson Correlation	-0.744	-0.04	-0.376	0.857	0.482
	P-Value	0.149	0.949	0.533	0.063	0.41
TL/TD	Pearson Correlation	-0.226	-0.78	-0.657	0.596	-0.365
	P-Value	0.714	0.119	0.228	0.289	0.546
TE/TA	Pearson Correlation	0.724	-	0.847	-	-0.042
	P-Value	0.167	0.958	0.07	0.017	0.946
TL/TE	Pearson Correlation	-0.381	0.294	-0.512	0.31	-0.194
	P-Value	0.526	0.631	0.378	0.612	0.755
NPA/NPA+TE	Pearson Correlation	-0.82	-	-0.118	0.56	0.357
	P-Value	0.089	0.746	0.85	0.326	0.555

We can find that some variables have Strong negative correlation, Negative correlation, positive correlation, or strong positive correlation. Negative correlation states that two variables are inversely related which means if one variable will increase then another variable will decrease and vice-versa. Positive correlation states that two variables are directly related which means if one variable will increase then another variable will also increase and vice-versa.

Based on P-value, if the p-value is less than 0.05, null hypothesis is rejected. We can conclude that there is relation between TL/TA and EXIM & Repo rate, NPA/TL and repo rate, TL/TD and EXIM, TE/TA and inflation & repo rate in case of public banks. Also, in case of public banks, we can conclude that there is relation between TE/TA and Repo rate.



## Conclusion

As credit risk is an important element that affects banking operations. In other words, risk is the uncertainty of the results of business investments. The primary goal of this study is to how credit risk ratios affect the performance of public and private sector banks and to find how various macroeconomic factors affect these ratios.

This study attempted to analyse various risk related ratios that could be useful as an internal risk monitoring tool for the selected public and private sector banks. Although there is similarity in the trend of certain ratios over the five-year period (2018-2022) studied, the sector wise comparison showed there are significant differences between the two sectors with regards to certain key ratios such as total loans to total equity (TL/TE) and the NPA to NPA and total equity  $[NPA/(NPA+TE)]$ . Since risk is contagious, and the public sector banks handle large volume of loans; the recent trend in the increase of the non-performing loans (NPA) in the banking sector poses a serious concern. This trend needs better monitoring and requires necessary corrective measures. The negative correlation between certain ratios and the export/import % should also highlight that when macroeconomic conditions change and if exports decrease, the export-based companies can default and add to the non-performing loans (NPA) which could trigger a credit risk crisis. To effectively manage the credit risk in the Indian Banking sector, the Reserve Bank of India has developed policies and guidelines in accordance with the norms set out by Basel Committee on Banking Supervision (BCBS). Since credit risk is associated with traditional lending activities of the bank, banks can monitor various credit risk associated ratios by using their internal data. It can also be found that Basel norms and policy framed by BCBS are followed by private sector banks as compared to public sector banks which results in better performance.

## Limitation

The above study was limited to 6 credit risk ratios and 10 public sector and 10 private sector banks. More implication can be done by calculating more credit risk ratios of all the Indian banks. This can make the study better and analysis about the performance more accurate.

## Recommendation and Policy Implications

Based on the above research, it can be recommended that public sector banks should focus their increased credit risk. Basel norms framed by Basel Committee can be followed strictly. Moreover, public sector banks should maintain adequate amount of capital to overcome the losses.

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