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Gross Organisational Happiness (GOH): An Extension of the Gross National Happiness (GNH) Concept

SONAM TOBGYE

Abstract

This paper introduces the concept of Gross Organisational Happiness (GOH), an analytical tool that businesses, organisations, and communities could implement as a way to improve their working environment and productivity. The analogy of a structure of a house is used to describe the link between GNH, GOH and Gross Organisational Happiness Data System (GOHDS). Currently, the GOH concept is largely conceptual because its empirical evidence is limited to the findings of a case study. However, the potential exists for GOH to be widely applied in businesses to enhance the conventional profit-based notion of success. One obstacle of GNH to date has been its apparent lack of practicability, and so the new GOH expands upon GNH. This article first examines the meaning of ‘happiness’, its relevance to the concept of Gross National Happiness (GNH) and how it has led to the new concept, Gross Organisational Happiness (GOH).

Keywords: Paradigm shifter, Gross National Happiness, Gross Organisational Happiness, data system, material and mental well-being.

The Idea of Gross National Happiness (GNH)

Nestled in the high Himalayas and wedged between two Asian giants, China to the north and India to the south, is the tiny Buddhist kingdom of Bhutan, with an area of 38,394 square kilometres and a population of 762,939 (National Statistical Bureau, 2014). Bhutan has adopted a unique development philosophy. In 1972, the King, Jigme Singye Wangchuck, first advanced the visionary statement that Gross National Happiness (GNH) is more important than Gross Domestic Product (GDP).

Since then, GNH has had deep roots in Bhutan and is a core element of all strategic development plans, policies and programmes. Any project that fails the GNH Policy Screening Tool is not readily accepted and must be harmonised with the GNH principles (RGoB, 2013). GNH is ‘development guided by human values’ (Wangchuk, 2009). The philosophy of GNH is underpinned in a long
philosophical tradition that recognises the integrated nature of happiness and well-being and it does not draw on any western influences (Bates, 2009; Hargens, 2002; Priesner, 2004; Planning Commission, 1999).

The Superiority of GNH over GDP: Happiness as the Goal of GNH

Happiness is an aspiration of every human, but it can also be considered as a measure of social progress (World Happiness Report, 2013). The search for happiness is a concern in numerous cultural and religious traditions (Choden, 2012). The cornerstone of GNH as a development philosophy is the visionary emphasis that it places on wellbeing and happiness at the centre of societal development. The essence is that ‘happiness’ must be the goal of GNH and that it is the responsibility of the government to create enabling conditions for citizens to pursue happiness (Thinley, 2005). It was under the wise and dynamic leadership of His Majesty the Fourth King that Bhutan charted a unique path to development and modernisation called Gross National Happiness (Ministry of Education, 2010, p.3).

GNH does not challenge the concept of Gross Domestic Product (GDP), the traditionally accepted measure of societal happiness. It merely questions the prevailing norm of using GDP alone as a measure of societal progress, and it articulates an understanding of development that incorporates multiple and interrelated social, political, economic, cultural and environmental dimensions. As Bhutan’s former Prime Minister Thinley said in 2014, “It is not one or the other. The pursuit of GNH does not require the abandonment of the indicator GDP. GDP is a useful indicator.”

However, GDP is increasingly subject to criticism as a measure because of its primary focus on wealth creation. Calls for a shift to a paradigm that is holistic,
sustainable, and involves an inclusive development process are increasing (RGoB, 2013). Given that one of the foremost aspirations of humans is to lead a happy life, happiness should be one measure of social progress (World Happiness Report, 2012).

‘Happiness’ is a subjective notion that depends on many factors and conditions. It is a much debated and controversial concept; yet there appears to be a growing general consensus among academics that happiness can be viewed as ‘a subjective experience of positive affect’ (Donnelly, 2004, p.384), that GNH is an ‘average of individual measures of happiness within the citizens of the country’ (Donnelly, 2004) and that it depends on context and perspective (Sherab, 2013). GNH, as an extension of Buddhist philosophy, can be pursued as a public policy goal that emphasises the role and significance of practice of Buddhism, which is primarily aimed at achieving a balance between the material and spiritual aspects of an individual’s life (Choden, 2012).

Bhutan’s Prime Minister, Tshering Tobgay, in his talk ‘Happiness Matters: Tshering Tobgay at TEDx Thimphu’ said, referring to and quoting such experts as Dan Gilbert (Why we are happy?), Nancy Etcoff (Science of Happiness), Sigmund Freud (Pursuit of happiness), Matthieu Ricard (Habits of happiness), Chip Conley (Measuring what makes life worthwhile) and Silver Donald Cameron (The pursuit of GNH), that his own search ultimately took him to spirituality and happiness.

I am convinced that there is GNH for everything – GNH for democracy, media, farming & ICT. There is so much of GNH going on in Bhutan that we are convinced that we are happy ...really, really happy. Happiness is a place and that place is Bhutan... This is a number, an interesting number. This number is
quoted in our Constitution. 65 is the retirement age of our public servants. In fact, our Constitution says even His Majesty the King must retire at 65. It so happened that he retired at 51. Anyhow, I am 46 and I was just introduced. I am 46 and I know that I will retire at 65. With that knowledge in my mind I should tell myself ‘if happiness matters and happiness will matter when I am 65 and I am retired’, how should I live now so that when I am 65 I am retired and I can be retired happily. Am I going to invest in building a sense of security, am I going to invest in a sense of identity and am I going to feel myself with a sense of purpose – security, identity and purpose – important for happiness and happiness matters (April 27, 2012).

Experiences from developed countries have indicated that too much emphasis on Gross Domestic Product has failed to bring universal happiness amongst their citizens (Dixon, 2004; Duncan, 2010; Easterlin, 2003; Fishman, 2010; Hewavitharana, 2004). Increasingly, scholars from a wide range of disciplines believe that the traditional economic approach to development has failed to adequately measure the progress of a nation, resulting in diminished happiness and well-being (Bandyopadhyay, 2005; Bracho, 2004; Braun, 2009; Edahiro & Oda, 2008; Johnson, 2004) and that a new holistic development paradigm is needed that would overcome the inadequacies of GDP.

Too much emphasis on GDP has heightened human greed, which has resulted in unsustainable growth with little or no regard for the needs of the future generations (Sherab, 2013). Increasingly, that focusing solely on GDP leads to the grand accumulation of national wealth mostly in the hands of a minority elite of the global population, with dissatisfaction spreading elsewhere across the globe.
This is why Bhutan’s GNH approach to development is increasingly considered as an alternative approach to progress (Braun, 2009). It aims to achieve economic progress that is based on moral and ethical values and that ‘actions based on good moral values are promoters of happiness while immoral actions are depressants of happiness’ (Sherab, 2013). Indeed, the most recent GNH survey showed that Bhutanese are happier today than before, and that this could be safely attributed to the deliberate and conscious pursuit of happiness as the goal of Bhutanese development strategy (Kuenselonline, 2015).

Scholarly research on the ‘economics of happiness’ indicates that happiness will not replace income-based measures of welfare, but instead complement other measures of well-being (Frey & Stutzer, 2002; Graham, 2005). The paradox of rising income without any corresponding rise in reported happiness exists in the developed as well as the developing and transitional economies (Easterlin, 1974, 1995, 2001; Inglehart & Klingemann, 2000; Oswald, 19997; Veenhoven, 1973). This empirical evidence is confirmed in United States data, first reported by Easterlin (as cited in Choden, 2012).

Superiority of GNH over GDP can be inferred from the words of the President of France, Nicolas Sarkozy, “For years statistics have registered an increasingly strong economic growth as a victory over shortage until it emerged that this growth was destroying more than it was creating. The crisis doesn’t only make us free to imagine other models, another future, and another world. It obliges us to do so.” (cited in Hannaford, 2009). This appears to be in agreement with what Joseph Stiglitz (2011) had to say, ‘GDP has increasingly become used as a measure of societal well-being, and changes in the structure of the economy and our society have made it an increasingly poor one. It is time for our statistics system to put more emphasis on measuring the well-being of the population than
on economic production.’ In essence, what would distinguish GNH from GDP is that the former may be considered as a holistic, sustainable and inclusive growth model taking into account both the material as well as mental well-being while the later focuses only on wealth creation (Thinley, 2005).

However, Wangcha Sangay (July 9, 2015 Facebook post) takes issue with the claim that everyone aspires to be happy; he contends that the Fourth King was not grappling toward an unfathomable state of utopian happiness on earth, but merely the comfort and convenience of the masses. He asserts that GDP only indicates the grand accumulation of national wealth (which is mostly found in the hands of the upper echelon of the world including in Bhutan), the Druk Gyal Zhipa was more interested in raising the socio-economic standard of the masses. These words of his best describe his view of happiness:

Harnessing happiness dimension is a tall order. And happiness is abstract so it is felt differently by different individuals. I do not believe that everyone genuinely aspires to be happy in like manner. If such a fallacy was a fact the world would be in far better shape. People would be less hungry for power and less driven to subjugate the other. Happiness is definitely not centred on an individual aspiration. That's why I find it rather naive on part of many self proclaimed happiness authors declaring that every individual aspires to be happy. It is actually more correct to assume that everyone aspires to be successful or famous than happy. Success and fame bring in a level of satisfaction and pride just as wealth and materialism promote convenience and comfort. However success, fame, wealth and other materialism do not necessarily usher in that'
state being of happiness. 'The King of GNH philosophy was not promoting or propagating a unique philosophy termed 'happiness' when he said that the happiness of his subjects was more relevant than gross national product. He was not grappling for that unfathomable state of utopian happiness on earth. What he meant was that comfort and convenience level of all his subjects were more important to him than the statistic figure of GDP or GNH.'

His assertions appear to be in agreement with Frankl’s (1985) statement: “Happiness cannot be pursued; it must ensue. One must have a reason to ‘be happy’. Once a reason is found, however, one becomes happy automatically...A human being is not one in pursuit of happiness, but rather one in search of a reason to become happy” (p.22).

**King Jigme Singye Wangchuck: The Paradigm Shifter**

The much revered Fourth King, who may very aptly be called the GNH King is, without doubt, a paradigm shifter. He has offered, not only for Bhutan, but for rest of the world, a new and transformative option for development. He changed the language of development discourse, and his philosophy of GNH remains one of the dominant development models for the world. A growing body of research indicates the limited interconnectedness between happiness and financial wealth (e.g., Easterlin, 2005; Inglehart al., 2008; Layard, 2005; Luttmer, 2005), and Simon Kuznets’ position that it is not how much the economy is producing, but what it is growing which matters (Hayward & Colman, 2013).

The GNH philosophy implies a balanced and holistic approach to development (Thinley, 2005). Hence, the collective happiness of the Bhutanese people is addressed directly through public policies in which projects and programmes are
essentially designed through the lens of happiness. As such, the philosophy of GNH poses a challenge to the discourse in orthodox developmental theory because it calls for a paradigm shift from purely materialistic concerns to a melding of material development and the holistic well-being of its citizens (Bakshi, 2004; Edahiro & Oda, 2008; Ura & Galay, 2004; Wang, 2008; Willenswaard, 2008; Worcester, 2004) and the environment.

The Bhutanese national goal of promoting happiness has prompted government leaders, economists and scholars alike to rethink their own development approach in the 21st century landscape of rapid globalisation (Priesner, 1999; Tideman, 2004; Whitehouse & Windrel, 2004). Numerous researchers assert that it is worthwhile for the governments to pursue policies that promote happiness (e.g., Bok 2010; Helliwell, Layard, & Sachs 2012).

Frey and Stutzer (2002) argue that the extent to which people are happy or unhappy is an essential quality of the economy or society and that the state of the economy strongly affects people’s happiness and note that so far, Bhutan is the only country that pursues happiness as a central policy goal. Accumulation of wealth is not the desired end of development (Namgye, 2010).

Bhutan’s long-term development vision, Bhutan 2020, outlines the centrality of GNH as an official strategy for pursuit of happiness, which it has worked hard to implement in its people’s daily lives:

*The concept of Gross National Happiness was articulated by His Majesty to indicate that development has many more dimensions than those associated with Gross Domestic Product, and that development should be understood as a process that seeks to maximize happiness rather than economic growth. The concept places the*
individual at the centre of development efforts and it recognizes that the individual has material, spiritual and emotional needs. (Planning Commission, 1999: p.10 -11).

GNH has four pillars, nine domains and seventy-two indicators (Ura, Alkire, Zangmo, & Wangdi, 2012). The four pillars are (a) sustainable and equitable socio-economic development, (b) environmental conservation, (c) the preservation and promotion of culture and (d) good governance. Each is being developed as a set of independent but integrated policies and plans. The four pillars constitute the material and non-material dimensions of happiness that have a high degree of relevance and importance in Bhutan, and continue to be recognised as the broad strategic framework through which national development initiatives operationalise GNH (GNH Commission, 2009).

GNH is increasingly discussed at international level as one of the most exciting alternative development measures of societal well-being (Fleurbaey, 2009; Tideman, 2011). Bhutan’s former education minister said, “The good thing is that GNH is the image of our country. It is our North Star. We sail our ship in faith and hope” (Powdyel, 2007, p.11). In recognizing the importance of educating every Bhutanese citizen on GNH values and principles, the Education Ministry introduced the ‘Educating for GNH’ (EGNH) programme throughout its education system in 2010 (Sherab, 2013). The vision of EGNH programme is to produce graduates…

Who are genuine human beings, realizing their full and true potential, caring for others – including other species – ecologically literate, contemplative as well as analytical in their understanding of the world, free of greed and without excessive desires; knowing, understanding, and appreciating completely that they are not separate from the natural world
and from others; – in sum manifesting their humanity fully (Ministry of Education, 2010, p. 5).

However, a recent evaluation of this programme showed that many teachers, who should be the main change agents, lack appropriate understanding of the EGNH’s intent (Sherab, 2013). This is, of course, a cause for concern for everyone, and all stakeholders will need to take appropriate action soon.

In concert with rigorous research and review, the development of this paradigm has resulted in GNH now being nationally applied; it influences national decision making in Bhutan, and therefore, by definition, requires a national effort in order to measure its impact.

The manner in which the goal of GNH (happiness) is pursued in Bhutan can be best understood from the following words in a speech delivered in 2009 in India by King Wangchuck at the Madhavrao Scindia Memorial Lecture, entitled Changing World and Timeless Values:

...for my nation, today GNH is the bridge between the fundamental values of Kindness, Equality and Humanity and the necessary pursuit of economic growth. GNH acts as our National Conscience guiding us towards making wise decisions for a better future. It ensures that no matter what our nation may seek to achieve, the human dimension, the individual’s place in the nation, is never forgotten. It is a constant reminder that we must strive for a caring leadership so that as the world and (our) country change, as our nation’s goals change, our foremost priority will always remain the happiness and wellbeing of our people – including the generations to come after us.
The Idea of Gross Organisational Happiness (GOH)

Gross Organisational Happiness (GOH) represents a new extension of the concept of GNH, downscaled from the national level to the organisational level. It is an innovative tool drawn both from Data Science and GNH to create a GOH index. An organisation’s GOH index is a subset of GNH and, if validly measured, can be aggregated with the GOH measures from other organisations to directly contribute to the national GNH index. By using innovative data collection tools, GOH can be measured and monitored at much more real-time intervals than the current GNH surveys. Organisations might be even able to obtain daily reports of happiness at the organisational level.

An Analytical tool for a Gross Organisational Happiness Data System (GOHDS)

GOHDS is a combination of both process and analytical tools that enables users to identify relevant indicators from the 72 indicators that emerge from the 9 domains and 4 pillars of GNH. In brief, GOH can be accessed through the Gross Organisational Happiness Data System (GOHDS) that brings technological tools, people and processes together. Although GOHDS is still in its infancy, it will be developed further and it should contribute to the existing quantifiable knowledge that happiness has a direct and positive correlation with the success of an organisation.

The GOHDS process is simple and involves the following steps:

(i) Take Action – Go about one’s normal day actions with mindfulness, make each action count

(ii) Reflect – Take time to stop and reflect on what one has done
(iii) Log and Tag – Log the details of what one has done over the last few hours, scoring it for happiness and tagging it to the relevant GNH indicators

(iv) Review – Review the real-time graph that the system displays to see one’s balanced effort in achieving high level goals

(v) Repeat – Repeat the process

If these steps are followed, by the end of each day individuals will know how their time was utilised, how happy they felt about it, and how it relates to GNH. These GOHDS data can be aggregated over time for individuals, organisations, or communities, and then the government will be able to determine which of the 36 indicators are the most and the least commonly used. This will allow for the development of a more flexible and dynamic GNH index that can be refined specifically for different environments within which organisations in Bhutan operate.

In other words, by using this system of GOHDS, the more relevant and specific GNH indicators could easily be tailored to varying organisational environments, such as finance, health, mining, farming, hydroelectricity, IT, and telecommunications. This exploration toward a better measure of societal wellbeing will involve the theory of social choice and the study of happiness and its determinants, among other approaches, along-with new developments in the philosophy of social justice and psychology of well-being (e.g., Fleurbaey, 2009).

In this way, GOH will be seen as a direction forward to enhance Bhutan’s national identity as a country of GNH and to demonstrate to the rest of the world just what unity, wisdom, and imagination can do to transform the country and ultimately the world for the better. Perhaps a great idea from a simple mind in a tiny nation will transform the lives of millions. Like the Buddhist philosophy,
which offers more than a set of practices for mental development at an individual level providing a philosophical framework for creating happiness for society at large (Baker, Laird, & Lama, 2000; Loy, 2003), the application of GOH offers similar benefits at the organisational level.

The analogy of a familiar structure of a house can serve to link GNH, GOH and GOHDS to understand in the simplest terms the essence and implications of this new evolving concept of GOH. In it (see Figure 1), the GNH indicators, upon which the concept of GOH rests are the foundation. Above the foundation lies the floor, which is at the ground level but not as deep as the foundation; the GOH indicators are this floor. The walls of the house, in this analogy, represent the technology and process that support the GOHDS. The roof of the house, the pinnacle of this analogy, represents the GOHDS - the system that is the most important yet serves no purpose without the other components.

The analogy continues. The output of the GOHDS (Figure 2) is actually a GOH index which is derived through the usage of the GOH indicators; in the analogy, smoke emitted from the house chimney can be called the output. It extends to a small town of GOHDS houses that are collectively emitting a large amount of smoke, contributing to the overall smoke cloud of GNH. As opposed to the increasing environmental damage that increased emission of real smoke causes, having more of this type of GOH “pollutant” is perhaps what the world needs more of. It may be noted that unlike the industrial smoke, this eternal smoke is more likened to the fragrance from smoke sticks used in ancient civilisations or the smoke signals used more universally to indicate locations to the lost and lonely souls. A diagrammatic presentation (Figures 1 & 2) that ensues further explains the outcome and contribution of GOH/GOHDS to the overall GNH.
The empirical findings of the Case Study (Data Scientists Pty. Ltd) carried out by the author gave birth to this innovative concept of GOH and the scope of its applicability to other organisations. The impact of the GOHDS tool on the company’s performance and on the well-being and happiness of those associated with the company is described in the words of Troy Sadkowsky, the CEO and founder of Data Scientists Pty. Ltd:

Figure 1: GNH Indicators: Foundations of GOH

Figure 2: Analogy of GODHS
Practical Implications of GOH

The best shift that I have noticed since hiring a GNH consultant would have to be the increase in clarity in day to day business decision making. Our GNH consultant assisted us in applying unique techniques that ensure our processes and policies continually maintain a strong connection to our organisation’s fundamental core values. Since the very first session I have felt a renewed confidence and certainty when it comes to making day to day decisions. Working effectively with data and technology means working in a highly changeable environment and continually making innovative changes. Therefore, it is invaluable to me to know that we can do this without compromising the organisation’s fundamental core values. This brings a deep sense of unity to us as an organisation no matter what technological changes are happening.

Over the last 12 months, I believe our GNH consultant has been a major contributing factor to remaining on target and achieving our growth in organisational wellbeing. This has resulted in a 20% growth in staff and a 50% growth in revenue and has also given us a new metric and growth target in GOH (September 13, 2014).

These words amply describe the positive impacts of the application of the GOHDS on his company and possibly the same sort of benefits that can be reaped by other companies, organisations, and communities that use this newly developed concept and tool. But a beginning needs to be made.
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Entrepreneurial Intent amongst Business Students: 
A Perspective in Bhutan

TANDIN CHHOPHEL¹, TENZIN RABGAY² AND DAWALA³

Abstract
Entrepreneurship in Bhutan is an emerging phenomenon both in terms of research and practice. Entrepreneurship is viewed as an alternative strategy to mitigate the rising youth unemployment problems. Against this backdrop, this research examines the entrepreneurial intent of the undergraduate business students in Bhutan. Perceived support, perceived barrier, attitude towards entrepreneurship and educational programme constitute determinants to examine the variation in the students’ entrepreneurial intent. The participants of the research include the second and the final year undergraduate business students of the Royal University of Bhutan from both the business programmes of Bachelor of Business Administration (BBA) and Bachelor of Commerce (B.Com) (n=300). A proportionate convenience sampling was applied where 30% students from every class were chosen to participate in the research. Self-administered survey questionnaires were used to elicit information. The multiple linear regression analysis has been used to analyse the data which shows that the four predictors explain 42.9% of the variation in the entrepreneurial intent of the students. The attitude towards entrepreneurship is the significant predictor. This research is amongst the initial studies conducted on entrepreneurial intent in the Bhutanese context and brings a newer perspective in the understanding of entrepreneurial intent among the present youth.

Keywords: Attitude towards entrepreneurship, business students, entrepreneurial intent, entrepreneurship education, perceived barrier, perceived support,

Introduction
Entrepreneurship continues to capture interest of scholars and economists, basically on two primary reasons of new venture creation and employment generation (Gurol & Atsan, 2006; Saleh & Salhieh, 2014). Entrepreneurship is viewed as a viable economic development strategy in developing economies where job creation is weak and the productive segment of the population is vulnerable to social problems and poverty. Therefore, the role of entrepreneurship

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is critical in developing economies as an engine of economic growth, mitigating unemployment problems and promoting social equality in terms of income and living standards (Gurol & Atsan, 2006).

Nested in the heart of the Great Himalayan range, Bhutan is dependent on hydropower generated from the glacially fed rivers. The GDP per capita is $2440.41 (2013) and population poverty rate is 12 percent (2012) (National Statistical Bureau, 2015). Despite the economic challenges, Bhutan is the primary proponent of Gross National Happiness (GNH) and entrepreneurship is viewed as a significant vehicle for increasing social wellbeing of the Bhutanese people (Valliere, 2014). Given the realities of a developing economy, Bhutan’s economic development can be founded on entrepreneurial initiatives based on natural environment and agriculture for economic self-reliance.

Entrepreneurship is emerging both in terms of research and practice in Bhutan. Increasingly, government policies and programmes are geared towards entrepreneurship. However, the current initiative of promoting entrepreneurship by the government and private organisations requires concerted effort. Largely, the younger Bhutanese generation continues to seek civil service sector for employment and it is the most sought after career option amongst the university graduates. The reasons are secured job with oversea travel perks and long-term sponsored studies. In a recent survey conducted by the students on the choice of career options amongst the final year business students, 43 percent of the respondents indicated civil service and 34 percent indicated self-employment as their preferred career option. Contrarily, the Bhutanese civil service sector is small with 26,699 employees, representing 3.39 percent of the country’s population (Royal Civil Service Commission, 2015). The overall civil service growth rate is declining. As of 30th June, 2015, the growth rate was 1.68 percent against 5.31 percent in 2014. The youth (ages 15-24 years) unemployment rate is
on a rise; male youth unemployment is 9.5 percent and female is 11.6 percent (Millennium Development Goals, 2013). Against the backdrop of current economic scenario and youth unemployment in Bhutan, this research examines the determinants of entrepreneurial intent of the business students.

The research questions are:

Q1. Are business students keen to become entrepreneurs?
Q2. What factors determine their entrepreneurial intent?
Q3. How do they perceive university education as a factor promoting entrepreneurship?

The study broadly contributes to the literature of entrepreneurship and specifically in understanding the factors determining entrepreneurial intent of the undergraduate business students as an alternative career choice.

The research begins with a brief background of entrepreneurship. Literature review on entrepreneurial intent, perceived barrier and support, attitude towards entrepreneurship, and university education is presented in the subsequent section. Finally, the last section presents findings and discussions.

**Literature Review**

**Entrepreneurship**

An entrepreneur is an originator of new business ideas who undertakes and operates a business enterprise and assumes inherent risks (Topxhiu, 2012; Uddin & Bose, 2012). Entrepreneurship is a practice of starting new business in response to identified business opportunities (Couto & Tiago, 2009; Uddin & Bose, 2012). It is a source of innovation and change, spurs improvements in productivity and economic competitiveness (Chen, 2013; Couto & Tiago, 2009; Topxhiu, 2012). In
developing economies, entrepreneurship is economic bedrock which helps to revamp and enhance economic progress (Valliere & Gedeon, 2015). It creates employment opportunities, enable micro-enterprises to recycle and repair goods that possibly becomes waste, provide cheap food and transportation to poor (Matthews, Dalglish, & Tonelli, 2012; Saleh & Salhieh, 2014).

**Entrepreneurial Intent**
Entrepreneurial intent is a conscious awareness and conviction by an individual who intend to set up business venture (Nabi, Holden & Walmsleg, 2010; Thompson, 2009). The classical economic theory alleges that entrepreneurial intent is an outcome of supportive economic environment and not necessarily driven by personal zeal (Couto & Tiago, 2009: Gordon, 2004). However, Philipsen (1998) argues that entrepreneurial intent is driven by non-economic factors such as individual achievement orientation, social support and contextual factors (cited in Couto & Tiago, 2009). A pragmatist view asserts that entrepreneurship is induced by individual attitudes, skills and psychological endowments, yet the contextual factors in which he/she operates such as culture, institutions, business environment and macroeconomic conditions influence entrepreneurial intent (Topxhiu, 2012). Although, entrepreneurial intent has received attention in the scholarly discourse, the research scholars lament over the paucity of literature on the determinants of entrepreneurial intent in the context of developing economies (Valliere & Gedeon, 2015).

Stronger entrepreneurial intent facilitates greater likelihood of establishing business venture. Therefore, investigating the factors determining the entrepreneurial intent has become a paramount importance (Schwarz, Wdowiak, Almer-Jarz, & Breitenecker, 2009). In a comparative study between the entrepreneurial intent of youths of Bhutan and Canada by Valliere and Gedeon
(2015), the Bhutanese youth were found to have higher entrepreneurial intent as well as more positive attitude than in Canada. Thus, they concluded that Bhutan should focus more on building entrepreneurial skills and resources acquisition.

**Contextual and Personal Factors Determining Entrepreneurial Intent**
Entrepreneurial intent is dependent on the personal factors such as attitudes and skills. However, the contextual factors such as socio-culture, markets and regulatory frameworks play equally important roles in making entrepreneurship operational. Social, cultural and economic variables underpin sociological theories in the determination of entrepreneurial intent of students (Chen, 2013; Luthje & Franke, 2003; Topxhiu, 2012). For example, Valliere (2014) argues that the young entrepreneurs of Bhutan are subject to hierarchical social structure which has limited social support and sanction affecting their entrepreneurial decisions. Perhaps, this proposition requires further empirical enquiry in the light of increasing youth unemployment and changing economic scenario in the country. The competitive employment situation is likely to influence social sanction positively and support entrepreneurship. The current research examines social support and sanction as a part of perceived support.

Subject to the context of significant perceived impediments to entrepreneurial effort, the potential entrepreneurs are more likely to drop the idea of becoming entrepreneurs. For example, hostile business environment such as restrictive credit services and insufficient legitimacy of entrepreneurship, potential entrepreneurs are less willing to become entrepreneurs despite positive attitude towards entrepreneurship (Schwarz, Wdowiak, Almer-Jarz, & Breitenecker, 2009). Difficulty to access financial support, undue formalities coupled with red tapism and inability to generate new business ideas are examined as the contextual barriers.
The personal factors are equally important investigative determinants of students’ entrepreneurial intent (Uddin & Bose, 2012). One aspect of decision to become an entrepreneur is an outcome of subjective thought process (Couto & Tiago, 2009). Subjective factors could either play a supportive role or impede the decision process of entrepreneurial initiative. Several previous works confirm that attitude towards entrepreneurialism constitute an important personal factor in the determination of entrepreneurial intent (Franke & Luthje, 2004; Luthje & Franke, 2003; Schwarz, Wdowiak, Almer-Jarz, & Breitenecker, 2009).

Since 1990s, attitude towards entrepreneurship is widely used to predict entrepreneurial intent (Douglas, 1999; Gurol, & Atsan, 2006; Robinson, Stimpson, Huefner, & Hunt, 1991). Attitude is defined as a predisposition or a tendency to respond positively or negatively towards a certain idea, object, person, or situation (Business Dictionary, 2015). The theory of planned behaviour underpins attitude-intent relationship, and attitude is likely to change through individual-environmental interaction with educators and practitioners (Schwarz, Wdowiak, Almer-Jarz, & Breitenecker, 2009). The theory of planned behaviour model explains that a personal attitude towards outcome of the behaviour, perceived social norms, and perceived behavioural control (self-efficacy) affect individual entrepreneurial intent to larger extent (Fishbein & Ajzen, 1975).

However, variation in the research context and measurement, attitude-intent relationship has not always been consistent and predictable (Schwarz, Wdowiak, Almer-Jarz, & Breitenecker, 2009). It indicates that entrepreneurial intent is determined by an array of environmental factors interplaying with attitude. To sum up, when the potential entrepreneurs perceive high barriers to their entrepreneurial initiative, they are less likely to engage in new venture creation. To view differently, in a supportive business environment, the potential
entrepreneurs are more likely to become entrepreneurs. Chen (2013) found that students receiving support (e.g., mentoring, financial support, encouragement from professors, family members and peers) show strong positive entrepreneurial intent.

**Perceived Role of University Education on Entrepreneurship Intent**

Universities are viewed as the churners of high value-added business venture creators founded on creative knowledge and innovative technologies (Couto & Tiago, 2009). Entrepreneurship education is crucial in supporting the entrepreneurial initiatives of the students. Understanding the students’ career choice intention (entrepreneurship intent) help educators to tailor curriculum design and meet students’ career demand and future career preparation (Chen, 2013). Offering entrepreneurship courses in the undergraduate programmes have evidently helped students to start-up businesses (Remeikiene, Starttiene, & Dumciuviene, 2013). The propensity of students to establish new business ventures is high when exposed to better entrepreneurship education and motivation (Al-Harrasi, Al-Zadjali & Al-Salti, 2014).

In the last two decades, the world has seen a growing interest in the undertaking and intensifying actions to promote and support the ideas of entrepreneurship as an attractive alternative to wage employment amongst university students (Schwarz, Wdowiak, Almer-Jarz, & Breitenecker, 2009). The USA is amongst the leading nations in entrepreneurship promotion initiative (Gurol & Atsan, 2006). The reasons for the emergence of such tendency have been firstly, due to increasing university students expecting to create competitive new ventures; secondly, a visible drift from the loyal, secured and wage based job to desirability of self-employment; and finally, an increasing university graduates unemployment. Saleh and Salhieh (2014) state that in developed economies, graduate entrepreneurship receive paramount attention but in developing
economies, education and research on entrepreneurial intent is in a nascent stage. Promoting entrepreneurial education in developing economies is crucial for economic development (Kluczni-Toro, 2014). The changing global tendency makes no exception to a small developing economy, such as Bhutan. In 2013, Bhutan’s urban youth (ages 18-24 years) unemployment rate was as high as 22.8% and overall youth unemployment rate was 9.6% (Ministry of Labour and Human Resources, 2014).

The national level concern of entrepreneurial initiative to mitigate rising unemployment in Bhutan is manifested through supportive mechanism such as training and financial support to boost entrepreneurialism. The government and private organisations have been the key players in the promotion of entrepreneurship in Bhutan. The government initiates entrepreneurship education, policy formulation and funding, while the private firms cater to training and development. The literature based on students’ samples suggest that graduates are more likely to take up entrepreneurship when relevant entrepreneurship courses are offered and when business ventures are established by entrepreneurs from within the university (Luthje & Franke, 2003). The Royal University of Bhutan has designed and offered entrepreneurship courses. The vocational institutions are also coming into the limelight, integrating entrepreneurship in their academic programmes. However, the entrepreneurial initiatives deserve empirical investigations and academic discourses.

Based on the contextual and individual factors in the light of the university students discussed above, the following hypotheses are stated to test the relationship:

\[ H_1: \text{Students who perceive barriers negatively are likely to have weaker entrepreneurial intent.} \]
$H_2$: Students who perceive support positively are likely to have stronger entrepreneurial intent.

$H_3$: Students who perceive supportive university education for entrepreneurship are likely to have stronger entrepreneurial intent.

$H_4$: Students who have positive attitude towards entrepreneurship are likely to have stronger entrepreneurial intent.

The entrepreneurial intent model is borrowed from the previous similar research studies to test hypotheses between the predictor and criterion variables (see figure 1).

![Figure 1 Structural Model of Entrepreneurial Intent](source)

Source: Adapted from The ‘making’ of an entrepreneur: testing a model of entrepreneurial intent amongst engineering students at MIT by Christian Luthje & Nikolaus Franke, (2003), R & D Management, 33 (2), 135-147.
Research Objectives and Methodology

Following the discussion on key variables in the literature review section, the research objectives are:

1. To examine the relationship of the antecedent variables (perceived barriers, perceived support, attitude towards entrepreneurship and university education) with the business students’ entrepreneurial intent.
2. To identify the most important predictors of the business students’ entrepreneurial intent.

The research is based on a quantitative cross-sectional approach using survey method to respond to the research questions and objectives. To establish an array of probable factors determining the entrepreneurial intent of the undergraduate business students, explorative interviews were conducted amongst 10 students each from the two undergraduate business programmes. All factors were listed, and identified as perceived support, perceived barriers, university education and attitude towards entrepreneurship which would determine entrepreneurial intent. These factors were then scanned through the relevant literatures to integrate with theoretical concepts and model to test explanatory power of each factor on the entrepreneurial intent using multiple linear regression analysis.

The sample size of 300 was drawn from the population of 940 final year business students pursuing BBA and B.Com programmes. A total of 273 students completed the questionnaires, from which 42 questionnaires were excluded from the analysis because some items in these questionnaires were not responded. Thus, the response rate was 84.62 percent with the useable sample size of 231. The survey was administered using questionnaire in the second week of August, 2015.
Measurement

For the measurement of perceived barrier, perceived support, and attitude towards entrepreneurship, the instruments were adopted from Luthje and Franke (2003). Similarly, to measure the university education fostering entrepreneurship and the entrepreneurial intent, the instruments were adopted from Saleh and Salhieh (2014). Based on the original measurement scale, five-point Likert scale was used. For the measurement of the four antecedent constructs, 1=“Strongly Disagree”, 2=“Disagree”, “3=Cannot Say”, 4= “Agree” and 5=“Strongly Agree” was used. Similarly, for the measurement of the entrepreneurial intent, 1= “Very Unlikely”, 2= “Unlikely”, 3 = “Moderate”, 4= “Unlikely” and 5= “Very Likely” was used.

Since, the items were applied in different context; reliability test was conducted for all the constructs. The Cronbach alpha values for all constructs were above .5 while the education construct had shown high reliability ($\alpha = .906$). Although, the desired reliability threshold of Cronbach alpha value is .7, the alpha value of 0.5 is considered appropriate when the instruments are administered to cross-cultural audiences (Parnell, Shwiff, Yalin & Langford, 2003; Peng, Lu, Shenkar & Wang, 2001). Thus, the reliability of the constructs was considered satisfying. Table 1 shows the Cronbach alpha values and number of items with which each construct is measured.
Table 1 No. of Items and Cronbach Alpha Values

<table>
<thead>
<tr>
<th>Constructs</th>
<th>No. of Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived barriers</td>
<td>3</td>
<td>.523</td>
</tr>
<tr>
<td>Perceived support</td>
<td>3</td>
<td>.608</td>
</tr>
<tr>
<td>Attitude towards entrepreneurship</td>
<td>3</td>
<td>.599</td>
</tr>
<tr>
<td>University Education</td>
<td>16</td>
<td>.906</td>
</tr>
<tr>
<td>Entrepreneurial intent</td>
<td>5</td>
<td>.784</td>
</tr>
</tbody>
</table>

Analysis

The multiple regression analysis was conducted to examine the relationship amongst the variables as shown in the model. Table 2 presents the sample descriptive.

Table 2 Sample Descriptive

<table>
<thead>
<tr>
<th>Age</th>
<th>Gender</th>
<th>Programme</th>
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</thead>
<tbody>
<tr>
<td>Mean</td>
<td>SD</td>
<td>Min.</td>
</tr>
<tr>
<td>21.73</td>
<td>41.70</td>
<td>19</td>
</tr>
</tbody>
</table>
Table 3 Regression Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>S.E</th>
<th>t-value</th>
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</thead>
<tbody>
<tr>
<td>Perceived Barrier</td>
<td>.065</td>
<td>2.157</td>
</tr>
<tr>
<td>Perceived Support</td>
<td>.073</td>
<td>.573</td>
</tr>
<tr>
<td>University Education</td>
<td>.064</td>
<td>11.270</td>
</tr>
<tr>
<td>Entrepreneurial Attitude</td>
<td>.090</td>
<td>-.953</td>
</tr>
<tr>
<td>R-squared</td>
<td>.429</td>
<td></td>
</tr>
<tr>
<td>Adj. R-squared</td>
<td>.419</td>
<td></td>
</tr>
</tbody>
</table>

F-statistic with 4 and 42.451df

Note: Level of Significance: p<.001

Results and Discussions

To identify the key determinants of the entrepreneurial intent of the university business students in the Bhutanese context, four variables have been identified and used to examine the relationship with entrepreneurial intent. All the variables have been identified with the help of exploratory interviews with the students and review of available literature.

The bivariate correlation between the predictor and criterion variables shows weak positive relationship to a level 0.1, except attitude with a significant positive relationship with the criterion variable ($r=0.644$, $p<0.001$). Further, the result of multiple regression analysis confirms that attitude towards entrepreneurship ($\beta = 0.627, t = 11.270$) is a significant predictor of the entrepreneurial intent. Therefore, $H_4$ is supported. This finding is consistent with the earlier studies (Schwarz, Wdowiak, Almer-Jarz, & Breitenecker, 2009).
In contradiction to earlier research (Luthje & Franke, 2003), the perceived barriers was not a significant predictor. Perhaps, the students are aware that there are no perceived barriers affecting the entrepreneurial intent. Firstly, the government has initiated collateral free loan at the lowest interest rate (4%) to promote entrepreneurship; secondly, since entrepreneurship is a national priority for the economic development, the students foresee new business opportunities and lastly, the students perceive minimum formalities. Therefore, $H_1$ is not supported. The perceived support and university education are not significant predictors of entrepreneurial intent. Consequently, $H_2$ and $H_3$ are not supported. The subtle indication of this finding indicates that the college needs to provide entrepreneurial support and education. Also, there is a need for entrepreneurship workshops and seminars to keep the prospective entrepreneurs abreast with business opportunities and build their entrepreneurial confidence.

To summarise, the entrepreneurial intent of the business students are primarily determined by their attitude of desire for autonomy (being own boss), achievement of financial goals through self-employment and wanting to work in a new company. It indicates that the students are opportunity seekers and risk-takers. They want to engage in independent businesses rather than becoming salaried employees for existing companies. This attitude conforms to the entrepreneurial traits and it is logical to predict that these personal traits foster entrepreneurial intent.

**Conclusion**

This research has primarily investigated the explanatory power of selected determinants on entrepreneurial intent amongst the undergraduate business students in Bhutan. Attitude towards entrepreneurship has proven to be the only important determinant of the entrepreneurial intent. Since, the study is one of the first of its kind in Bhutan; it has provided an insight into the understanding of
entrepreneurial intent of business students. To foster entrepreneurialism amongst the undergraduate students, their attitude towards entrepreneurship will have to be developed through constant in-depth interaction with the practicing entrepreneurs. Positive attitude towards entrepreneurship of business students expresses more likelihood in becoming entrepreneurs (Schwarz, Wdowiak, Almer-Jarz, & Breitenecker, 2009).

Limitations of the Study and Scope for Further Research
The study also considers some limitations. Firstly, the discriminatory approach of narrowly selecting four predictors may not have sufficiently captured the understanding of factors determining entrepreneurial intent. Secondly, the primary predictor i.e., attitude towards entrepreneurship is integrated into a single construct. Examining attitude at a level of risk-taking ability and internal locus of control (innovativeness) could provide better insights in determining entrepreneurial intent. Finally, this research relies on a small sample size of the undergraduate business students’ population, and therefore, the inferences so arrived may not adequately explain the entrepreneurial intent of the university students in Bhutan.

Future research could consider examining more determinants including cultural perspective, role of peers and family in the determination of the entrepreneurial intent. Culture determines the formation and operation of social institutions that either support or hinder entrepreneurship (Valliere, 2014). In a collectivist culture such as Bhutan, family and societal role may be more influential in determining the entrepreneurial intent.
References


Klucznik-Toro, A. (2014). Results of the systematic literature review on entrepreneurship and its influencing factors. *In Forum Scientiae Oeconomia, 2*(1), 57-70.


Self Help Groups - Imperative for Financial Inclusion in India

DR. PURNA PRASAD SHARMA¹

Abstract

India, in the last couple of decades, has witnessed competent growth in the financial service sector. However, several questions have often been raised for majority of impoverished population that is excluded from formal financial system. The exclusion is very high in which one of the surveys shows that 59 percent of the rural household do not have deposit account and 79 percent of the rural households are outside the purview of credit from formal sources. The degree of such vast financial exclusion raise questions towards the Financial Inclusion Policies (FIPs) of the government and demands new mechanism and interventions to address the same. The Self – Help Groups (SHGs) in the recent past have been found as an effective tool to streamline poor with formal financial system. The present study, therefore, is a micro attempt where the current scenario of Financial Inclusion (FI) and the role of SHGs on the promotion of FI in India have been studied. The secondary data from NABARD, RBI, government departments, journals and websites form the sources of the study. The percentages and Linear Growth Rate (LGR) of different financial variables have been calculated to draw proper inferences. The study at the end infers that SHGs play pivotal role in bridging the hiatus between poor and financial institutions. The SHG Bank Linkage (SBLP) programme has been effective for streamlining poor with formal financial system. Over the years, the number of savings and credit linked SHGs have been increased. With the increased number of SHGs, the volume of loan outstanding and savings bank balance have also been increased. Besides, the roadmap prepared by the RBI for providing banking outlets in unbanked villages and preparation and implementation of board approved FIPs have been found significant for FI.

Keywords: Financial Inclusion, Self Help Groups, Microfinance, Poverty

Introduction

Financial Inclusion (FI) protects the financial health of low income groups by streamlining them with formal financial system. Also, the easy access of credit extenuates the exploitation of vulnerable sections of the society from usurious moneylenders. The Committee on Financial Inclusion, chaired by Dr. C Rangarajan has defined the term FI as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Albeit credit is

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the most important component, financial inclusion covers various financial services such as savings insurance, payments and remittance facilities by the formal financial system to those who tend to be excluded (Dev, 2006). Eleventh five year plan (2007-2012) advocates for inclusive growth in India. This is to reduce poverty and other disparities and raise economic growth. Besides, FI has been given prime importance by the Reserve Bank of India (RBI) to accelerate the inclusive growth process of the economy. Apart from formidable challenges, the SHG Bank Linkage Model (SBLP) as recommended by S K Kalia Committee and introduced in the year 1992 has been demonstrated itself as one of the efficient and effective mechanisms to enhance financial inclusion. Under SBLP, the SHGs are are linked to banks in a gradual way – initially through savings and later through loan products. The programme is found effective for ensuring financial inclusion (Rangappa, et al. 2010). Over the years, it has been helping to reduce poverty, increase living standards of the poor, and help multiplying paltry income of the poor by way of venturing Income Generation Activities (IGAs). The estimated number of families covered by SBLP upto 31st March, 2012 were 1030 millions, registering more than 6 percent growth as compared to the immediate previous year.(NABARD, 2011-12), Apart from SBLP, the Government of India (GoI), in the recent years has introduced a few policy measures/mechanisms for effective financial inclusion in which rollout of Financial Inclusion Plans and expanding the scope of the Business Correspondent (BC) model, improving credit delivery procedures for the Micro and Small Enterprises (MSE) sectors, encouraging the adoption of Information and Communication Technology (ICT) solutions, and introduction of Kisan Credit Cards (KCCs) are important.

In its endeavor to reduce financial exclusion, the RBI has been providing financial awareness programme through its ‘Financial Literacy Initiatives’. This
programme enables the poor to know and understand the benefits of small financial products of the formal financial sector. *Financial education, Financial inclusion and Financial stability* are the three elements of this initiative, as shown in Figure 1. While financial inclusion works from supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions.

*Figure 1. The Financial Tripod*

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Financial Education

Financial Inclusion                   Financial Stability
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The Pradhan Mantri Jan Dhan Yojana (PMJDY) is the recent interventions in India and is considered as one of the effective schemes for comprehensive financial inclusion (GoI, 2014). The scheme was launched by the Prime Minister of India, Narendra Modi on 28 August, 2014. On the day of launching, 1.5 Crore (15 million) bank accounts were opened under this scheme (ET Bureau, 2014). A brief summary of this scheme in terms of number of accounts opened through different banks is highlighted in Table 1.
Table 1  Pradhan Mantri Jan - Dhan Yojana (Accounts Opened as on 31.01.2015)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Types of Banks</th>
<th>No. of Accounts (In Lacs)</th>
<th>No. of Rupay Debit Cards (In Lacs)</th>
<th>Balance In Accounts (In Lacs)</th>
<th>No. of Accounts With Zero Balance (In Lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
<td>Rural</td>
</tr>
<tr>
<td>1</td>
<td>Public Sector Banks</td>
<td>533</td>
<td>451.47</td>
<td>984.48</td>
<td>912.32</td>
</tr>
<tr>
<td>2</td>
<td>Regional Rural Banks</td>
<td>184.89</td>
<td>32.98</td>
<td>217.87</td>
<td>149.68</td>
</tr>
<tr>
<td>3</td>
<td>Private Banks</td>
<td>32.26</td>
<td>20.12</td>
<td>52.38</td>
<td>45.93</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>750.15</td>
<td>504.57</td>
<td>1254.73</td>
<td>1107.93</td>
</tr>
</tbody>
</table>


Note: The above information is based upon the data as submitted by different banks/SLBCs.
The majority of the rural folk in India are excluded from the financial services of financial institutions. The PMJDY has played a crucial role in this front and recently more than 750 lakhs of accounts were opened in this scheme from the rural areas. The data signifies 60 percent rural participation as compared to urban part as on 31st January, 2015. The Regional Rural Banks have been the most proactive in financial inclusion followed by public sector banks and private banks. Among all the banks, the public sector banks shares the highest (78 percent) in account balance and also in terms of opening new accounts with zero balance (78 percent). The number of Rupay Debit Cards was also found more in public sector banks (82 percent) as compared to other banks. All these components of the PMJDY look promising to reduce financial exclusion especially from the rural areas. The present research is an exploratory effort and is primarily depending upon secondary data obtained from various sources. Data have been pooled from those resources which are significant and appropriate for the study. The Linear Growth Rate (LGR) of important variables has been checked to find out the trend of FI in the country vis-a-vis the role play of SHGs in FI.

Objectives

(i) To study the present scenario of financial inclusion in India and
(ii) To examine the role of SHGs for enhancing financial inclusion in India.

Scope and Methodology

Financial exclusion has always been a case of concern for the government of India. The Financial Inclusion Policies (FIPs) have been given much emphases in due course of time by the policy makers. The present scenario of FI in India has been traced in this paper with due emphasis on the role of SHGs for enhancing
the same. To draw the proper inferences, secondary data relating to FI, Self–Help Groups (SHGs), and SHG Bank Linkage Programme (SBLP) have been thoroughly examined covering the period of 4 – 5 years. The financial data of different variables have been captured from the Annual Report of RBI and NABARD, several research papers, journals, articles, and various websites.

To meet the first objective of the study as it has been mentioned above, the board approved FIPs of the banks have been examined. Besides, the recent roadmap prepared by the RBI for providing banking outlets in unbanked villages in phase-wise manner has also been assessed. The analyses of these phenomena facilitate in understanding the current scenario of financial inclusion in India. To achieve the second objective of the study that is role of SHGs for enhancing financial inclusion in India, different financial inclusion indicators such as savings, loan disbursement and loan outstanding of the SBLP have been analysed. The increasing trend in all these variables generally expected to enhance financial inclusion in the country.

The MFI Bank Linkage Programme which is yet another conduit for extending financial services for the SHGs where financial institutions are given loans for on-lending to the SHGs has also been taken as one of the indicators for examining FI via SHGs. Also, the outreach status of the groups has been evaluated through other variables such as the estimated number of families covered for the financial assistance, promotion of Joint Liability Groups (JLGs), Refinance released to banks, and Grant assistance to Self – Help Promoting Institutes (SHPIs) for promotion of SHGs. The results from all these components are expected to give good insight about the role of SHGs for promotion of FI in India.
Literature Review

Designing of small financial products that suit most to the poor has always been a major challenge for the government. A study made by Basu (2005) on Improving Access to Finance for India’s Rural Poor delineates that 59 percent of the rural household in India do not have deposit account and 79 percent of the rural households are outside the purview of credit from formal sources. The census 2011 reveals that only 58.7 percent of households are availing banking services in India. However, compared to census 2001, the number of persons availing banking services has increased significantly. To enhance outreach and provide appropriate credit to the poor, the Government of India (GoI) from time to time has been strengthening the role and function of Commercial Banks (CBs), especially the Regional Rural Banks (RRBs) and Cooperative Banks (CoBs). The ‘social banking’ policies as adopted by the country resulted in wider establishment of commercial banks in the rural areas in the period that followed nationalization of banks (Shetty, 1997). Since late 1960’s India has established as one of the largest state intervention in rural credit market (Khandelwal, 2007).

The mainstreaming of the poor with formal financial systems has been found proffering due importance by the government. The quality network of banking and wide range of effective financial services in place is generally expected to ensure financial inclusion. The financial development and improved access to banking and related services not only accelerate economic growth but also reduce income inequality and poverty (HM Treasury 2007). Further, empirical evidence shows that inclusive financial system significantly raises growth, alleviate poverty and expand economic opportunity (iosrjournals.org). Over the last few years, the interventions of microfinance through various governments’ supported programmes have been seen as one of the well accepted tools to enhance financial inclusion and to fight against poverty. Apart from the government, many other
agencies like Donors, NGOs, Financial Institutions and different Community Development Bodies have also accepted and supported this tool as financial inclusion, poverty alleviation, employment generation, job creation and self empowerment through venturing of small enterprise for IGAs. Stephen et al. (2005) has narrated the role of NGOs and added that they can play a decisive role for an effective delivery mechanism in rural development as they have innate advantage to involve people and ensure their participation in the agencies.

Apart from continuous effort of the government, large segment of the poor from rural areas are yet to streamline with the formal financial system in India. Besides good banking network and significant improvements in the areas such as financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services (Thorat, 2007a). Among many, lack of financial literacy, and lack of appropriate awareness programmes about the benefits of banking services are significant for financial exclusion. The non-fulfillment of banking norms, especially in case of collateral by the poor is yet another plausible reason for financial exclusion in the country. The exclusion of the poor from formal financial institutions is more throughout the world. The degree of exclusion ranges from partial to full or nearly full exclusion in developed and less developed countries (Dev, 2006). The index developed by Patrick Honohan to measure the access of financial services in 160 countries is tilted towards the developed countries (Agarwal, 2008). The Indian scenario though reveals spread of banking branches in the rural areas, improvements in the banking business, and lowering Non Performing Assets (NPAs), but often questions have been raised about exclusion of vast segments of the poor from formal financial system (Leeladhar, 2005). Addition of new institutional mechanism
to address the rural finance has not helped improving the situation (Agarwala, et al., 1997). Also, it has been observed that rural credit has been associated with high cost of servicing, poor repayment, and diversion of fund to local elite. Most of the time, funds were captured by the people who were not poor (Adams & Pischke, 1992).

The emergence of Self-Help Groups (SHGs) and Non-Governmental Organisations (NGOs) as intermediaries for enhancing the banking outreach has been found effective for the reduction of financial exclusion. Group lending approach through SHGs has been successful in terms of outreach and viable banking business. Also, lending through SHGs has been found vital in reducing transaction costs for the financial institutions. (Srinivasan & Satish, 2001). Besides, the formal banking sector has found this technology appropriate to expand its business portfolio for microenterprises at low transaction costs and risk costs (Satish, 2005). Further, in financing SHGs, the requirement of collateral by banks has been replaced by peer group pressure and hence this approach has enabled social and economic inclusion of women by waiving the requirement of collateral.

**SHGs vis-a-vis Financial Inclusion in India**

1. **Financial Inclusion**

Financial Inclusion ensures access of financial products and services to all the sections of the society especially that of underprivileged at an affordable cost and in a fair and transparent manner. The primary aim of financial inclusion is to mainstream low income groups with formal financial system. The financial products are designed in such a way that they suit these segments of people. Micro financing is one of the effective tools that have been adopted to enhance financial inclusion in India. It is the process of designing and delivering small
financial products to the weaker sections of the society so as to help them to increase their living standards. In addition, it is a gamut of financial services in which microcredit is popular among the poor. Delivery of micro-credit to the needy has been found effective in multiplying their paltry income by way of venturing micro businesses.

The banking services of a country are primarily viewed as public goods and are expected to spread evenly in every corner of the country. The Indian scenario, if analysed, shows uneven distribution throwing up challenges for achieving financial inclusion. The nationalization of commercial banks in 1969 and in 1980 with the objective of providing financial services to all the sections of the society is yet to fulfill. The vast sections of the poor from the rural areas are still outside the purview of formal financial system. An appropriate financial inclusion policy therefore, is expected to provide financial services to all those who are bankable, insurance facilities to those who are insurable and savings and payments services to every citizen. The Reserve Bank, however, has recently prepared a roadmap for providing banking outlets in unbanked villages in a phase-wise manner. During Phase I, 74,414 unbanked villages with a population of more than 2,000 were identified and allotted to various banks through SLBCs for coverage through various modes, that is, branches, BCs or other modes such as ATMs and satellite branches. All these unbanked villages have been covered by opening banking outlets comprising 2,493 branches, 69,589 BCs and 2,332 through other modes (RBI Annual Report, 2013-14). In Phase II, under the roadmap for provision of banking outlets in unbanked villages with population of less than 2,000, about 4,90,000 unbanked villages have been identified and allotted to banks for coverage in a time bound manner by March 31, 2016. As per the progress reports received from SLBCs, banks had opened banking outlets in 1,83,993 unbanked
villages by March 2014, comprising 7,761 branches, 1,63,187 BCs and 13,045 through other modes (RBI Annual Report, 2013-14).

The Reserve Bank has encouraged banks to adopt a structured and planned approaches to financial inclusion with commitment at the highest levels through preparation of board approved FIPs. The first phase of FIPs was implemented over 2010-13. During this period upto 31st March, 2014, the performance was satisfactory in many of the variables (Table 2).
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banking outlets in villages &gt;2000</td>
<td>37,949</td>
<td>66,605</td>
<td>1,12,288</td>
<td>1,19,453</td>
<td>-</td>
<td>81,504*</td>
<td>48.62*</td>
</tr>
<tr>
<td>2</td>
<td>Banking outlets in villages &lt;2000</td>
<td>29,745</td>
<td>49,603</td>
<td>69,465</td>
<td>1,49,001</td>
<td>-</td>
<td>119,256*</td>
<td>67.71*</td>
</tr>
<tr>
<td>3</td>
<td>Banking Outlets in Villages – Branches</td>
<td>33,378</td>
<td>34,811</td>
<td>37,471</td>
<td>40,837</td>
<td>46,126</td>
<td>12,748</td>
<td>8.40</td>
</tr>
<tr>
<td>4</td>
<td>Banking Outlets in Villages – Total</td>
<td>67,694</td>
<td>1,16,208</td>
<td>1,81,753</td>
<td>2,68,454</td>
<td>3,83,804</td>
<td>316,110</td>
<td>53.84</td>
</tr>
<tr>
<td>5</td>
<td>Urban Locations covered through BCs</td>
<td>447</td>
<td>3,771</td>
<td>5,891</td>
<td>27,143</td>
<td>60,730</td>
<td>60,283</td>
<td>225.34</td>
</tr>
<tr>
<td>6</td>
<td>BSBD A/c through branches (No. in millions)</td>
<td>60</td>
<td>73</td>
<td>81</td>
<td>101</td>
<td>126</td>
<td>66</td>
<td>19.82</td>
</tr>
<tr>
<td>7</td>
<td>BSBD A/c through branches (Amt. in billions)</td>
<td>44</td>
<td>58</td>
<td>110</td>
<td>165</td>
<td>273</td>
<td>229</td>
<td>59.94</td>
</tr>
<tr>
<td>8</td>
<td>BSBD A/c through BCs (No. in millions)</td>
<td>13</td>
<td>32</td>
<td>57</td>
<td>81</td>
<td>117</td>
<td>104</td>
<td>70.29</td>
</tr>
<tr>
<td>9</td>
<td>BSBD A/c through BCs (Amt. in billions)</td>
<td>11</td>
<td>18</td>
<td>11</td>
<td>18</td>
<td>39</td>
<td>28</td>
<td>28.81</td>
</tr>
<tr>
<td>10</td>
<td>BSBD A/c Total (No. in millions)</td>
<td>74</td>
<td>105</td>
<td>139</td>
<td>182</td>
<td>243</td>
<td>169</td>
<td>34.02</td>
</tr>
<tr>
<td>11</td>
<td>BSBD A/c Total (Amt. in billions)</td>
<td>55</td>
<td>76</td>
<td>120</td>
<td>183</td>
<td>312</td>
<td>257</td>
<td>54.50</td>
</tr>
<tr>
<td>12</td>
<td>OD facility availed in BSBD A/c (No. in millions)</td>
<td>0.2</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>126.79</td>
</tr>
<tr>
<td></td>
<td>OD facility availed in BSBD A/c (Amt. in billions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>13</td>
<td>0.1</td>
<td>0.3</td>
<td>1</td>
<td>2</td>
<td>16</td>
<td>16</td>
<td>233.59</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>KCCs – (No. in millions)</td>
<td>24</td>
<td>27</td>
<td>30</td>
<td>34</td>
<td>40</td>
<td>16</td>
<td>13.34</td>
</tr>
<tr>
<td>15</td>
<td>KCCs – (Amt. in billions)</td>
<td>1240</td>
<td>1600</td>
<td>2068</td>
<td>2623</td>
<td>3685</td>
<td>2,445</td>
<td>30.64</td>
</tr>
<tr>
<td>16</td>
<td>GCC- (No. in millions)</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>58.17</td>
</tr>
<tr>
<td>17</td>
<td>GCC - (Amt. in billions)</td>
<td>35</td>
<td>35</td>
<td>42</td>
<td>76</td>
<td>1097</td>
<td>1,062</td>
<td>115.23</td>
</tr>
<tr>
<td>18</td>
<td>ICT A/Cs-BC Total Transaction (No. in millions)</td>
<td>27</td>
<td>84</td>
<td>156</td>
<td>251</td>
<td>329</td>
<td>302</td>
<td>83.95</td>
</tr>
<tr>
<td>19</td>
<td>ICT A/Cs-BC Total Transactions (Amt. in billions) (During the year)</td>
<td>7</td>
<td>58</td>
<td>97</td>
<td>234</td>
<td>524</td>
<td>517</td>
<td>172.54</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India - Annual Report, 2009-10 to 2013-14

Note: * indicates absolute change and LGR of 2010-2013 data, BSBD = Basic Savings Bank Deposit
Banking outlets have been provided in all those villages which have either more or less than 2000 population. The LGR of 49 percent and 68 percent respectively suffices this fact. The number of banking outlets has gone up to nearly 3, 84,000 in March, 2014. The provision of banking services through BCs has been recorded much better as compared to other modes. The growth rate of more than 200 percent of banking outlets in Urban Locations covered through BCs in five years looks significant. With the addition of around 6 and 4 millions small farm and non farm sector credits respectively during 2013-14, there are 40 and 7 millions of such accounts as on March 31, 2014. To tap the unbanked areas of the country and to meet the credit requirements of the farmers, banks have been advised to issue Kisan Credit Cards (KCCs), General Credit Cards (GCCs), and ICT based banking services through Business Correspondence (BC) model. Also, RBI has given advice to banks to provide small overdrafts in BSBD accounts. Over the years an impressive growth has been captured in BSBD through BCs (70 percent), OD facility in BSBDs (127 percent), KCCs (13 percent), GCCs (58 percent), and other (ICT-based) modes.

2. SHGs and Financial Inclusion

The SHGs are small and homogeneous groups having 5-20 members. The poor are encouraged to form such groups so as to pool their individual resources and help group members by providing loans at an affordable rate. The NGOs promote these groups and help getting linked with the banks to obtain revolving funds and project loans. Financial institutions would wish to grant more loans to the group as compared to the individuals as they have innate advantage of reducing transaction costs in particular and increase recovery rates from SHGs in general. Over the last few decades, SHGs financing has been increasing at higher rates. There have been many success stories of the poor SHG members showing exemplary entrepreneurial qualities to come out of the vicious circle of poverty
and indebtedness with the help of SHGs (NABARD, 2013). The SHG Bank Linkage Programme (SBLP) which started its pilot project in the year 1992 by linking 500 SHGs with the banks becoming the largest microfinance programme in the world today. The number of SHGs availing fresh loans by banks showed an increase of 6.3% during the year 2013-14 and the quantum of fresh loans issued increased by 24.5% over the previous year. The growth in the loan outstanding of SHGs with banks (8.4%) is almost 4 times the growth in the number of SHGs having outstanding loans with banks (2.2%). The savings balance of SHGs with banks shot up by over 25% during the year (Rs 8,217 crore as against Rs 6,551 crore a year back). All except the North Eastern and Western region recorded higher savings bank balance with banks. The Eastern States recorded 47% increase while the Southern States accounted for 37% increase in savings with the banks (NABARD, 2013). Under SBLP the banks use the following models of SHG finance.

**Model I**  
Banks provide finance to NGOs for on-lending to SHGs.

**Model II**  
Banks provide finance directly to SHGs for lending to micro entrepreneur.

**Model III**  
Banks provide finance directly to SHGs for lending to micro entrepreneur with the intervention of NGO as facilitators.

**Model IV**  
Bank provide finance loans directly to individual members of SHGs upon recommendations of the SHGs and NGOs.

The banks have been providing loans through all the above models for long. The status of SBLP over the last 6 years as reflected in Table 3 shows satisfactory performance of SHGs performance in terms of savings, loan disbursement, and loan outstanding. The number of savings linked SHGs with the banks have shown the positive growth rate of 8 percent with that of 14 percent growth in savings with the banks. The increased number of bank account holders and their amount
in the savings bank account delineate improvement in financial inclusion over the years. These data also support the FIPs of the Reserve Bank of India (RBI). Recently, the RBI in its FIPs has given special emphasis on providing banking outlets to unbanked regions. The number of SHGs that availed loan during the year has recorded a negative growth of 4 percent but the positive growth rate of 16 percent in the loan amount and 18 percent in the loan outstanding amount looks satisfactory. This also supports the positive role of SHGs towards financial inclusion. On the other hand, SBLP seems to be effective not only for the SHGs linkage with the banks but also for the reduction of financial exclusion. SHGs linkage with the banks through SBLP is considered to be an effective strategy to ensure financial inclusion in India (Rangappa, et al. 2010)
### Table-3 Status of SHG-Bank Linkage Programme

#### A. SBLP Model

<table>
<thead>
<tr>
<th>S No</th>
<th>No of years</th>
<th>Savings A/c with banks as on 31st March:</th>
<th>Loan disbursed during the year:</th>
<th>Loan outstanding with SHGs as on 31st March:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of SHGs (in lakhs)</td>
<td>Amount (in billions)</td>
<td>No. of SHGs (in lakhs)</td>
</tr>
<tr>
<td>1</td>
<td>2007-08</td>
<td>50.10</td>
<td>37.85</td>
<td>12.28</td>
</tr>
<tr>
<td>2</td>
<td>2008-09</td>
<td>61.21</td>
<td>55.46</td>
<td>16.10</td>
</tr>
<tr>
<td>3</td>
<td>2009-10</td>
<td>69.53</td>
<td>61.99</td>
<td>15.87</td>
</tr>
<tr>
<td>4</td>
<td>2010-11</td>
<td>74.62</td>
<td>70.16</td>
<td>11.96</td>
</tr>
<tr>
<td>5</td>
<td>2011-12</td>
<td>79.60</td>
<td>65.51</td>
<td>11.48</td>
</tr>
<tr>
<td>6</td>
<td>2012-13</td>
<td>73.18</td>
<td>82.17</td>
<td>12.20</td>
</tr>
</tbody>
</table>

**Growth Rate**

| (%) | 8.18 | 13.72 | -3.73 | 15.77 | 3.20 | 17.76 |


### B. MFI Model: Profile of Microfinance Institutions

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>No of years</th>
<th>Loan disbursed during the year:</th>
<th>Loan outstanding with MFIs as on 31(^{st}) March:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of MFIs</td>
<td>Amount (in billions)</td>
</tr>
<tr>
<td>1</td>
<td>2007-08</td>
<td>518</td>
<td>19.70</td>
</tr>
<tr>
<td>2</td>
<td>2008-09</td>
<td>581</td>
<td>37.32</td>
</tr>
<tr>
<td>3</td>
<td>2009-10</td>
<td>691</td>
<td>80.63</td>
</tr>
<tr>
<td>4</td>
<td>2010-11</td>
<td>469</td>
<td>76.05</td>
</tr>
<tr>
<td>5</td>
<td>2011-12</td>
<td>465</td>
<td>52.05</td>
</tr>
<tr>
<td>6</td>
<td>2012-13</td>
<td>426</td>
<td>78.40</td>
</tr>
</tbody>
</table>

**Growth Rate (%)**  
-5.64  
25.13  
10.47  
36.23

*Source: Compiled from “Status of Microfinance in India”- NABARD Annual Report 2007-08 to 2012-13*

*Note: Actual number of MFIs availing loans from Banks would be less than the figures shown as most of MFIs avail loans from more than one Bank.*
The MFI Bank Linkage Programme is yet another conduit for extending financial services for the SHGs where financial institutions are given loans for on-lending to the SHGs. There were 518 MFIs who took loans from the banks in the year 2007-08 whereas only 426 MFIs took loan in the year 2012-13 for on-lending to SHGs. Over the period of 6 years, a negative LGR of nearly 6 percent has been recorded in this but the spurt of 25 percent in loan disbursement over the same period looks promising. All these indicators along with 36 percent growth of loan outstanding with MFIs indicate better linkages of SHGs with the banks and a step forward for financial inclusion. Hence SHGs may be considered as an effective tool for the vibrant financial inclusion in India.

Besides savings and loan components, the outreach status of the groups has been evaluated through other variables. (Table 4). The estimated number of families covered for the financial assistance has been increased upto 1030 in March, 2012 but went down to 950 in the year 2013. Similarly, a negative growth of 10 percent has been recorded in terms of coverage of various participants such as SHGs and JLGs. This negative growth perhaps is a case of concern for the whole programme. On the other hand, a rise has been recorded in terms of the promotion of Joint
<table>
<thead>
<tr>
<th>Particulars</th>
<th>March 10</th>
<th>March 11</th>
<th>March 12</th>
<th>March 13</th>
<th>LGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated number of families covered (No. in lakhs)</td>
<td>970</td>
<td>970</td>
<td>1030</td>
<td>950</td>
<td>-0.02</td>
</tr>
<tr>
<td>Joint Liability Groups promoted during the year (No. in lakhs)</td>
<td>-</td>
<td>-</td>
<td>1.92</td>
<td>1.97</td>
<td>2.60</td>
</tr>
<tr>
<td>Number of participants covered during the year (SHG + JLG) (No. in lakhs)</td>
<td>2.54</td>
<td>2.06</td>
<td>1.87</td>
<td>1.85</td>
<td>-9.95</td>
</tr>
<tr>
<td>Refinance released to banks during the year (Rs in crore)</td>
<td>3173.56</td>
<td>2545.36</td>
<td>3072.59</td>
<td>3916.64</td>
<td>8.54</td>
</tr>
<tr>
<td>Grant assistance to SHPIs for promotion of SHGs during the year (Rs in crore)</td>
<td>28.78</td>
<td>37.86</td>
<td>37.95</td>
<td>42.33</td>
<td>12.30</td>
</tr>
</tbody>
</table>

Source: Status of Microfinance in India, NABARD Annual Report, 2009-10 to 2012-13
Liability Groups (JLGs) (2.60 percent), refinance released to banks (8.54 percent), and grant assistance to Self-Help Promoting Institutes (SHPIs) for the promotion of SHGs (12.30 percent). The overall analyses of all these variables support FIPs of the government but demands acceleration in future.

**Financial Inclusion – A Visible Impact in India**

Financial inclusion can well be adjudged from the banking scenario of the country. The increasing trend of the establishment of financial institutions in the rural areas indicates government’s effort of streamlining rural population with formal financial institutions. Over the last four years, the growth rate of 6 percent and 10 percent (Table 5) has been observed in the establishment of scheduled commercial bank branches in the country in rural and semi-urban areas as against 7 percent of the total. As compared with rural areas, the number of branches in semi-urban areas has increased more rapidly.
### Table 5 Banking scenario in India (Branches of SCBs) (No. in ‘000)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>LGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rural</td>
<td>32.29</td>
<td>33.33</td>
<td>35.36</td>
<td>37.95</td>
<td>5.59</td>
</tr>
<tr>
<td>2</td>
<td>Semi Urban</td>
<td>20.36</td>
<td>22.42</td>
<td>25.08</td>
<td>27.23</td>
<td>10.34</td>
</tr>
<tr>
<td>3</td>
<td>Urban</td>
<td>16.65</td>
<td>17.71</td>
<td>18.54</td>
<td>19.33</td>
<td>5.06</td>
</tr>
<tr>
<td>4</td>
<td>Metropolitan</td>
<td>14.70</td>
<td>15.66</td>
<td>17.08</td>
<td>17.84</td>
<td>6.90</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td>84.00</td>
<td>89.12</td>
<td>96.06</td>
<td>102.35</td>
<td>6.91</td>
</tr>
</tbody>
</table>

*Source: Basic Statistical Returns, RBI and DFS, GoI*
The positive growth rate of bank branches indicates governments’ effort to reduce financial exclusion but the growth rate as it is visible may not be sufficient and needs further acceleration to achieve faster and full financial inclusion in the near future. The number of SCBs branches opened during the year however shows impressive growth of 21 percent (Table 6) in the rural areas over a period of 4 years. This increase perhaps delineates the concentrated effort of the government of establishing new branches in rural areas and may be considered as one of the strongest indicators of financial inclusion.

**Table 6 Number of branches of Scheduled Commercial Banks opened during four years**

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Particulars</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13*</th>
<th>LGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rural</td>
<td>1021</td>
<td>1422</td>
<td>2453</td>
<td>1598</td>
<td>20.79</td>
</tr>
</tbody>
</table>

Source: Basic Statistical Returns, RBI and DFS, GoI. * Provisional

SHGs have been in the favourite customers’ list of the banks in the recent past. Banks preferred to give loans to the SHGs because of low transaction cost and good recovery rate. The outsourcing of cost that is associated with monitoring and appraisal of loans tend to reduce transaction costs substantially for the lending institutions. A study conducted by Puhazhendi, 1995 for costs incurred by banks in India to lend the rural poor directly and through NGOs and SHGs as intermediaries concluded that lending through NGOs and SHGs reduced transaction costs for the banks in screening, client selection and contract enforcement. The study undertaken in four states revealed the fact that transaction costs of lending to SHGs might be slightly more than the normal lending for the first loan, but in case of subsequent advancement of loans, the significant reduction in transaction cost was observed. Another study on the commercial aspects of the SHG-bank linkage also found substantial cost advantage of
microfinance programme (Seibel, et al., 2002). Along with the reduction in costs, the high recovery rate in the hands of lenders also encourages the intervention of SHGs as significant intermediary for financial inclusion. A study of North-Eastern state of Assam (Purkaystha, 2004) concluded that the high recovery rate from SHGs had encouraged many banks to provide microcredit through SHG route which ultimately led to the microcredit movement in the state on the one hand and high degree of financial inclusion on the other. A good number of SHGs, as it is visible in Table 3, above have opened their savings bank account with the banks over a period of 6 years indicating that they might be the viable groups for financial inclusion in India.

Along with the establishment of bank branches, the rural and semi-urban areas have also been facilitated with ATMs to have easy access of financial transactions (Table 7). As of 31st March 2013, 8,552 ATMs have been installed in the rural areas whereas this figure stands at 18,445 in the semi-urban areas. Among all the agencies, Public Sector Banks (PSBs) have established maximum ATMs in all parts of the country including that of 74 percent in the rural areas. This indicates the focused effort of the government for providing financial services to the rural and far flanged areas in particular and enhancement of financial inclusion in general. Along with the PSBs, the private sector and foreign banks have also established ATMs but the comparative share with that of PSBs is not appealing.
**Table 7** Number of ATMs in the country as on 31<sup>st</sup> March, 2013

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Rural</th>
<th>Semi Urban</th>
<th>Urban</th>
<th>Metropolitan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Public Sector Banks</td>
<td>8552</td>
<td>18445</td>
<td>22518</td>
<td>20137</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(73.95)</td>
<td>(66.56)</td>
<td>(62.36)</td>
<td>(52.13)</td>
</tr>
<tr>
<td>2</td>
<td>Old Private Sector Banks</td>
<td>768</td>
<td>2760</td>
<td>2354</td>
<td>1684</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(6.64 )</td>
<td>(9.96)</td>
<td>(6.52 )</td>
<td>(4.36)</td>
</tr>
<tr>
<td>3</td>
<td>New Private Sector Banks</td>
<td>2214</td>
<td>6484</td>
<td>10995</td>
<td>15842</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(19.15)</td>
<td>(23.40)</td>
<td>(30.45)</td>
<td>(41.01)</td>
</tr>
<tr>
<td>4</td>
<td>Foreign Banks</td>
<td>30</td>
<td>21</td>
<td>244</td>
<td>966</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.26 )</td>
<td>(0.08)</td>
<td>(0.68 )</td>
<td>(2.50)</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td>11564</td>
<td>27710</td>
<td>36111</td>
<td>38629</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
</tbody>
</table>

*Source: Basic Statistical Returns, RBI and DFS, GoI*

**Conclusion**

Financial inclusion is an inevitable part of the government policy. The overall analyses show that the SHGs are effective agents of financial inclusion in India. The SBLP has been growing since its inception and alongside there is a greater scope for the SHGs to grow in number and volume. On account of their productive linkage with the banks, the accomplishments of FI become easy for the government. The SHGs are found playing major role for the fulfillment of the FIPs of the government. Also, they become the important agents for the pooling of financial resources from the banks and augmenting their paltry resources by venturing IGAs. The study at the end infers that the SHGs are imperative for financial inclusion in India.

**Findings and Recommendations**

Financial inclusion is one of the important tools to streamline poor with formal financial system. The overall findings of the study infer that SHGs are important intermediaries for bridging gap between poor and financial institutions. The SHG Bank Linkage has been the important programme so far in India. On the other hand, the emphasis on FIPs and steps taken thereon by the government such as
'provision of banking outlets through board approved plans' looks promising for the promotion of FI. The following points summarize the findings of the study and brief recommendations for the better FI in the country.

(i) The roadmap prepared by the RBI for providing banking outlets in unbanked villages has been found effective. During Phase I and Phase II, the banking outlets have been opened through branches, BCs, and other modes. In future these steps may be strengthened further to achieve vibrant financial inclusion in the country.

(ii) Preparation and implementation of board approved FIPs have been found significant for provisioning of banking services to the poor. Such kind of policies may be continued with necessary adjustments such as redesigning of policies based on the financial need of the poor and other underprivileged sections of the society.

(iii) The provision of banking services covered through BCs (more than 200 percent) has been significant. The other modes however, also need to be revived. The coverage of banking outlets by all the modes may boost FI in future.

(iv) Kisan Credit Cards (KCCs) have been used by the banks to tap the unbanked areas and to meet the credit requirements of the farmers. The growth of 13 percent in KCCs does not look impressive and need acceleration in future.

(v) The status of SBLP delineates satisfactory performance of SHGs in terms of savings, loan disbursement, and loan outstanding. All these phenomena suffice SHGs as significant agent for the promotion of FI in the country.

(vi) The MFI Bank Linkage Programme also shows satisfactory performance in terms of SHG credit linkages. However, the negative growth rate of 6 percent in
the number of MFI raises concern. In future, the government may encourage more MFIs to come forward by giving more banking licenses to them. This will help more SHGs to streamline with the formal sources of finance in one hand and enhancement of FI on the other.

(vii) Improvement has also been observed in terms of promotion of JLGs (2.60 percent), refinance released to banks (8.54 percent), and grant assistance to SHPIs for the promotion of SHGs (12.30 percent). However, a further improvement on all the above indicators may bring significant impact on FI.

(viii) Microfinance through SHG route might be made easier and transparent. Often it is alleged that the finance is routed to local elites who even do not feel obligated to repay the same. Hence, right amount of loan at right time with right conduit of sources/mechanism might help the needy poor. This in turn is expected to enhance the financial inclusion in the country.

(ix) The result derived from the quality research might be used by the government in terms of framing future FIPs. This will help to assess long term implications of big policy decisions such as loan waiver, designing new microfinance models for effective credit delivery, and continuity of subsidy etc.
References


Servant Leadership: A Componential Analysis

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Abstract
Servant leadership, an exceptional form of leading and interacting with the followers in the process of endogenous and exogenous goal achievement, generally involves ‘I serve’ form rather than the commonly practiced ‘I lead’ form. Conceived in the realm of spiritual and ethical form of influencing, the theory and practice of servant leadership is still in its evolving stage. The converging and diverging interpretations, however, do not dilute the essence of servant leadership. The differing analyses further illuminate the nature of servant leadership. In dissecting the components of this unique form influencing, the key psychological processes are subjected to study in the context of the general parameters of servant leadership.

Keywords: Leadership, Servant leadership, Emotional processes, Cognitive processes, Motivational processes, Personality processes, Social relational processes

Introduction
Leadership assumes a prime position in the behavioural research of social influence process (Parris & Peachey, 2012). The viability of an organisation and its very existence in normal and troubled times is directly related to the leadership processes. In its simplicity and complexity, leadership is researched and practiced from different perspectives and there is no dearth of literature in this area. The one-dimensional and multidimensional interpretations of leadership processes have expanded the horizons of leadership research. And in their attempt to interpret and organise the antecedents, the nature and the outcomes of the leadership processes (Bass & Bass, 2009), some leadership practitioners and scholars have called attention to a new realm of ethics, values, morality and spirituality of leadership (Parris & Peachey, 2012). The most prominent model of

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research in this new age approach to leadership is that of the servant model of leadership.

The origin of servant leadership is traced to a story, *Journey to the East* by Herman Hesse. “In this story we see a band of men on a mythical journey...The central figure of the story is Leo, who accompanies the party as the servant who does their menial chores, but who also sustains them with his spirit and his song. He is a person extraordinary presence. All goes well until Leo disappears. Then the group falls into disarray and the journey is abandoned. They cannot make it without the servant Leo. The narrator, one of the parties, after some years of wandering, finds Leo and is taken into the Order that had sponsored the journey. There he discovered that Leo, whom he had known first as servant, was in fact the titular head of the Order, its guiding spirit, a great and noble leader” (Sendjaya & Sarross, 2002, p.58).

All leaders especially political leaders including kings, heads of state and heads of government acknowledge the service of their country and their people (Sendjaya & Sarross, 2002). Political leaders define themselves in terms of public service and we see governments rising and falling based on their relationship with the relationship and to what extent they serve their people and maintain their closeness demonstrated in their guiding and caring the people.

In his book *Leadership of the Wise* Karma Ura portrays the emergence of monarchy in Bhutan. It is to be noted that the monarchs of Bhutan are exemplified in their relationship with the people. Characterised by warmth, simplicity, friendliness and compassion, the Kings of Bhutan stand apart in the governance of the country.
The Nature of Servant Leadership

Greenleaf (1970) coined the phrase ‘servant leadership’. In his own words, “the servant leader is servant first...it begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead. That person is sharply different from one who is leader first, perhaps because of the need to assuage an unusual power drive or to acquire material possessions....The leader first and servant first are two extreme types. Between them there are shadings and blends that are part of the infinite variety of human nature.... The difference manifests itself in the carte taken by the servant –first to make sure that other people’s highest priority needs are being served. The best test and difficult to administer, is this: Do those served grow as persons? Do they while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants?” (Green leaf, 1970 as cited in Greenleaf, 1977: p.13-14).

Greenleaf (1977) goes on to affirm that servant leadership is not a concept or a principle, instead it s to b understood as an inner standard living and that it requires a spiritual understanding of identity, mission, vision and environment. The practice of servant leadership grows out of an inner harmony and a mental set characterised by equality of all beings, equanimity, elegant behaviour and a deep affection of all.

In yet another interpretation Laub (1999) defines servant leadership as “an understanding and practice of leadership that places the good of those led over the self-interest of the leader” (p.81). Servant leadership promotes the valuing and development of people, the building of community, the practice of authenticity, the providing of leadership for the good of those led and the sharing of power and status for the common good of each individual, the total organisation and those served by the organisation.
According to Choudhary, Akhtar and Zaheer (2013), the two main constructs of servant leadership are ethical behaviour and concern for subordinates. In a similar line Graham (1991) states that the highlights of servant leadership are the importance of followers’ development, holistic needs and autonomy. Ethical leadership involves honesty, caring and individuals who take fair and balanced decisions (Brown & Treevino, 2006). Ethical leadership involves trust. “Trustworthy leaders foster a sense of organisational solidarity that aids in the development of a climate of mutual trustworthiness” (Reed, Vidaver-Cohen & Colwell, 2011, p.418). Servant leadership is predominantly heart-oriented rather than head-oriented and servant leaders are called a ‘leader within’ and not a ‘leader without’. Every leader should have a ‘servant’s heart’, showing care and concern for others and be more ‘mentor-minded’, that is have the desire and concern to build and develop others, even at his own expense” (Waterman, 2011). The heart of a servant and the head of a master make the nature of servant leadership that surpasses the usual conceptualisations of leadership adopted in both transactional and transformational leadership.

Servant leadership is viewed and practiced unlike the traditional and the modern theory and practice of leadership wherein the leader is equated with a boss who restricts and constricts the followers in order to accomplish the set goals. Servant leaders on the other hand inspire and elevate the followers to a level where they spontaneously and harmoniously walk towards goals set by the followers themselves.

**Components of Servant Leadership**

Any form of leadership is to be conceptualised in relation to the basic psychological processes that characterise the leadership in its function and effectiveness and the basic components are depicted in Figure.1. The cognitive interpretation lays emphasis on the cognitive structures and processes of leaders.
The emotional interpretation delineates leadership in terms of the basic emotional characteristics of the leader (Humphrey, 2002), the motivational analysis brings forward the predominant motivational tendencies of the leader (Sendjaya & Sarros, 2002), the personality analysis of leader identifies the key constructs of leader personality (Parris & Peachey, 2013) and the social relational consideration sheds light on the interactional pattern of leaders (Bass, 2000).

The Personality Process of Servant Leaders
Personality consists of the sum total of the pattern of traits of an individual. The unique pattern of traits and adjustment in relation to the situation define the personality as a distinctive process and the pattern of adjustment defines personality in relation to a mode of conduct. In the tradition of trait interpretations, researchers identify significant characteristics or attributes or traits in relation to individual functioning and adjustment.

Figure 1 A Basic Componential Model
There have been attempts in servant leadership research to identify key characteristics of servant leaders. Parris and Peachey (2013) discussed the three reviews of servant leadership. Russell and Stone (2002) identified nine core attributes and eleven accompanying attributes. The nine core functional attributes are: vision, honesty, integrity, trust, service, modelling, pioneering, appreciation of others and empowerment. And the eleven attributes of interrelated nature and which are also supportive of the core attributes are communication, credibility, competence, stewardship, visibility, influence, persuasion, listening, encouragement, teaching and delegation.

Barbuto and Wheeler (2006) synthesised the characteristics into five: altruistic calling, emotional healing, persuasive mapping, wisdom and organisational stewardship. Van Dierendonck (2011) brought forward six characteristics: empowering and developing people, humility, authenticity, interpersonal acceptance, providing direction and stewardship. Spears’ (1998) ten characteristics of a servant leader are listening (receptive and impassioned listening leading to understanding the mental processes of others), empathy (always accepting, recognising and identifying with the other person in a constructive way), healing (recognising and ennobling the value of being a human in its worth), awareness (holistic perception enabled by awareness and self-awareness), persuasion (persuasion at the interpersonal level), conceptualisation (collective and the shared thinking), foresight (learning from the past, and the present enable the leader to plan for the future), stewardship (others first) commitment to the growth of the people (uppermost importance to the personal, professional and spiritual development of others) and building community (developing the communities in which the leader works).

According to Batten (2009) there are thirty-seven rules that describe the tough-minded servant leaders. They are openness and emotional vulnerability; warmth;
consistency; unity; caring; positive listening; unsatisfaction (not dissatisfaction); flexibility; giving; involvement; tolerance of mistakes; values; psychological wages; simplicity; good use of time; winning formula = integrity + quality + service; open-mindedness; development of people; self-discipline; physical fitness; enjoyment of life; a broad perspective; faith in self and others; vision; positive thinking; a desire to learn; enjoyment of work; enrichment of work; enrichment of others; integrity; results not activity; candour; management by example; a clear philosophy; accountability; purpose and direction; expectation of excellence and; laser-like focus.

Page and Wong (2000) dealt with the servant leadership characteristics in the following manner: integrity, humility, servant hood, caring for others, empowering others, developing others, visioning, goal-setting, leading, team building and shared decision-making.

It has been found that Patterson’s leader-to-follower (2003) and Winston’s (2003) follower-to-leader model attributes are greatly relevant in varied contexts. The former model of leader-follower interactions subsumes such values of being teachable, showing concern for others, demonstrating discipline, seeking the greatest good for the organisation, showing mercy in actions and beliefs with all people, meeting the needs of followers and the organisation and creating a place where peace grows within the organisation. And in Winston’s model follower-to-leader interactions are based on the love for others and followers themselves become servant leaders utilising the same values.

**Servant Leadership and the Motivational Processes**

Effective leadership involves the motivational processes of leaders and the followers. The significance of these processes is emphasised by researchers in relating transformational leadership with servant leadership (for e.g. Smith,
Montagno & Kuzmenko 2004). Servant leadership model is inextricably linked to the transformational school of leadership. According to Bass (1990) transformational leadership is explained by the four dimensions of charisma, inspirational motivation, intellectual stimulation and individualised consideration. In relation to the motivational processes that underlie transformational leadership, self-determination theory has been used by researchers (for e.g. Trepanier, Fernet & Austin, 2012; Chen, Chen & Li 2011).

The concept of autonomous motivation which is central to self-determination theory (Trepanier, et al, 2012) is related to both the transformational leadership behavioural processes and more specifically servant leadership model. Moreover motivational autonomy underlines maximally effective psychological functioning and processes (Ryan, 1995).

Gagne and Deci (2005) in their elaboration of self-determination theory suggest autonomous motivation involves intrinsic motivation, two fully internalised extrinsic motivations- the integrated regulation and regulation through identification and the controlled motivation involves the introjected regulation of behaviour and external regulated behaviour. Intrinsic motivation originates from the person’s own well-springs and it is wholly subjective and internal to the person whereas extrinsic motivation is based on external objects and events. External pressures or attractions result in externally regulated behaviour. Introjected regulation of behaviour stems from partial acceptance of external regulations. And in regulation through identification, the external regulations are identified with and so there is an exercise of autonomy. Integrated regulation goes a step further as there is full identification and absorption of regulations leading to the incorporation of the same in the self.
Servant leadership thus significantly taps into the intrinsic motivational processes of the individuals. The different way in which intrinsic/extrinsic motivational processes are interrelated with leadership and more significantly with servant leadership processes are diagrammed in Figure.2.

*Figure 2 Motivational Processes and Leadership*

![Motivational Processes and Leadership Diagram](image)

Moreover Sendjaya and Sarros (2002) state that the underlying motivational processes of servant leaders are one of “I Serve” as opposed to the “I Lead”. The characteristics that go with the “I serve” and the “I lead” motivation are given in the Table 1.

*Table 1. The Differences between ‘I Serve’ and ‘I Lead’ Motivations*

<table>
<thead>
<tr>
<th>I Serve</th>
<th>I Lead</th>
</tr>
</thead>
<tbody>
<tr>
<td>You are preferred to me</td>
<td>I am preferred to you</td>
</tr>
<tr>
<td>I take suggestions from you</td>
<td>You take suggestions from me</td>
</tr>
<tr>
<td>Your thoughts and actions are appreciated</td>
<td>My actions are to be welcomed always</td>
</tr>
<tr>
<td>You are in the front, I am in the back</td>
<td>I am in the front, you are in the back</td>
</tr>
<tr>
<td>When something goes wrong I will be the first to own the responsibility</td>
<td>When something goes wrong, you will have to take responsibility</td>
</tr>
<tr>
<td>When things are moving in the right direction you will be given the credit, and when things go wrong, no blaming business</td>
<td>When things are moving in the right direction, naturally the credit comes to me</td>
</tr>
<tr>
<td>I will share whatever is there, shared cognitions the order of the day</td>
<td>You have to take orders from me and I will reserve the right to discuss with you</td>
</tr>
<tr>
<td>Be my companion</td>
<td>Be loyal and obedient to me</td>
</tr>
</tbody>
</table>
Emotional Processes of Servant Leadership

Greenleaf (1970) in his writings state that servant leadership begins with the natural feeling that one wants to serve to serve first”. This leads one to examine the underlying emotional processes of servant leaders as it is evident that unlike transactional leaders, the servant leaders are to have concomitant emotions that are congruent with their behaviours.

Emotions are understood as psycho-physiological experiences or reactions to objects and events. The affective interpretations indicate the emotional realm of the person. According to Fernandez-Dolls and Russell (2003) emotion is constitutive of core affect which is objectless, object/events linked affective quality and the corresponding attributions to an object. Individuals are to be differentiated on the basis of core affect, the appraisal or the interpretation they make about the object/event and the stimulus-response link (Fernandez-Dols & Russell, 2003). The emotional processes of the individual are thus the interactional outcome of the presence of emotion eliciting events/objects/persons and the individual’s own interpretative systems. In relation to the interpretative systems, Siemer and Risenzein (2007) differentiate between emotion judgements and appraisal judgments. Emotion judgements that go with the core affect of the person are automatised and proceduralised resulting in defining the intensity and arousal of the emotional experience that precede the event-related interpretation. The event-related appraisal judgments typify the specific nature of emotion experienced in relation to an event. In this interpretation of situated emotion, the emotion is experienced in interaction with the situation.

Leadership is inherently emotional (Antonakis, Ashkanasy & Dasborough 2009) as it involves influencing the situated followers. Emotional abilities and processes of the leaders largely determine the effectiveness of leaders. In this context Humphrey (2002) identifies three key leadership issues. The first issue relates to
emotional traits or abilities like empathy that characterise much of the servant leader behaviour. The second issue revolves around leader-member exchange processes and the management of the emotions of followers. Interpersonal sensitivity and skilful use of emotions of others assume importance. The third issue relates to the perception about leaders and the emotionality of the leaders strongly influences the behaviours of the followers. In other words positive emotional displays and negative emotional displays of leaders have corresponding effects on the followers’ effectiveness.

In further understanding the inherent relationship between the emotional characteristics of leaders or their emotionality and the overall effectiveness (Riggio & Reichard, 2008), the key facets of the emotional processes or emotional intelligence based on the work of Mayer, Salovey and colleagues (1990, 1997, cited by George, 2000) which are significant in leadership effectiveness or more specifically servant leadership model are presented in Table 2.

**Table 2 Aspects of Emotional Processes in Relation to Servant Leadership**

<table>
<thead>
<tr>
<th>IDENTIFICATION AND THE EXPERIENCE OF EMOTIONS</th>
<th>REASONING WITH EMOTIONS TO ENHANCE DECISION-MAKING AND PROBLEMSOLVING PROCESSES</th>
<th>KNOWLEDGE ABOUT EMOTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-awareness of feelings and emotions; Ability to differentiate emotions of positivity and negativity, dominance and submissiveness; Ability to differentiate self-centred and other-centred emotions; Ability to differentiate</td>
<td>Greater experience of emotions facilitates creative thinking; Prevalence of positive emotions that aid in problem-solving, and decision-making; Generation of emotions that enhance flexibility.</td>
<td>Knowledge about the causes and the dynamics of emotions; Awareness about emotional schemata; Knowledge about the consequences of emotions; Knowledge about the constructive</td>
</tr>
</tbody>
</table>
productive and unproductive emotions and destructive emotions

<table>
<thead>
<tr>
<th>INTERPERSONAL MANAGEMENT OF EMOTIONS</th>
<th>SELF-REGULATION OF EMOTIONS</th>
<th>LEADER-SPECIFIC EMOTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interpersonal sensitivity; Empathy; Control and management of group emotions; Healing the experience of negative emotions</td>
<td>Meta-regulation of emotions(reflections on the causes, appropriateness and changeability of emotions); Self-regulation of unpleasant emotions; Sublimation of negative emotions; Recognition and channelization of unproductive emotions</td>
<td>Compassion; State of calm and poise; Humility; Expression and experience of egolessness, Self-denial; Equanimity; Joy and happiness</td>
</tr>
</tbody>
</table>

**Social Relational Processes**

Leadership revolves around the key processes of influencing the followers and as such its effectiveness depends upon the social and interpersonal skills of the leader. The greatness of leadership is measured by the effectiveness of leader-followers relationship, the reciprocal relationship, articulating of a vision to the followers, sharing and building a vision, moulding a path to achieve the vision and instilling greater satisfaction among the followers (Parris & Peachey, 2012; Choudhary, et al., 2013).

Bass (2000) stressed that the strength of the servant leadership movement rests with its emphasis on interpersonal relations, encouraging follower learning, growth and autonomy. According to Goh and Low (2014) servant leadership is to be understood as the leader’s desire to reach out to the follower and the basis of this leadership process is ‘for the sake of the followers’. In the servant leadership influence process, the followers get the highest priority and they get the
maximum attention and focus from the leader. The focus of servant leadership is not upon the self but rather on others (Greenleaf & Spears, cited by Goh & Low, 2014).

The persuasive empowering and delegating style of servant leadership (Parris & Peachey, 2007) is operationalised to highlight the significance and the inevitable necessity of followers’ development, holistic needs and autonomy, development of self-determination, wisdom and unrestricted functioning of followers (Graham, 1991; Greenleaf, 1977, cited by Goh & Low, 2014).

It is interesting to draw parallels between transformational and servant leadership as there are many facets common to both. Both servant leadership and transformational leadership have many facets in common; they influence followers, empower followers, encourage them for good performance, communicate and listen to subordinates (Choudhary et al., 2013).

As already mentioned in the paper (p.6) transformational leadership involves individualised consideration, intellectual stimulation, and inspirational motivation. These basic features of transformational leadership are to be compared with the underlying precepts of authentic servant leadership which are (a) service before self, (b) listening as a means of affirmation, (c) creating trust, and (d) nourishing followers to become whole. It is evident that regardless of the differences in the nomenclature, transformational and servant leadership focus on the warm and genuine relationships with the followers.

The conceptual similarity between transformational and servant leadership is identified by Humphreys (2005) as “transformational leaders are thought to operate out of deeply held personal value systems” (p.1410) that align comfortably with the servant leader paradigm”. Thus it is evident that opposed to
transactional form of leadership, both transformational and servant leadership give the top most attention to followers that involves ‘elevation’, ‘mobilization’, ‘inspiration’, ‘exaltation’, ‘uplifting’, ‘preaching’, ‘exhorting’, and ‘evangelizing’ (Burns, 1978).

The Cognitive Processes
The existing cognitive theories of leadership focus on how leaders and followers attend to, process and make decisions and develop (Avolio et al., 2009). And the theories of cognition explain the processes of knowing and the different cognitive structures used by individuals/leaders and followers in their attempt to make sense of the leadership situation.

Avolio et al. (2009) identifies two streams of research in the realms of cognitive leadership. One model of research emphasises leader’s cognitive attributes/abilities/processes and the second area of research deals with the shared thinking that facilitates leader-follower creativity.

The idea of servant leader’s self-concept has been discussed by Sendjaya and Sarross (2002) and accordingly it is ‘not only about doing the acts of service but also being a servant’. The servant leader’s choice to serve and not to be served is associated with self-image, self-esteem, self-perception and self-awareness, all of which do not connote servility, but it emanates from the self-structure of ‘I serve because I am the leader’ (Sendjaya & Sarross, 2002).

In relating self-concept to behaviour, Lord and Brown (2004) suggest the idea of a working self-concept. It consists of three types of components: self-views current goals and possible selves (Lord & Brown, 2004). The self views are in relation to the present views of oneself and the contents of the same are reflected in self-beliefs, self-perceptions, self-esteem and self-awareness all of which
programme the behaviour of the leader. Possible selves represent the ideal self that the servant leader is trying to actualise and it stems from the idealised vision of being a servant for the followers that they may actualise their potentialities. Thus the behaviour of the servant leader gushes forth from the self-concept of self-sacrificial behaviours, spontaneous, genuine, selfless and uninhibited behaviours of service.

An individual’s cognitive structure that has received attention in leadership process is schema. Rumelhart and Ortony (1977) defined schemata as ‘data structures for representing the generic concepts stored in memory. They exist for generalised concepts underlying objects, situations, events, sequences of events, actions and sequences of actions’. In other words schemata are organised structures of knowledge that aid the individual in interpreting the world around which includes people, objects, social events and activities, technology and interpersonal interactions. In relation to these there are various kinds of schemata.

In the servant leadership processes different schemata may be identified. For example, Wofford et al. (1999, cited by Avolio et al., 2009) suggest vision schema, follower schema and self-schema. Leaders use schemata of different kinds in the process of leading which may be broadly classified into the following forms.

*Follower(s) schema:* this organised cognitive structure represents specific knowledge about the followers, their personality, patterns of work and relationships. A second aspect about this schema relates to the pattern of interaction the leaders to have with the followers.

*Goal achievement schema:* Goal achievement of servant leaders’ is to be distinguished from both transactional and transformational leaders. The
traditional principles of command and control, carrot and stick, power and authority and centralisation have no place in the scheme of servant leadership. The goals are achieved through the means of ‘service before self’, listening as a means of affirmation ‘creating trust’ and nourishing followers to ‘become whole’ (Humphreys, 2005). As far as goal achievements are concerned in real terms, it has been found that servant leadership significantly influence performance (Choudhary et al., 2013). Moreover Graham (1991) states that servant leadership goes beyond the simple achievement of organisational goals and that there are also moral and ethical dimensions involved in the process of leadership.

**Event schema:** Humility, genuineness and “do those served grow as persons? Do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants” (Greenfield, 1977) characterise the events organised in the organisation. Under servant leadership no pompous display of wealth or luxury can be expected.

**The interpersonal schema:** This schema of servant leadership centres on horizontality, no status differences and networked relationships. There is no real boss in the processes of servant leadership and everyone is treated and considered equal. The old idea of leading through the medium of differentiated levels of management and hierarchical roles of command and control do not hold well in the leadership process. Instead interpersonal relations are characterised by servant hood and brotherhood.

**Power schema:** The exercise of power, specially the coercive form is anathema in servant leadership. A servant leader does not take advantage of his/her power and status by coercing compliance; rather he/she tries to persuade them (Jones-Burbridge, 2012). Employees are gently nudged towards action and it does not involve the use of influence strategies. Workers are not mere employees but
individuals who need respect, concern, appreciation and care for their professional and personal development (Jones-Burbridge, 2012).

**Vision schema:** It involves the combined output of hindsight, insight and foresight whereby the followers are taken to a higher state of envisioned living. Servant leaders are able to see beyond the mundane and the ordinary and they are willing to endure the hardships of the present and willing to forego or overcome the temptations of immediate gratification for a greater future.

**Stewardship schema:** It contains knowledge and procedures about serving others. ‘First and foremost it involves a commitment and a dedication to serving the needs of others’ (Jones-Burbridge, 2012). The expression ‘you grow before me’ captures the essence of stewardship and the roles of a master and servant are reversed. In this role reversal, the needs, priorities and concerns of the employees/friends are addressed to rather than the orders or desires of the leader.

And finally in understanding the cognitive processes of servant leaders or servant leadership cognition, a reference is to be made to shared cognition that involves an organised understanding and sharing of relevant knowledge in the leadership processes (Mohammed & Dumville, 2001). According to Cannon-Bowers and Salas (2001) what must be shared can be understood in four categories: Task-specific knowledge, task-related knowledge, knowledge of team members and attitudes and beliefs. Task-specific knowledge results in generating compatible expectations for performance. All the members come to have similar performance outcomes and it brings in harmony and conflict-free work environment.

Task-related knowledge refers to a variety of tasks which fall in a broad category of technical, financial, etc. Such shared knowledge facilitates team/group effectiveness. Shared knowledge of team members involves understanding related to the preferences, likes and dislikes strengths and weaknesses, expertise and
specific capabilities. Shared perceptions, attitudes, motives and personality characteristics bring in greater and effective working relationships. It results in greater reduction of uncertainty following intimate or not-so-intimate knowledge about the co-workers.

Further, ‘shared’ has four different connotations (Cannon-Bowers & Salas, 2001). The first use of the term ‘shared’ means two or more members having some common knowledge, the second meaning is members having similar/identical knowledge, the third category of shared connotes complementary or compatible knowledge and the final category of ‘shard’ refers to the effective apportioning of knowledge across members.

The open and genuine relationships characteristic of servant leadership is indicative of shared cognitions. “Through openness and personal discussions of their trials and tribulations and those of others, they share their humanity with followers. Unafraid of showing vulnerability, they use open and frank discourse as a way to awaken the human spirit around them” (Humphreys, 2005, p.1414).

**Conclusion**

The effectiveness of leadership from transactional to transformational and servant leadership differs not exactly in relation to the situation but exactly in relation to the nature and the content of leadership. In comparison to transactional and transformational mode of influencing, servant leadership goes a step ahead in giving importance to the followers and placing a high value on transforming the followers from an approach embodied in ‘I serve’ and not ‘I lead’. Even though the theory and practice of servant leadership are still emerging, one can find a rich source of studies pertaining to its interpretations and applications. Over and above the varying interpretations, the underlying processes of cognition, motivation, emotion, social relations and personality patterns bring into focus how servant
leadership is distinctive and how servant leadership can be considered to be a form of leadership that is extraordinary in practice and that appeals to both objective and subjective processes. Servant leadership cannot be practiced by an ordinary leader and the followers cannot be ordinary. The practice of servant leadership involves the combination of hindsight, insight and foresight. The fundamental human psychological processes are to be clearly understood by the leader and the follower in it successful actualisation
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Abstract

Literature on the importance of class attendance affirms the positive effect of attendance on student achievement. Royal University of Bhutan has therefore, developed attendance policies that mandate all students to attend at least 90% of the classes in each module. Consequence of the law, every semester many students are directly declared fail in the respective module(s) of attendance shortage which do not actually represent the real learning outcome of the students. Therefore, to evaluate the actual impact of attendance in terms of learning outcomes a correlation analysis is performed using Feb.-June 2015 semester data. Results indicate a statistically significant but weak positive correlation between lecture attendance and exam performance \( (r = 0.03) \), suggesting the requirement to improve class deliveries and course designs. Students are also recommended to develop their personality towards class attendance and learning.

Key words: Attendance, Exam Performance and Correlation

Introduction

Class Absenteeism and Exam Performance

Rampant class absenteeism is believed to jeopardize teaching and learning environment (Brauer, 1994) and thus, considered a major problem by teachers as well as school managements. Moreover, parents regard schools as safe palaces for their children. But these believes are not new to our generations. Over centuries, governments, politicians, educators and parents in their search for a magic solution to reform the education system recognized students’ regular class attendance as the top priority (Edwards, 2002). Consequently, educational institutes around the world have framed policies mandating students to attend classes regularly or at least for a maximum number of classes in a semester/year. For instance, Texas A&M University in the US mandates all students to attend classes regularly and punctually without which they will be administratively dropped from the course. Even tougher with attendance are some schools with ‘three strikes policy’ where the student is out of school if absent thrice (for eg.

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Compulsory school attendance laws have been enacted to protect and provide education to all children (K. Alexander & M.D. Alexander, 1998).

Similarly, the Wheel of Academic Law (WAL) of the Royal University of Bhutan (RUB) states that a student must meet his/her teachers for a minimum hour during a semester for each academic credit award. The wheel stipulates all students to attend at least 90% of the classes delivered in a semester for each module and at least 80% in case of students who are allowed medical/official/extra ordinary leave (Royal Government of Bhutan [RGoB], 2015). In GCBS students are informed of the importance of attending classes. Similarly, they are repeatedly notified on the attendance requirement in each module from the start of the semester and reminded through word of mouth by the module tutors and the deans. They are even well informed of the consequences of not meeting the required minimum class attendance in each module. Yet, students skip classes quite often and some even goes to the extent of not meeting the set minimum requirement, who are then considered fail in the module(s).

Following the attendance rule of the university a group of students are considered fail every semester in GCBS. The college has documented high rates of class absenteeism in the past and in particular, attendance record of last semester reveals student non-attendance as high as 79.5% in one module. In the spring semester (February-June) 2015, students were restricted from writing the end semester exams for not meeting the 90% attendance requirement in around 7.28% of the exams. Moreover, and particularly important is the depleting graduates’ performance while in college and when in the job market. Similar trend is expected in the coming semesters if the university policy remains same and the college do not work to prevent students from missing classes frequently. Therefore, the challenge to the college management and the faculty is to identify
and implement measures that will increase attendance. As Smith (1998) asserts it “the success of the school in carrying out its primary charge of educating and socializing students is contingent on students attending school regularly”.

Given this background, attendance rule becoming stricter and stricter on the one hand and increasing number of students declared fail for not able to comply with the policy on the other, it demands from us the answer to if students are required to attend all classes to learn. This dilemma is further questioned by a strand of literature that confirms insignificant effect of mandatory class attendance on students’ learning (Hyde & Flournoy, 1986; Park & Kerr, 1990; Aldosary, 1995; Caviglia-Harris, 2006; and Chen & Lin, 2008).

This study is noteworthy in the manner that if the relationship between attendance and exam performance is not significant restructuring the course itself is necessary because the course is likely not able to offer students with knowledge more valuable than what textbooks and other materials can impart. On the other hand, a positive significant relationship would mean that attendance is important to advance learning so, whatever the problem students should attend classes regularly.

**Why class attendance is important?**

Every student is expected to attend all scheduled sessions and other forms of instruction as defined by the programme of study with exceptions only on grounds of sickness or other extenuating circumstances, which must be documented (RGoB, 2015). Even under such extenuating circumstances students can only miss up to 20% of the classes in each module. The maximum number of class attendance requirement for the credit award steams from the logic that no student can acquire skills and knowledge without attending class or without instructions from the teachers, and in case a student works hard, his/her own
learning cannot be as much as he/she can learn by attending classes and being guided by teacher(s). Alber Einstein said, “It is only the teachers that awaken the joy in creative expression and knowledge”.

Another reason for students’ necessity to attend class is that learning takes in a sequential format, and the sequence is in many of the cases maintained by module tutors. For instance, it would be meaningless for a student to learn how to apply a theory which has already been introduced and discussed in the previous class in his/her absence. Even the textbooks and references are written in a sequential learning format which necessitates students to learn step by step. Moreover, substantial amount of information regarding assignments, quizzes, presentations and other activities are announced in the class. Student absent during a class also misses class discussions and the actual demonstration of hands-on class activities. Attendance becomes even more important when the teaching learning pedagogy is increasingly focused towards student centeredness.

In the words of DoDEA (-) regular class attendance not only improves students’ exam performance but also develops interaction with peers and provides opportunities for important communication between teachers and students. Additionally, it is stated that regular class attendance have cumulative effect on establishing life-long positive traits, such as responsibility, determination, respect for rules that are critical for developing career readiness skills and success in life. Besides, as Weller (2000) states, “student absenteeism is a waste of educational resources, time and human potential”. Rampant student absences are also believed to affect teachers’ instruction and effectiveness, create class disruptions and disciplinary issues (U.S. Department of Justice, 2001).

The problem of student non-attendance even extends beyond the institute. It affects student themselves, their families, and the community around (DeKalb,
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Students, by being tardy to school or by not attending classes give up their opportunity for education. They also interfere with other students’ opportunity to learn by being late, absent or disruptive (Flanagan & Murray, 2002). Students skip classes to engage in unpleasant activities either on campus or in some other places. GCBS have the experience of students caught abusing substances and drinking alcohol by skipping classes.

Specific to academic performance, research shows that students regardless of gender, socioeconomic status or ethnicity, academically loses out when they have poor attendance in class (Laws, 2013). In other words, Fleming & Zafirau (1982); Redick & Nicoll (1990); Muir (2009) and many others find students’ academic performance to be better when higher number of class attended. Dekalb (1999) says the actual time spent by the student in the classroom directly correlates to his/her access to education.

**Student Progress**

Education is provided either at free of cost or at concessional rates around the world. In Bhutan, policies are in place to increase child’s access to education and every year significant amount of the national budget is allocated to provide education to its citizen\(^3\). Even more, there are laws that regard education as a right to every subject of the society. However, the education system has been on doubt of success because of the questions of depleting quality of education. Timely assessment of students and institutions play a vital role in the success of education system (Lalanchette, 2012). Without assessment of learning, one cannot truly understand whether students are meeting the learning goals and expectations of the course/program. There are many measurements of student learning and

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\(^3\) National budget allocation for Fiscal Year 2015-2016 states Nu.9,312.354 million allocated for Education sector alone. This stands around more than 18% of the National Budget.
progress such as his/her ability to participate in class and group, interest in the course/programme, class tests, presentations, quizzes, case studies, portfolios, projects, seminar contributions, exams, and many others. Different teachers in different universities utilize mix of those methods to assess their students’ progress. Academic achievement measurement through exam is the mostly used and widely accepted mode of reporting student progress. Examination according to the WAL refers to the end of module assessment associated with a programme of study. It can be in the form of written or oral examination and can also be in the form of assessment of laboratory exercises (WAL, 2015). Similar descriptions of the term were given by Wiktionary.org, UWO (University of Western Ontario).

Many considers exam as the best assessment mode in educational institutes. Gaeddu College also believes that through examination teachers can exactly evaluate how much the students have learned throughout the semester because of the exam’s higher levels of objectivity and reliability. The higher value of dependability attached to exams is because it usually comprise different types and standards of question, central evaluation of the answer scripts by dividing questions among different tutors, the coding system of the answer papers that prevents favoritism and nepotism, and the overall coverage of the courses.

**Literature Review**

Absenteeism from the university classes is not a new phenomenon and not a problem to single university or school. Education institutes around the world experience the same problem and academicians continuously search for reasons for high degree of class absenteeism and its impact on student learning. Romer (1993) studied absenteeism in the economics classes in three US universities and found huge number of students skipping classes, averaging roughly one third. Absenteeism tended to be higher in large courses, core courses and courses with less mathematical content. In a study conducted for large US universities
Devadoss and Foltz (1996) declared student attendance to improve with each year of study. Attendance was higher on Mondays, Wednesdays, and Fridays, and higher within prime time defined as between 10 am and 3 pm.

A study conducted on the importance of student attendance Muir (2009) finds that the students who attend more classes are likely to outperform in exams. Students who attend 95% of the classes are twice as likely to pass state language-arts tests as compared to students with attendance rates of 85%. Similarly, Colby (2005) finds two in three chances of failing and an even chance of failing if a student doesn’t attend at least 70% and 80% of the teaching sessions respectively. Redick & Nicoll (1990) supports the result by stating that regular school attendants have higher grades in exam than those students with high absences. Specifically, Devadoss and Foltz (1996) find the regular class visitors to achieve higher grade on average by 0.45 points than the ones who attended only half of the classes in US universities. Likewise, Teixeira (2013) finds absenteeism to considerably lower the final academic grades while examining if attendance policy was really required in the Elite Economics School in Portugal.

Using regression model to examine the relationship between the two variables Romer (1993) finds attendance to have positive effect on the performance measured through GPA. The actual impact of attendance might be overvalued or underestimated for the presence of other variables influencing the performance. However, even after controlling the effect of extraneous variables like intelligence and motivation, the effect of class attendance was found significant. Also, Latif and Miles (2013) finds significant positive impact of class attendance on final grade in a introductory statistics course after controlling for factors related to individual ability and effort. Adopting the same approach, Paul LeBlanc III (2005) finds attendance to have significant influences on test score averages for students across sections and institutions, and whether attendance policy was
present or not. In other words, the irregular class attendants are found to wrongly answer the exam questions by about 14% (Marburger, 2006).

Studies have also revealed the importance of regular class attendance specific to a wide range of subjects. For Mathematics and English subjects using a two-way analysis of covariance (ANCOVA) for third grade students in Title One Schools (Jones, 2006) finds statistically significant relationship between class attendance and students’ achievement in tests in Mathematics but no significant relation was found for English subject. This relation for Mathematics was even true for business students attending first-year at the Faculty of Economics at University of Tirana (Godolja, 2014) and (Nelson, 2014) in Liberty University. Subject wise, higher degree of correlation is found especially for those that are more mathematical by nature. Further, the importance of attendance and thus, active participation in the course is realized in online undergraduate courses too. Rapposelli (2014) unveils students’ attendance to positively impact their achievement with $r^2 = 0.154$.

There are studies that explored to even find the threshold effect for absences. In a paper by Durden and Ellis (1995) a few absences were not found to affect students’ performance. However, if absence crosses beyond four classes students’ learning is observed to be adversely affected. But student absenteeism doesn’t only affect their academic achievements. Studies also believe rampant class absenteeism to impede the success of universities/schools. A study for Cleveland Public Schools in Ohio (USA) finds that over three-fourths of school failures were explained through class absences (Fleming & Zafirau, 1982).

Notwithstanding the optimist view of class attendance, there are studies that find negligible impact of class absenteeism on student learning (Chen & Lin, 2008). Caviglia-Harris (2006) finds no significant impact of class attendance while
investigating the impact of a mandatory attendance policy and absentee rates on student grades in microeconomic principles, and thus suggesting doing away the mandatory attendance policy by Salisbury University. Also Aldosary (1995) reveals the correlation between the final score in exams and the attendance level for 152 College of Environment Design students to be not very significant. Similar results were obtained in Accounting classes in South Africa (Schmulian & Coetzee, 2011), in economics course by Park and Kerr (1990), and in Electrical System subject at Dublin Institute of Technology (O’Dwyer, 2011). A study as early as in 1980s even shows that mandatory class attendance have negative effect on student learning and grades (Hyde & Flournoy, 1986). The negative effect steams from the fact that when unmotivated/ uninterested students are forced to attend lectures besides not paying attention or participating in classes, they damage the whole learning environment (Brown & Hoag, 1995).

Whatever effect class attendance has on academic performance, most studies were based on sample consisting of less than 350 observations or for particular course(s). Our study includes all 1309 regular students who wrote exams in around 33 modules under two programmes, Bachelors of Commerce (B.Com) and Bachelor of Business Administration (BBA).

**Methods**

Two sets of data pertaining to academic semester ‘February-June 2015’ were obtained; student absenteeism from the Academic Dean’s office and the student academic achievement from the office of the Exam Controller of the college. A total of 1309 regular (excluding backlog) students were recorded for the semesters (in II, IV and VI) under 33 diverse modules. 485 second semester students were listed under seven common foundation modules. In the fourth and sixth semesters, 609 comprised students of B.Com programme and the rest 215
were enrolled under BBA programme. Additionally, tutors’ class time tables and the programme booklets have been used to advance information for the study.

GCBS have a system where every module tutor maintains daily class attendance and submits to the Academic dean’s office at the end of every month signed by respective students. Towards the end of the semester before exam the aggregate attendance in each module is declared and those securing attendance below 90% are directly declared fail in the module(s).

On the learning front students of each semester are offered around five distinct modules. The courses comprise lectures, presentations, discussions, and other methods of teaching and learning. All students are assessed and graded through numerous methods like assignments, projects, class participation, class tests, presentation, discussions, and exams. Exam forms the major assessment component in almost all the modules. As many asserts, exam is the best accurate assessment mode in educational institutes. Therefore, this paper uses exam marks as the measurement of student performance in the semester.

Using these sets of data, a correlation analysis is applied to examine if class absenteeism impact students’ performance in exams. The same method has been used to evaluate the impact of school absences on students’ learning as measured by their performance in exam (Gatherer & Manning, 1998) and by grade point average (GPA) in Economics in the University of Salisbury (Caviglia-Harris, 2006) among others. Similar method has been used by various authors while examining relation between two variables (Subramaniam, Hande and Komattil, 2013).

Correlation analysis helps explain relationship between two variables. In its analysis scatter plots, are usually used to present basic relationship that exists between the variables of interest. Moreover, to explain the direction and strength
of the relationship a statistical tool, correlation coefficient ‘r’ is calculated. The correlation coefficient gives us information on how closely one variable is related to the other. Stronger is the relationship, closer is the value of ‘r’ to 1. If the two variables move in the same direction, i.e. when one variable goes up the other variable also tend to go up, ‘r’ is positive. Supplementing those results, coefficient of determination ($r^2$) is calculated to show if a variance in one variable (exam marks) can be explained through the variation in the other variable (class attendance). Higher is the value of $r^2$ greater is the possibility of explaining the change in other variable.

**Research Findings, Discussions and Recommendations**

The following tables present the summary statistics of data used for the analysis.

<table>
<thead>
<tr>
<th></th>
<th>Observation</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Students</strong></td>
<td>1309</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Modules</strong></td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Marks</strong></td>
<td>5147</td>
<td>28.96</td>
<td>7.38</td>
<td>2</td>
<td>47.5</td>
</tr>
<tr>
<td><strong>Attendance</strong></td>
<td>5004</td>
<td>96.07</td>
<td>4.26</td>
<td>20.5</td>
<td>100</td>
</tr>
<tr>
<td>Category</td>
<td>Frequency</td>
<td>Percent</td>
<td>Cumulative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------</td>
<td>---------</td>
<td>------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marks out of 50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 to 19.9</td>
<td>417</td>
<td>8.1</td>
<td>8.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 to 50</td>
<td>4731</td>
<td>91.9</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 to 89.9</td>
<td>357</td>
<td>7.13</td>
<td>7.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90 to 94.9</td>
<td>1180</td>
<td>23.58</td>
<td>30.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>95 to 100</td>
<td>3467</td>
<td>69.28</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Readers should be reminded that the number of class attendees and the number of examinees doesn’t equal for various reasons. All exam marks have been converted out of 50 for convenience.

The extent of student absenteeism is rampant in GCBS although not as high as in some universities/schools. The record of student absences in the academic semester ‘Feb.-June 2015’ ranged from 0 to 79.5 percent. Data reveals that 7.13% of the students missed the chance to write exam(s) during the semester having secured attendance of less than 90%. Further analysis of the data reveals around 31% to have attendance of less than 95%. Nonetheless, the average attendance (96%) of GCBS students stands comparatively sound. Moreover, around one-third (28%) of the students have 100 percent attendance in various modules offered in the semester of study.

Comparative analysis based on the year of study reveals that Common Foundation students have better class attendance record while 13% of B.Com students and 12% of BBA final year students have attendance of less than 90 percent. However, in interpreting this result one has to be cautious of the inclusion of student leaders in this group. Student leaders of various positions have been treated differently in terms of attendance, considering their contributions to the college and university in numerous ways.
On the academic achievement, students’ performance in the final exam averaged around 58% and overall pass percentage is 91.9%. In eight percent of the examinations\(^4\) students secured less than 40% (below 20 out of 50 marks) and thus failed. By programme of study, BBA (IV semester) students account for highest (12.5%) failure followed by CF students with 10.5% failure rate. Appendix 1(d) graphically presents the exam performance of the students in the given semester. On account of gender, male student are the likely failures as well as class non-attendants.

On the main objective of the study, a weak positive correlation is revealed between attendance and final exam marks. Correlation coefficient of \( r = 0.03 \) is obtained from Pearson’s correlation coefficient\(^5\). The coefficient of determination \( (r^2 = 0.09\%) \) explains that less than one percent of the variance in final exam marks is accounted for by the attendance factor. Analysis by programme, by semester and module-wise also shows similar results, a weak positive correlation between the two variables. In appendix 1(a, b & c) we present scatter plots for some modules.

These results suggest that lecture attendance is not necessary for students’ performance. In other words, there are students who can perform better in exams by not attending classes or by preparing on their own. The same has been discovered by Devasdos and Foltz (1996) and Chan, Shum and Wright (1997). From this perspective students should be allowed to make their own decisions as

\(^4\) Students failed in 417 papers out of 5147 examinations written by 1309 students for 33 different modules.

\(^5\) The strength of the correlation between two variables is interpreted in accordance to Cohen’s (1988) exertion about the statistics. It says that if \( r \) is between 0.1 and 0.3 a small/weak correlation is explained. If \( (0.3<r<0.5) \) it is moderate correlation and if \( (r>0.5) \) a large/strong correlation is said to exist.
to whether or not to attend classes. However, this is applicable if our intent of
educating children is only to improve their performance in exams. Class
attendance has something more to gain than to simply perform well in exam.
Besides the exam performance, attendance for students is important for
developing interaction with peers and teachers, effective utilization of the
available educational resources and developing their life-long positive traits.

Alternative explanation of the result says that class deliveries are ineffective and
the course designs are improper at GCBS. Ineffective and insufficient class
deliveries lead to more absences and even if students make to class they do not
learn as expected. Similarly, if the course is designed in such a way that students
can learn on their own they are less likely to attend classes. Therefore, our policy
should be shifted towards designing and delivering courses that are much beyond
what are cheaply available in books and other learning materials. As Herrington
(2006) puts, “the quality of learning experience has to change”. Also, a study of
undergraduates at Massachusetts Institute of Technology unveils the quality and
clarity of lectures, the professors’ use of relevant examples, and the teachers’
ability to engage and entertain students in the classes as the main factors that
persuade students to attend class (Clay & Breslow, 2006). Devadoss and Foltz
(1996) say that students are more likely to attend class if exams require critical
thinking and classes are offered within the prime time (i.e. from 10 AM-3 PM).
There are also suggestions to redesign courses and to make it more student-
centered where students can use the current knowledge from class to construct
new knowledge, leading to deeper learning.

Attendance policy was framed with the expectations that all students will attend
and participate in lectures and class activities for better learning. However,
another distinct critical understanding of the result explains that students are
simply attending classes for obtaining attendance. This is a clear indication of
failure of the education policies, and suggests all educators to encourage and help develop students’ personality.

Finally, it is noted that the results should be interpreted cautiously for the listed limitations. Firstly, since students (except student leaders of the semester) with attendance short of 90% were not allowed to write exams, exam performance data for this group were missing. Secondly, we are concerned that attendance in some modules is far from perfect. As a result direct inference drawn might be biased.
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Appendix

Appendix 1: Scatter plots showing the correlation between the variables of interest.

- Marks in Exam versus Attendance in Quantitative Technique
- Correlation between exam marks and attendance in all modules
- Correlation between Marks and Attendance in Strategic Management
- Histogram of exam marks in all modules
Indian and Bhutanese Governments Support Platform towards E-Marketing in SBES: An Exploratory Study

DR. SHAD AHMAD KHAN¹ AND DR. ASIF ALI SYED²

Abstract

E-Marketing is often considered to be the future of marketing and the other related fields. The last two decades have been crucial for the E-marketing as the world is witnessing the biggest electronic revolution in the era of Information Technology and Computers. Today every organisation strives to mark its presence on the E-world along with the real world through different E-Sources available to it. The ever growing E-commerce is the biggest evidence of the presence of E-marketing in the modern world. This development in the field of marketing is possible because of the E-Infrastructure available in an economy which is the result of government policies and vision pertaining to the future of the respective nations. Many authors, researchers are of the opinion to develop the E-marketing practices so as to develop the economy as the E-marketing tends to target more number of customers, suppliers and other stakeholders. The present study is an attempt to analyse support platforms available for SBES in the two neighbouring countries India and Bhutan. The study analyses the various government agencies available in these two nations and their contribution in providing the support platform towards E-marketing in SBES. The study also compares the practices of the two nations based on the literature and tries to draw a meaningful conclusion and recommendations thereon.

Keywords: E-Marketing, Small Business Enterprises (SBES), Information Technology, Support platform, India, Bhutan, government agencies

Introduction

Small Business Enterprises (along with Medium and Micro Enterprises) have always attracted substantial attention from the government because of its importance in the field of economic development. According to Mulhern (1990), 99 percent of the European firms are either small or medium business enterprises and are responsible for 66 percent of the employment in Europe. In India alone Small and Medium Enterprises are responsible for 40 percent of the total employment (Goyal, 2013). In the modern world the small Business Enterprises (SBES) are also not untouched by the great revolution in the form of computer

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science, the internet, information technology, media and communication. This Information Age is changing and is expected to change further the dimension of the business and its functioning. In the presence of all such revolutionizing factors the marketing is also undergoing a paradigm shift as Electronic Marketing (E-marketing) is creating its space in the traditional marketing framework. According to Liang and Huang (1998) the internet, web services, information technology, communication technology and computer sciences have created dynamic new electronic channels for marketing, and most companies find it essential to have an electronic presence. This study believes that a leap in the form of infrastructure made available to small enterprises can lead to a better level of efficiency and effectiveness of the E-marketing for SBEs.

Small Business Enterprises:

There is a very little agreement on the definition of the small business enterprises. They have been defined in different parts of the world according to the local and national need (Watson & Everett 1996). Some countries define SBE in terms of number of Employees while others define in terms of Capital investment at the same time there are many which define SBE based on the annual sales turnover. There are many countries which adopt more than one criterion to define SBE. The Small Business Enterprises for India and Bhutan have been defined as follows Table 1.
Table 1 Criteria for defining SBE’s in India and Bhutan

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Employees</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>None</td>
<td>For Manufacturing sector: Min. INR 2.5 Million but not exceeding INR 50 Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For service sector: Min INR 1 million to INR 20 Million</td>
</tr>
<tr>
<td>Bhutan</td>
<td>5-19</td>
<td>Nu. 1 million to Nu. 10 million</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India (2014) & Micro, small and medium Enterprises (MSME) Policy (2012-2020) of the Kingdom of Bhutan (2012). Note: Nu. 1 = INR 1 (The national currency of Bhutan is equal to Indian National Rupee).

Industry Classification in SBEs in India and Bhutan

The Industry in Bhutan is categorized under three sectors, viz., Service, Productions and Manufacturing (P&M) and Contract. Bhutan’s Cottage and Small Industries (CSI) is dominated by the service and contract sector, together they account for 90 percent of the total CSI in the country (Ministry of Economic Affairs, 2015). In India the Industries for SBEs are categorized primarily into two parts i.e. manufacturing and Services (Syed, 2011).

E-marketing in general has found to be more dominating in the service sector, as larger number of traders is found to be using E-marketing as a tool of promotion and sale of their products at Business to Business (B2B) level and Business to Consumers (B2C) level. However the level of manufacturing sector dealing with B2C has been found to be low with regards to usage of E-marketing.
**E-Marketing**

The E-Marketing or Electronic marketing can be defined as a modern business activity associated with buying, selling, promoting, and delivering information via Internet and other Electronic Sources. For the purpose of this research the definition of Strauss and Frost (2001) will be used. E-Marketing is defined as “The use of Electronic data and applications for planning and executing the conception, distribution, and pricing of ideas, goods and services to create exchanges that satisfy individual and organisational objectives” (Strauss & Frost, 2001, p.454). This definition is also adopted by the American E-marketing Association (eMA) and has been found as an authentic definition on E-Marketing.

**E-Marketing Support Platform**

The E-Marketing support platform with reference to this study is the required avenues, E-marketing platforms and other opportunities in terms of internet services, web portals, and the necessary arrangements which are essential and important for the SBEs and its stakeholders to use in an effective and efficient manner. In order to make this study more specific the government agencies providing such facilities have been taken into consideration.

**Review of Key Literatures**

Small Business Enterprise plays a very important role in the economy not only from the Gross Domestic Product (GDP) point of view but also from the view point of the employment and growth. As already mentioned in the introduction, according to Goyal (2013), In India the small and medium business enterprises are responsible in employing 40 percent of the total workforce. This study further says that the contribution to the GDP is only 17 percent however the 1.3 million SME’s contribute to the 40 percent of the India’s total exports. For Bhutan such...
industry is known as Cottage and Small Industry (CSI) which constitutes more than 95% of the total Industry in Bhutan (DCSI, MoEA, 2013).

El-Gohary (2006) researched and investigated a wide range of areas in E-marketing such as: Internet-Marketing/ E-mail marketing/ Intranet marketing/ SMS Marketing/ Extranet Marketing. He also noted that the literature in Internet Marketing (IM) covers five main areas, namely: Internet marketing environment, IM functions, IM applications and IM research. Based on these investigations he illustrated the relationship through a model given below as Figure 1.

**Figure 1 The Literature of e-marketing in SBE**

![Diagram of e-marketing in SBE](source: El-Gohary, 2006)

The concept of E-marketing as defined by Strauss and Frost (2001) can be illustrated by the following figure (figure 2)
According to Eid and El-Gohary (2013), EM tool has a positive influence on SBE Pre-sales activities, after sales activities, marketing performance and marketing effectiveness.

According to the investigation conducted by El-Gohary (2009) it was revealed that the business internal factors namely, the SBE owner skills, available resources of the SBE, SBE organisation culture, SBE type of products, international orientation of SBE and SBE size, positively and significantly affect E-marketing adopted both directly and indirectly. In this investigation it was also found that the external factors had insignificant impact on E-marketing adoption.

This study further reveals that B2B and B2C are the most commonly used E-marketing forms and major tools of E-marketing are Internet marketing and E-mail marketing. Researchers like Sheth and Sharma (2005), Sandeep and Singh (2005), Adam et al. (2002) suggest the need for such research. These authors agree that the serious marketing practitioners and academicians are now aware that more systematic research is required to reveal the true nature of E-Marketing. El-Gohary (2009) in his study found the relevance of the facilities provided by the
Research Methodology

This paper being a review paper is based on descriptive research where an attempt is made to describe the pre-existing practices of the various government facilities available to the SBEs. The data has been collected from the secondary sources comprising various publications and reports published by the government as well as non-government agencies. This research also looks into the research papers of the authors of repute in the field of marketing. The collected data has been classified and analysed in a systematic manner. For analysis, statistical tools like Percentages, Annual growth rate are used to find out the objectives of the study. The Objectives of study for this study being:

I. To identify various agencies of the government dealing with the SBEs in India and Bhutan.

II. To analyse the practices of such agencies by way of providing necessary support platform towards E-marketing in SBES.

The Role of Government in Promoting E-Marketing in India and Bhutan

The main Objective of this paper is to analyse the role of government in providing required infrastructure for the promotion of E-marketing among the SBEs. For this purpose the indirect roles have also to be considered. The Government of India has been involved in promoting SBEs or Small Scale Industries through different methods and policies. Bharathi et al. (2011) identified the following liberalized policies of the government leading to promotion of SBEs (SSI):
Reservation of Items for SSIs
Vendor Development Programs
Subsidies
Incentives in Operations
Ancillarisation
Mini Tool rooms
Testing Centres
Sub - Contracting Exchanges
Assistance Program Credit Guarantee Scheme
Market Development Assistance Scheme
Laghu Udyami Credit Card (LUCC) Scheme
Scheme on Surveys, Studies and Policy Research
Trade Related Entrepreneurship Assistance & Development for Women (TREAD)
Sub-Contracting Exchange for Ancillary Development
Credit linked Capital Subsidy Scheme for Technology Upgradation
ISO-9000 Certification Reimbursement Scheme
Participation in International Fairs
Purchase and Price Preference Policy
Small Industry Cluster Development Programme
Integrated Infrastructure Development (IID Scheme)
National Entrepreneurship Development Board (NEDB)
Composite Term Loan Scheme

The schemes and policies stated above clearly state the keen interest of the government in the promotion of Small Business. Similarly, in Bhutan the Good Governance has been the key pillar of Gross National Happiness (GNH) whereby
the initiatives have been taken to promote Small and Cottage Industries. In addition to these policies and strategies, the government has also established certain agencies to provide specialized attention to the MSMEs which includes SBEs. The following lines throw lights on the same:

**E-Marketing: Role of Government and its Allied Agencies for SBEs in India**

The Government of India has established certain agencies and departments to provide specialized assistance to the Micro, Small and Medium Enterprises (MSMEs). The prominent departments and agencies under the aegis of the Government are:

- Ministry of Micro, Small and Medium Enterprises (MSMEs)
- Khadi and Village Industries Commission
- National Small Industries Corporation Limited
- Coir Board of India
- National Commission for Enterprises in the unorganized sector

Apart from the above agencies there are certain other non-profit agencies who are dedicated for the support and assistance to the SBEs. The Important agencies are Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Federation of Indian Chambers of Commerce and Industry (FICCI).

The National Small Industries Corporation Ltd (NSIC), has been creating benchmarks in terms of providing platform and services to the MSMEs in terms of E-marketing and E-Commerce. NSIC being the only government MSME Agency which has a Marketing and Intelligence Cell runs marketing assistance program, infomediary services, raw material assistance, Incubation of unemployed youth for setting up new micro and small enterprises etc.
The recent launch of MSME global mart (www.msmemart.com) provides an online platform for B2B and B2C to MSMEs to market their products & services. This web portal comes with features like online payment gateways, self web development tool, interactive and sector specific database of MSMEs, online domestic and International tender notices, multi product cart, multiple payment stores etc.

Coir Board of India is another specialized institution established by the Government of India for the promotion and development of coir (coconut fiber) in India. The website of the Coir Board of India i.e. www.coirboard.gov.in provides sectoral information for all the registered coir manufacturers and their products. Though the website only serves as an information website, the trading related options are not available in it.

Analyzing the Khadi and Village Industries Commission (KVIC) and National Commission for Enterprises in the Unorganized Sector (NCEUS) on the parameters laid down under the background of the study and literature review of E-marketing, it is found that the websites of the two important commission i.e. www.kvic.org.in and www.nceuis.nic.in, do not provide any platform for the small Enterprises or micro enterprises to market their product or to have an interface with their various stakeholders. The reasons can be the lower level of awareness of e-media among the members and the beneficiaries of such commissions. The vision statements of these commissions do not negate the fact of adopting and offering such platform in the near future but as on date no such facilities are available to the Micro and Small business coming under the umbrella of KVIC and NCEUS.

In India there are other E-portals which have evolved as an important facilitator to SBEs in terms of E-marketing. The web portals like www.flipkart.com,
www.snapdeal.com, www.amazon.in etc have opened the doors of selling to the enterprises irrespective of size and capacity under B2C segment. The websites like www.sulekha.com, www.indiamart.com etc have created a space in the B2B segment for all the enterprises. The SBEs have opportunities and great scope in terms of market expansion, targeting new customers, meeting more customers’ requirement, availing better options in terms of supplies etc through these web portals. Indirectly the credit can be given to the government to allow such web portals to function and bloom in the country like India.

**E-Marketing: Role of Government and its Allied Agencies for SBEs in Bhutan:**

Royal Government of Bhutan also has a keen interest in the progress of the Cottage and Small Industries. Despite being a small country with very small population and industry structure Bhutan has established certain important departments, agencies and institutions dealing with Cottage and Small Industries. There are primarily three agencies dealing with the SBEs and micro businesses, they are:

- Department of Cottage and Small Industry (DCSA), under Ministry of Economic Affairs (MoEA)
- Bhutan Opportunity and Information Centre
- Loden foundation

The Department of Cottage and Small Industry, MoEA is a department under the Ministry of Economic Affairs; Royal Government of Bhutan is the primary and apex body dealing with the cottage and small business in Bhutan. The functioning of this department is mainly strategy formulation, planning, and policy making. The research failed to identify any step taken by the DCSA which can be significant in the field of E-marketing.
Bhutan Opportunity and Information Centre (BOIC), is a new agency established by the royal government of Bhutan. This agency is established as an autonomous agency to manage the revolving funds for the small industry, cottage industry and non-formal commercial activities. Currently the agency is in the planning stage and various research projects with regards to the need identification, road maps etc are being carried out by the national researchers for the same. Till date no special scheme or provision related to E-commerce or E-marketing is available through BOIC.

Loden foundation being a non government organisation is also an important agency in Bhutan because of its involvement in micro and small business credit and assistance provided to the cottage and small industry. Each year Loden foundation invites applications for the entrepreneurial venture and supports the selected ventures in every aspect, starting from sponsoring to administrative to managerial assistance. Despite being an active stakeholder to the Cottage and Small Industry of Bhutan, the research failed to find the website or scheme of the agency promoting the E-marketing.

The prima facie investigation on Bhutan suggests that there is no governmental platform for the SBEs to understand and make use of E-marketing as a marketing tool for customers and stakeholder interface. But on a closer investigation on other avenues for the Bhutanese business certain platforms were found to be attention pullers. They are www.blessedbhutan.com and www.bhutan-kilaya.com, though the trading option is not available on the websites but the web portal satisfying the definition of E-marketing. These websites are mainly the travel websites which basically organize tours to the various locations of small and cottage industry. These websites act as a global gateway for such cottage and small industry based enterprises by attracting consumers, traders and other parties who are interested in CSI of Bhutan.
**Conclusion**

E-marketing is at a very nascent stage in India and at embryonic stage for Bhutan. In India the government has realized the importance of E-marketing and E-media and few steps have been taken to provide necessary platform for the same, but a lot more is to be done in this field of marketing. There is only one government agency i.e. NSIC who is taking active care of this concept among MSMEs. India being a nation with one of the largest domestic market in the world the scope for E-marketing is enormous and lucrative.

For Bhutan, so far the government has not realized the importance of E-Media on the way to provide more avenues to the people dealing with SBEs and cottage Industry as there is no evidence of providing any sort of E-platform or Infrastructure for the E-marketing to the SBEs. This study does not discard the fact that the government will not provide such infrastructure in future also, but the data as on date reveals that there is no evidence of E-marketing promotion by the Bhutanese Government for the SBEs.

**Recommendations**

Based on the finding above the recommendations are divided into two main headings. One heading covers the recommendation for the Government of India and the other is for Royal Government of Bhutan. Based on the discussion above the following recommendations can be drawn:

(a) **Recommendations for Government of India**

- The other agencies namely, Khadi and Village Industries Commission, and National Commission for Enterprises in the unorganized sector may plan out and work to provide their members and the beneficiaries an E-platform in the form of a website like it has been done by Coir Board of India. They
may also think of launching an E-commerce B2B or B2C web portal in future like National Small Industries Corporation Limited has done.

- The Progress of the E-marketing Infrastructure provided through NSIC should be properly monitored and if the traces of success are found it should be implemented at other levels as well.

- The SBEs should be encouraged to participate in greater number of E-platforms in order to get exposed to new level of opportunities and leverage on the pre-existing web portals like flipkart.com, snapdeal.com etc. They should be also encouraged to participate in E-marketing through other forms of E-marketing.

(b) **Recommendations for Royal Government of Bhutan**

- The Government of Bhutan should conduct study to test the feasibility of providing E-platforms to the SBEs in the country. The initiation can start from BOIC established recently in the country.

- An arrangement can be made with the private parties like Amazon, Snapdeal, Flipkart etc. to provide necessary E-platform to the Bhutanese SBEs. For this purpose, government should take an initiative in signing MoUs with such organisations and deal with other related formalities.

- The immediate recommendation will be incorporate the names and list of members in the respective agencies of the government.
References


Managing University Networks and Internationalisation

CATHRYN B. BENNETT

Abstract
Using a meta-analysis of peer-reviewed scholarly research and policy documents, this paper analyses higher education Internationalisation. Cases from India, China, and the Himalayan University Consortium (HUC) are presented. Challenges of standardized quality assurance and ethical intentions of foreign institutions in developing cross-border education agreements emerge from the cases. Furthermore, the cases demonstrate the myriad potential benefits to be gained from international connectivity of universities ranging from improved teaching, learning, and research quality as well as the development and co-creation of best practices. Implications for the Royal University of Bhutan and other similar tertiary education institutions include the necessity of observing and adapting local approaches based in the experiences of other countries’ universities already well-versed and practiced in the beneficial and adverse repercussions of internationalizing and networking institutions of higher learning.

Keywords: Higher education, Internationalisation, networks, cross-border education, quality assurance

Introduction
Internationalisation is a modern phenomenon experienced by higher educational institutions globally. More students and scholars are travelling away from their home countries to seek out educational experiences elsewhere. Marginson (2010) explains “higher education is nested in national government everywhere, and shaped by patterns of social investment. At the same time the cross-border or global dimension of activity is growing, especially in relation to knowledge” (p.6962). Furthermore the ubiquity of the Internet is making academic exchange much more accessible, even for those living in the developing world. Although utilities like electricity are not yet guaranteed in developing countries, increased access to mobile devices is making the Internet and all of the possibilities inherent for exchange available to people all over the world.

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UNESCO and OECD (2005) provide an aptly-timed definition of Internationalisation in tertiary institutions as “higher education that takes place in situations where the teacher, student, program, institution or provider and course materials cross national-jurisdictional borders” (p. 19). Lan (2012) further concretises the topic using the phrase “network education” defined as “a kind of modern distance education created by the Internet development ... which provides network teaching environment and transfers digital teaching resources” (p. 1979). These definitions encompass many forms and formats for education which cluster around the exchange of ideas, people, and knowledge across geo-political, national, or digital borders. Culture and mobility are inextricably tied to these conceptions of higher education as under the influencing forces of both global trends and the digital era.

Although Internationalisation is a force currently experienced by many, the implications for higher education, especially in developing countries, are in some cases obvious. Tangible benefits of creating a more highly-skilled and employable labour force to meet the ever expanding needs of economic markets is one such potential benefit of greater exchange among academics. Furthermore the potential for scholars to co-create knowledge and evidence-based best practices that are culturally-embedded and in line with local ethics and values becomes increasingly possible through international academic exchange. These potential benefits are not as obvious as their economic counterparts. However positive these potentialities are, there are also subtle risks and challenges involved with greater international exchange, especially for the emergent economies of the developing world.

In consideration of the positive and negative potential outcomes, several cases can be considered to distil previous lessons learned and cautionary tales. From one
perspective of aggressive expansion and opening, China’s case of international cooperation in higher education demonstrates the exponential positives possible from well-managed initiatives. From yet another perspective, India’s approach to higher education Internationalisation demonstrates current trends, needs, and desired outcomes. The culmination of these unique experiences share a common thread of the necessity of Internationalisation and improved cooperation for the continued success of higher education as a means to supporting market forces and generating globally-competitive knowledge economies while also cautioning would-be networks to note the risks and challenges and to proceed with caution and deep knowledge of the situation at hand. The investigation of scenarios and cases from these regional neighbours reveals both how Bhutan can maximize the potential benefits of inclusion in a higher education network and how common pitfalls and missteps can be avoided.

Literature Review

The Case of India

Increasing Demand

India’s higher educational capacity is steadily increasing, in parallel to the nation’s economic and political expansions (David, Sanyal, & Wildemeersch, 2006). Three disparate yet connected forces are converging toward this reality. Higher education in developing countries, including India, experiences several areas of increasing demand: the market’s growing need for skilled and intellectual workers, larger numbers of students completing compulsory education and seeking out university education, and finally more universities seeking out international cooperation to meet the needs of students and of the market (Knight, 2006). Other market studies corroborate that cross-border education in India, among other nations in the South Asian region, will continue to grow for the near future (Skidmore & Longbottom, 2011). Mitra (2010) makes this consistent
growth concrete in stating that “the number of universities has increased from 20 in 1947 to 378, and students’ population in higher education from 1 lakh in 1950 to over 112 lakhs in 2005” (p. 106). These numbers unequivocally indicate the strong expansion, and ever-growing need, of higher education in India.

**Policy Initiatives**

India’s higher educational institutions intend to meet the needs of its students and markets. Toward this end, the “Mysore Statement” from the Association of Indian Universities was adopted in 2001 (Mitra, 2010). This agreement addresses several facets of Internationalisation. The issues covered range from the understanding that increased international cooperation will become a more pressing necessity in the future to an agreed-upon indication that this cooperation with other higher education institutions will only serve to increase the quality of teaching, learning, and research, and also that international cooperation cannot be an act undertaken by only India’s universities because governmental support will also be necessary to ensure good working relationships and adequate resources (Knight, 2006; Mitra, 2010). While the objective of India’s institutions toward greater Internationalisation is clear, so too is the need for policy-level governmental supports to bring this change to fruition.

The need for governmental support that emerges from the Mysore Statement can be seen most poignantly from issues of finance and mobility. With the advent of Internationalisation in higher education great numbers of foreign students are seeking out study in India and also Indian students are more commonly studying abroad. Supportive international level policies are needed in areas of finance and visa agreements to adequately support academic mobility.

Higher education institutions in India alone cannot bear the brunt of paying for scholars’ international activities nor can they afford to subsidize foreign
academicians’ interest in scholarly pursuits within India. Although some mechanisms already exist to financially support international mobility of scholars, such as the Fulbright Scholarships and the Erasmus Mundus Programme, intergovernmental cooperation and dialogue on this topic can greatly expand the possibilities for academic scholarship and mobility.

**Potential Risks and Mitigating Factors**

While the Mysore Statement intimates the tangible benefits for India and those outside countries with which it becomes connected, the challenges, risks, and other needs are also implied. The current lack of an expansive quality assurance methodology or model for Internationalisation (Knight, 2006), the potentially ulterior motives of foreign institutions seeking to establish higher educational institutions within India (David, Sanyal, & Wildemeersch, 2006; Mitra, 2010), and the unaddressed need of values-based qualification and quality metrics (David, Sanyal, & Wildemeersch, 2006) present murky areas in need of further consideration. Skidmore and Longbottom (2011) elaborate that some cross-border educational initiatives are largely ad hoc and unaligned with the host institutions’ existing frameworks and policies. David, Sanyal, and Wildemeersch (2006) explain further that there are not evident methods for handling instances of “cross-border academic frauds and malpractices” (p. 8). While these areas, untreated, present subtle risks to Internationalisation efforts, with proper institutional, national, and international policy these areas can be properly addressed to minimal effects on the vast benefits of Internationalisation of higher education.

There is a great need for caution in adopting cooperation with outside institutions. Especially in India, there is a large untapped market for the expansion of higher education, but also unsettled issues of entry and status for foreign institutions.
India presents a ripe market for higher education institutional expansion (Skidmore & Longbottom, 2011) because “only 10 percent of the age group receive university education, which is half the rate in China and well below the rate in most developing countries” (Mitra, 2010, p. 109). With so few university-aged persons availing the opportunities currently available, foreign institutions are presented with a great opportunity, both in supporting India’s and the world’s knowledge economies, but also to generate profits.

Some countries are largely seeking to maximize their profits by creating higher education initiatives on foreign soil, so the developing world is seen as a viable place to make this happen with low thresholds for entry and even lower costs of operation. Therefore Internationalisation can become a threat to emergent economies if the national governments do not create a viable framework for analysing intentions, risks, and outcomes from higher education connections with outside institutions. Knight (2006) elaborates on the interplay of the Global Agreement on Trade in Services (GATS) with local governments’ autonomy saying that the agreement’s language is intentionally vague to allow adequate room at the local level to develop policy for quality control. However, actually establishing and enforcing an “effective regulatory mechanism is necessary to ensure quality higher education” (Mitra, 2010, p. 109) and also to diminish solely predatory profit-maximizing initiatives, distinguishing between for-profit corporate education businesses and those accredited international institutions seeking to expand learning possibilities.

So-called “brain drain” is another challenge in supporting higher education Internationalisation in India. Often students and scholars who leave their home countries to study abroad do not return to their native homes to contribute their knowledge and intellectual development (Knight, 2006; Varghese, 2009). It is
globally sound for academics to exercise improved mobility now possible in this modern age of Internet accessibility and improved international relations allowing for the physical movement of scholars to share experiences and to learn from others. However, this movement can be a threat, especially to emergent economies, when academics find their home countries unaccommodating of their desires or needs, either professionally or personally. Especially in India and other developing countries, retention of higher education academicians is an essential aspect of that nation’s future successes and continued ability to compete globally (Knight, 2006).

**Proceeding with Caution**

India is proceeding cautiously to continue to expand the Internationalisation of its higher education institutions. Although risks are present, the potential benefits outweigh them. The issuance of the Mysore Statement confirms both the risks and the requested governmental and policy supports while emphasizing the inevitability and positive outcomes of Internationalisation (Mitra, 2010). Again, with proper management and the introduction of requested supports, significant gains are anticipated in the improvement of teaching and learning practices as well as the reinforcement of domain-specific research methodologies (Knight, 2006). Developing partnerships with foreign educationalists and institutions can build strong relationships to cultivate and hone evidenced-based best practices for pedagogy, research, and cooperative development (Skidmore & Longbottom, 2011). India’s approach thus far to Internationalisation presents areas of concern as well cautious optimism.
The Case of China

Policy Supports & Decentralization

China’s approach to internationalizing higher education is rather advanced. Compared with India, China has more years and examples of exchanges with foreign countries in pursuit of expanding their higher educational offerings. With greater numbers of Chinese students studying abroad and also an increase in foreign scholars coming to China for academic pursuits, Gide, Wu, and Wang (2010) emphasize the already strong presence of international forces in China’s higher education, also making China an influential force in foreign higher educational institutions. Thus this country’s approach presents greater detail in both the benefits to be reaped and also the most pressing challenges to be addressed.

Policy supports and the pursuit of decentralization are two areas of current successes in support of China’s Internationalisation of higher education (Baskan & Erduran, 2009; Lan, 2012; Zhang, 2013). These triumphs have not arisen overnight, however. As early as the mid-1980s, China’s governments and tertiary education regulatory bodies were drafting policy documents to address collaboration with and the establishment of higher education institutions, physically and virtually, in China (Baskan & Erduran, 2009; Lan, 2012; Zhang, 2013).

Initially education reforms were closely linked with China’s economic policies and intentions. Hawkins (2000, in Baskan & Erduran, 2009) discusses the financial and management aspects of these policies which lead to a certain degree of decentralization or delegation whereby authority was transferred from some large, top-tier regulatory bodies to those closer to the local levels. However central authority is largely retained by the national government. This can be seen in the “National Medium and Long-term Educational Reform and Development
Plan, 2010-2010” (2010, in Lan, 2012, p. 1981). This policy document establishes targets directly related to the expansion of Internationalisation including plans to “attract international high-quality digital teaching resources” (Lan, 2012, p. 1981). In spite of transferring some decision-making responsibilities to lower levels, the central authority is still retained by the government and national level policies.

Educational reforms and policies have resulted in improvements, however. For example “the number and quality of teachers” (Baskan & Erduran, 2009) has progressed and a transition away from purely traditional education methods in support of “developing network education as a significant strategic target” (Lan, 2012, p. 1980) has been achieved. China’s case provides one approach to the evolution of higher education in the region with strong central, policy-level control with a gradual transition toward decentralization. Regardless of the methods to the end, however, China’s case emphasizes similar desired outcomes to India in meeting human resource and market demands. Baskan and Erduran (2009) state that “...improving the performance of education systems is necessary for socioeconomic development”, “economic competitiveness” (p. 348), and “human resource development” (p. 350).

Needs for Internationalizing Education
Initially China’s focus in education reform was purely on economic development, seeking to expand China’s market. However, in the 1990s, the emphasis transitioned slightly away from pure economics toward the development of skills and human resources (Baskan & Erduran, 2009) which created more flexibility in higher education to address the needs of students and also of national and international employers regarding specialized skills development (Gide, Wu, & Wang, 2010).
In describing the multi-faceted demands currently informing educational change in China, Gide, Wu, and Wang (2010) identify four main areas of pressure for continued change, summarized in Figure 1, including the demands of students, markets, finance, and society.

**Figure 1 Four main demands and benefits of higher education Internationalisation in China**


Liang (2004, in Gide, Wu, & Wang, 2010) elaborates on the student demand as one which expects the cultivation of globally-relevant curricula by higher education to instil in graduates the skills necessary to compete in the global market. This demand is closely-tied to market demands, which relate to the mobility of would-be employees. More students from China are studying and working elsewhere and similarly more foreign people are studying and working in China, thus creating a “two-way market” (Gide, Wu, & Wang, 2009, p. 5678).

Similar to the strong connection between students’ and market demands, is the connection between market and financial ones. Although more Chinese citizens are travelling for work and scholarship, often the cost is prohibitively high (Gide,
Finally, social demand is the compounding experience of the previous three (Gide, Wu, & Wang, 2010), resulting in increasing attention and response to Internationalisation from the micro level of students and families rising to the meso level of institutions and finally the macro level of national policy.

Policy documents and emerging techniques in China’s higher education trends toward Internationalisation are actively supportive of the four areas of demand named by Gide, Wu, and Wang. However, creating specific strategies and unifying standards of quality for the establishment and the intended outcomes of higher education networking are necessary to ensure success. This holds true in China and other areas interested in pursuing Internationalisation of higher education institutions.

**Challenges in Unique Education Networking Strategies & Quality Assurance**

Challenges to Internationalisation in China’s case include the strong need for unique education networking strategies, which encompasses a range of issues, as well as the requirement of a unified quality assurance method for integrating local and foreign higher education institutions (Baskan & Erduran, 2009; Lan, 2012; Xue, 2012; Zhang, 2013).

As is the case in India, China experiences a finance insufficiency for higher education generally, but Internationalisation thereof specifically. Contributing factors for this issue come from China’s investment in education as well as a conservative approach to international exchange. A reporter to the UN High Commission on Human Rights’ education report, Katarina Tomaševski, noted China’s very low comparative global investment, at “only 2% GDP for education, which is one-third of the level recommended by the UN” (Baskan & Erduran,
2009, p. 353) ranking China among the lowest for educational spending globally. Compared with China’s very large population, this exceptionally small national expenditure is especially paltry. Lan (2012) explains that this financial challenge is exacerbated because of the national policy to be exceedingly guarded, in comparison to other countries, in trade and finance issues outside of China. Furthermore, Baskan and Erduran (2009) elaborate that with a small national budget for education, “families and other sources of private funding” (p. 353) bear the extraordinary brunt of paying for education.

In addition to the cautious approach in terms of financial exchange, China also proceeds cautiously in establishing quality metrics for international educational endeavours. Although China has more experiences as of now in this arena than India, for example, the country has not yet created a strong, enforceable quality assurance mechanism for all aspects of international cooperation. Lan (2012) notes that over the past 10 years China has made great strides toward improved and expanded Internationalisation and networking via “over one hundred related documents” (p. 1983), but that a quality assurance methodology “integrating network systems” (Xue, 2012, p. 1757) is not yet in place. One success in China toward quality assurance, however, is the establishment of one standardizing body for networking technology. Lan (2012) states that “the technology standard system of network education with Chinese characteristics is established” (p. 1981).

However criteria for research, entrance competencies of students, and curriculum specific to Internationalisation have yet to be decided. Comprehensive quality assurance “not only controls the key quality factors of cross-border network education, but also requires the overseas network education to meet Chinese students’ demand on the basis of ensuring the same quality as Chinese education
offers” (Lan, 2012, p. 1984). Elaborating on this theme, Zhang (2013) affirms the need for broad quality assurance for “Sino-foreign cooperative education institutions” (p. 113) on the basis of sustainable development, which does not merely address commercial interests such as the “profitable running of the school” (p. 113) while overlooking the obligations toward teaching and learning. These statements obviously indicate the overarching need for a quality assurance mechanism, but most subtly allude to the need for a culturally-appropriate mechanism, especially in the inclusion of the concept of meeting Chinese students’ expectations on par with their previous educational experiences within their own culture.

Benefits

In spite of the imminent needs of the Chinese approach to Internationalisation and networking of higher education, benefits in the Chinese market for network education also surface. This is surprising due to the shift in the 1990s of China’s policy initiatives for higher education away from purely economic reform. This outcome indicates that merely supporting and facilitating improvements in Internationalisation, including networked education, can reap large economic benefits, in addition to the primary goals of improved educational offerings.

Due to the implementation of the technology quality and standardization method discussed in Lan (2012), Chinese institutions which use it are more adept in acclimatizing to more stringent standards used by foreign institutions that are in cooperation with Chinese counterparts. Furthermore, this introduction of one standardizing mechanism for technology in university networking aids Chinese institutions in participation in “international cooperation and competition” (Lan, 2012, p. 1981). The claims made by Lan (2012) are evidenced in the rapid expansion of China’s network education market from 2008 to 2012, an increase
from 35.2 billion Yuan to 72.3 billion Yuan as reported by the China Online Education Industry Research Report (2009, in Lan, 2012).

The Himalayan University Consortium

The Himalayan University Consortium (HUC) is a conglomeration of universities in the Hindu Kush region under the auspices of the International Centre for Integrated Mountain Development (ICIMOD). Universities currently claiming membership in the HUC span many countries, including: Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal, and Pakistan. The website for the HUC (n.d.) publishes an extensive list of intended outcomes. The aim is to build a dynamic mountain knowledge partnership among universities, ICIMOD, and regional member country partners to promote research and learning. ICIMOD and universities will work together to strengthen capacity by developing joint research and knowledge management programmes on contemporary topics and, in so doing, help ease some of the shortcomings that regional institutions may have in terms of capacity and funding. (ICIMOD, n.d.)

As Bhutan’s Royal University of Bhutan is a member of this initiative, it can anticipate to enjoy these benefits of shared knowledge creation, increased research capacity, and also financial assistance. ICIMOD’s webpage titled “Knowledge Management” (n.d.) indicates that although modernization has lowered the threshold to access and use of knowledge, “the local capacity in developing countries to absorb, digest, and act upon available knowledge is lagging behind.” Although, the HUC presents unique benefits for Bhutan in its intensive environmental and sustainable development approach, there are also areas of higher education unaddressed by the HUC that must be attended to separately for Bhutan’s higher education institutions to reap the maximum benefits of Internationalisation and networked operations.
Method
This analysis and subsequent recommendations emerge from a meta-analysis and review of peer-reviewed scholarly literature, case studies, and policy documents about Bhutan, China, and India.

Discussion
The presented cases from India and China present both positive outcomes to replicate and also areas that need caution to avoid problems. The addition of the Himalayan University Consortium example adds nuance in highlighting the localized need for a broader university networking initiative to fully-avail the benefits indicated by the cases of India and China. Specific to Bhutan the areas of caution include the need for strong quality control mechanisms and governmental policy supports of academic finance and mobility while the advantages range from improvements in the excellence of teaching, learning, and research, in addition to the greater ease of digital mobility for the nation’s scholars.

Furthermore, the Royal University of Bhutan’s membership in the Himalayan University Consortium is a laudable first step toward broader participation in the global dialogue and knowledge creation surrounding higher education’s evolution and growth in the Hindu Kush region. Membership in the HUC comes with inherent benefits of stronger regional connectivity of academicians as well as involvement in the support and creation of regionally and culturally appropriate curricula, specifically for sustainable mountain development, the primary objective of ICIMOD. Although the HUC is a commendable program, it is limited in scope specific to sustainability and mountain development topics. While these are essential to Bhutan’s and the other member country’s progress with respect to environment protection, the HUC does not, and should not, serve all the needs of positive Internationalisation.
Conclusion

India’s case of internationalizing higher education demonstrates potential boons of expanding economic markets due to converging effects of scholars’ demands and the inclusion of greater numbers of international study options. India also shows by example the need for governmental policy level supports for quality assurance. India’s case includes valuable lessons.

Wisdom gleaned from China’s case indicate that decentralization and policy support are essential to reap the benefits of Internationalisation, but also that primarily supporting educational reform will lead to greater economic benefits than purely socioeconomic reforms. China also confirms the need for centralized, standardized quality assurance and networked education development strategies from the policy level. China’s case also includes relevant scenarios.

The inclusion of the Himalayan University Consortium in this comparative analysis draws out the need for the regional expansion of higher education connectivity. Although the HUC is exceptionally supportive of knowledge co-creation among universities, ICIMOD, and other regional knowledge economies, and is an incomparable starting point for greater cooperation among the institutions of higher education in the region, the potential benefits of university Internationalisation are limited in this project by the intensive focus largely on environmental issues. Again, while environmentalism and curricula creation regarding sustainable development are essential, especially for the delicate ecologies of the Hindu Kush region, the HUC is not broad enough to sustain all the potential benefits of university Internationalisation. Another limitation of the HUC emerges in its regional focus. Although knowledge and curricula creation relative directly to this corner of the globe is supportive of environmental protection strategies, it is not sustainable for other areas of knowledge relevant to
higher education. In addition to the cases of India and China the HUC demonstrates some best practices specific to cooperation and knowledge creation, especially when these practices are expanded beyond the current regional focus.

Each case presented herein provides varying degrees of success and shortcomings. By giving close attention to the pathways and methods of each, Bhutan can pave a smooth way toward optimal university networking and Internationalisation. To ensure the best possible outcomes for Bhutan’s scholars, it is necessary to become aware of the challenges and benefits experienced in other places and also why or how these realities came to be.

**Implications**

As is the case with many knowledge domains, Bhutan must create its own best practices for higher education Internationalisation, embedded in scholarship and experiences of other similar nations. Bhutan’s culturally specific and unique best practices can be developed from several sources of evidence. The cases of India, China, and the HUC present viable pathways to successful development of broadened cross-border education. However, unheeded and unaddressed, these cases’ challenges and risks of financial exploitation and unchecked, poor quality can become reality.

Presented together India and China convey for Bhutan unforeseen challenges to be avoided, but also benefits to be obtained from international cooperation. As Internationalisation expands in Bhutan, so too should efforts to ensure high quality, evidenced based best practices be expanded. Quality mechanisms can be established from the top-down in cooperation with reputable international institutions (Marginson, 2010). Furthermore ensuring quality educational offerings can aid in culling and banning disreputable, profit-only-driven
educational businesses from increasing their bottom line at the expense of Bhutanese citizens. Another benefit of a strong quality assurance strategy for Bhutan is the steady increase in the value of education including teaching, learning and research. By only allowing collaboration with reputable, accredited institutions with values aligned with those of Bhutan, educational outcomes will improve.

Another area of best practice suggested by the cases of India, China, and the HUC is greater flexibility for academicians’ mobility. The Internet has greatly eased the facilitation of interactive dialogue, but even the highest quality virtual call cannot replicate the authenticity of an in-person, multiple participant debate. Easing the restrictions for cost of travel and also of travel restrictions and accessibility to academics within Bhutan who wish to travel within the country and also in surrounding areas would greatly serve to support the benefits of Internationalisation. Furthermore, to eradicate brain drain and rather to promote brain gain, Bhutan can create competitive, globally attractive conditions for academicians, including flexibility for mobility.

Ideally the Royal University of Bhutan will become an active participant in the activities of the Himalayan University Consortium. Involvement in the HUC activities is a viable opportunity to practice many activities relevant to broader Internationalisation. Aims and activities of the HUC range from cooperative, domain-specific curricula creation, to practical experience in increased, advanced research methodologies in collaboration with regional academicians, and furthermore practice in the communication and flexibility techniques to develop broader cross-border education cooperation in higher education.

Finally Bhutan’s tertiary education institutions are uniquely positioned philosophically and geographically to promote and sustain positive outcomes of
Internationalisation beyond the economic and market arena alone. As the home of Gross National Happiness, the substantive, multifaceted well being metric used in tandem with GDP, Bhutan has the potential to focus intensively on holistic higher education, transcending the purely monetary aspects and intended outcomes of university education. Furthermore, this can be achieved through culturally tailored quality control mechanisms with a high threshold for Bhutan-centric values and ethics (David, Sanyal, & Wildemeersch, 2006). Marginson (2010) substantiates this claim saying “the role of higher education is not limited to fostering the economic development of nations and the provision of opportunities for individuals, it extends also to the promotion and harmonization of cultural diversity, political democracy and economic trade” (p. 6963). The governmental policy toward developing this metric to serve the needs of Bhutanese citizens uniquely positions Bhutan as a potential powerhouse and trail-blazing example of how higher education can be shaped to engender citizens with holistic development intentions.

Although much can be learned from India, China, the Himalayan University Consortium, and other countries with similar attributes to Bhutan, higher education and governmental leaders will have to determine the best pathways to success specifically for Bhutan and its citizens. Hussein (2010) summarizes this point saying, “there is no blue print that is valid for all countries; globalization is neither the cause of troubles nor is it the sole path towards success” (p. 7357). Lessons can be shared among nations and regions, but ultimately Bhutan’s path to success in internationalizing its higher education institutions is yet to be determined.
References


