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EXCHANGE RATE EXPOSURE AND FIRM-LEVEL PERFORMANCES: THE CASE FOR MACEDONIA

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Abstract

Changes in exchange rates, unless they are expected, can impact the decision making and profitability of financial and non-financial firms. In particular, with the adoption of flexible exchange-rate regimes in the early 1970s, exchange-rate risk, contrary to expectations, has led to an increasingly riskier environment for firms with international transactions. However, a riskier environment does not necessarily mean higher risk at the firm level as firms can take advantage of risk-management practices in order to lower or completely eliminate that risk.

Most investors will be familiar with the concept of currency exposure, with constantly changing exchange rates affecting the cost of investing in international securities. These same issues also affect companies that operate internationally. So what effect do currency fluctuations have on company profits, and what are they doing to insulate themselves? In this paper we examine this question. We surveyed financial and general managers of companies in Macedonia in order to examine their views and practices about this important questions. It is useful to identify which are exporters and those who seek to provide value in areas like managing foreign exchange risk and predict currency needs. Key factors for realization of these goals are also innovation and knowledge that can help in increasing the role of FDI on productivity and efficient growth with the real exchange rate by stimulating the growth of exports. This can contribute for

sustainability of economic growth and economic integration, especially for small and open economy such as Republic of Macedonia, also subject of analysis in this paper.

Keywords:

Exchange rate exposure; Real exchange rate; firms; risk; Macedonia.

1.INTRODUCTION

It is widely acknowledged that in an open economy, the exchange rate constitutes the most important price. The existence of exchange rate exposure can be very painful as examples from several emerging economies have shown. Although the rapid growth in international investments reflects the benefits of geographic diversification, currency risk can counteract some of these advantages (Edwards, 1998). Since foreign exchange rates can have a significant impact on returns, investors may be interested in hedging this risk where possible and appropriate. Investments in overseas instruments, such as stocks and bonds, can generate substantial returns and provide a greater degree of portfolio diversification, but they introduce an added risk, that of exchange rates. While hedging instruments such as currency futures, forwards and options have always been available, their relative complexity has hindered widespread adoption by the average investor. Given the differences in risk-management practices, a firm's level of exposure to exchange-rate changes cannot be proxied by the standard deviation of relevant exchange rates or other more complex measures.

This paper was motivated by the increasing role of foreign exchange debt in financing small and medium-sized enterprises. FX debt, if not hedged, exposes firms to depreciation, which may result in losses for the banking sector as well. There are other channels through which the credit risk of

corporations is also influenced by exchange rate changes. Financial crisis and exchange rate exposure literature is reviewed to highlight the significance of this issue.

We will first present the theoretical foundation, then we will present the research methodology, and finally we will discuss the findings.

2. THEORETICAL LITERATURE REVIEW

Exchangerate exposure can also show asymmetric behavior where currency appreciations and depreciations impact firm value differently, both in direction and in size (e.g., Bartov & Bodnar (1994), Koutmas & Martin (2003)). A recent and thorough survey of the literature on exchange-rate exposure is provided by Muller & Verschoor (2005). Yet there is no clear consensus among economists on whether the type (or degree of flexibility) of the exchange rate regime affects the corporate sector's incentives to take on foreign currency denominated liabilities or to insure against depreciation risk.

Two basic views exist in this respect. On the one hand, several authors have argued that pegged exchange rate regimes biases corporate borrowing towards foreign currency, due to an implicit exchange rate guarantee given by the government (Mishkin,1996; Goldstein and Turner, 2004). Under fixed or pegged regimes, the central bank keeps currency volatility within a pre-announced range, effectively underwriting currency risk (Dooley, 2000). Thus, firms borrow in dollars to benefit from the lower ex ante dollar interest rates, and expect the government to insure them from any potential loss in the event of a large devaluation. A second variant of this argument suggests that because of limited exchange rate volatility under fixed or tightly managed exchange rate regimes, borrowers appear to consider a steep devaluation a

low-probability event, and therefore neglect or underestimate the exchange rate risk associated with borrowing in foreign currency. The fact that fixed/pegged exchange rates have played a role in every recent financial crisis since 1994, and that firms relied extensively on unhedged foreign currency financing in the years leading up to the crisis, is often used as strong evidence for these views (Dooley, 2000).

On the other hand, (Eichengreen and Hausmann (1999) and Eichengreen, Hausmann, and Panizza (2005) dispute this view. The authors suggest that at the root of currency mismatches lies the fundamental inability of emerging markets to borrow abroad in their own currency. Inevitably, this leads to an accumulation of foreign-currency denominated debt which firms are simply unable to hedge, even if they have the foresight or prudence to match the currency structure of their assets and liabilities. In addition, McKinnon and Pill (1999) argue that adopting a floating rate regime will actually exacerbate currency mismatches. Because the domestic interest rate risk premium is a direct function of the stability of the currency, exchange rate volatility associated with floating rates will increase domestic interest rates (and thus the incentives to borrow in foreign currency) and make financial hedging more expensive.

3. EXCHANGE RATE EXPOSURE FOR MACEDONIAN COMPANIES

Refinancing risk is significant for Macedonia. It will need to repay large Eurobonds maturing in 2013 and 2015, as well as the PLL purchase (in 2014–16) and the bank loan guaranteed by the World Bank PBG (in 2016) . Market volatility has been high since the onset of the global crisis, due to external rather than domestic factors. This was evident in 2009, when the government issued a 3½-year Eurobond at a yield of

9 $\frac{7}{8}$ percent, more than double the 4 $\frac{5}{8}$ percent yield of the 10- year issuance in 2005, and in 2010 when it canceled a planned Eurobond issuance after market rates spiked in the run-up to the Greek program. In addition, domestic debt features a very short average maturity of just 6 months, and hence the need to roll over existing debt on average 2 times per year.

Macedonia's exposure to currency risk could gradually be reduced by increasing domestic non FX-indexed denar issuance. Currency exposure is considerable: all external debt is in FX, and almost half of outstanding domestic government debt is FX-linked. Taken together, almost 90 percent of general government debt is hence denominated in or linked to foreign currency. Currency risk—defined as the (high) exposure multiplied by the (low) probability of a shock—may not appear to be high in light of the stability of the peg over the past 15 years (Loderer & Pichler, 2000). However, reducing it would add to policy flexibility in the event of unforeseen shocks in the future. Gradually increasing the share of domestic denar-denominated, non FX-linked debt would be a prudent strategy in this context, together with increasing the share of domestic debt in fiscal financing. These actions would also bring other benefits, including developing the domestic currency yield curve, improving the monetary policy transmission mechanism, and in general promoting greater use of denars in financial transactions.

By developing and following a medium-term debt strategy along these lines, Macedonia can achieve the goal of minimizing medium-term costs subject to keeping risks within appropriate pre-set bounds. As described above, the government has taken the first initial steps toward renewed market development. Further gradual moves in this direction, guided by a comprehensive debt strategy, would bring the goal within reach. Achieving this goal would benefit the budget through lower interest expense and lower risks

over the medium term. At the same time, developing a domestic yield curve would yield positive externalities for the real economy, as it would clearly establish a denar yield curve that can be used in pricing private sector loans and bonds.

Traditionally, Macedonia has had low fiscal deficits, ranging from -1% to $+1\%$, but during the crisis in 2009 this grew initially to 2.5% then to 2.8% with our highest in 2012 at 3.8% . In 2013, due to the financial stimulus were at 3.5% . NBRM was able to mitigate successfully because Macedonian public debt was low at around 20% of GDP which afforded us room for expansion which we used during this crisis period. Apart from the macro-economy concerns, the crisis with the Euro as a currency helped boost confidence in Macedonian domestic currency [MKD denar]. This is because people naturally began to wonder what would happen with Europe; therefore, its primary currency. As a result, some people began to orient more towards the MKD. Macedonia, like most former Yugoslavian countries are highly Euro-rized, which means people save and use credits in Euros, with a 65% Euro to 35% MKD ratio. During the crisis and continuing today, the ratio of households and their propensity to save in MKD has elevated to 50% .

4. METHODOLOGY

The study involved a field survey conducted in July 2015, by applying a self-administered questionnaire which was distributed among the managers and employees in companies in Macedonia. The survey contained questions on accounting exchange rate exposure. The aim was to collect data and to examine the behaviour of enterprises. Analysis of the data was conducted with a focus on exchange rate

exposure. The analysis is based on descriptive statistics and probit and ordered probit regressions. Also, we investigated managers' attitudes about the impact of business strategies on the intended financial strategy.

In 45 companies we asked managers what encourages and what limits the use of debt:

- High volatility of EBIT (high business risk) limits the use of debt (lower financial risk);
- Diversification (operations in more businesses) encourages the use of debt;
- Internationalization (sales in other countries) encourages the use of debt;
- Long periods of collection of accounts receivable force the use of debt.

5. ANALYSIS, RESULTS AND DISCUSSION

This part focuses on the firms which were asked about their opinion for their exchange rate exposure and expectations. As firms are not obliged to register the denomination of items in their books by the accounting system, the volume of FX items may be larger than reported. Firms are required to count export revenues and import expenditures, however, they may have FX income or expenditure from non-foreign trade type activity or they may have FX balance sheet items. This distortion is higher for FX assets and liabilities than for income statement items. On the other hand, the exchange rate exposure perceived by firms is underestimated as a result of low volatility of the exchange rate in the period before the survey. It may easily be the case that firms projected this situation into the future, and thus felt they had no exchange rate risk at all.

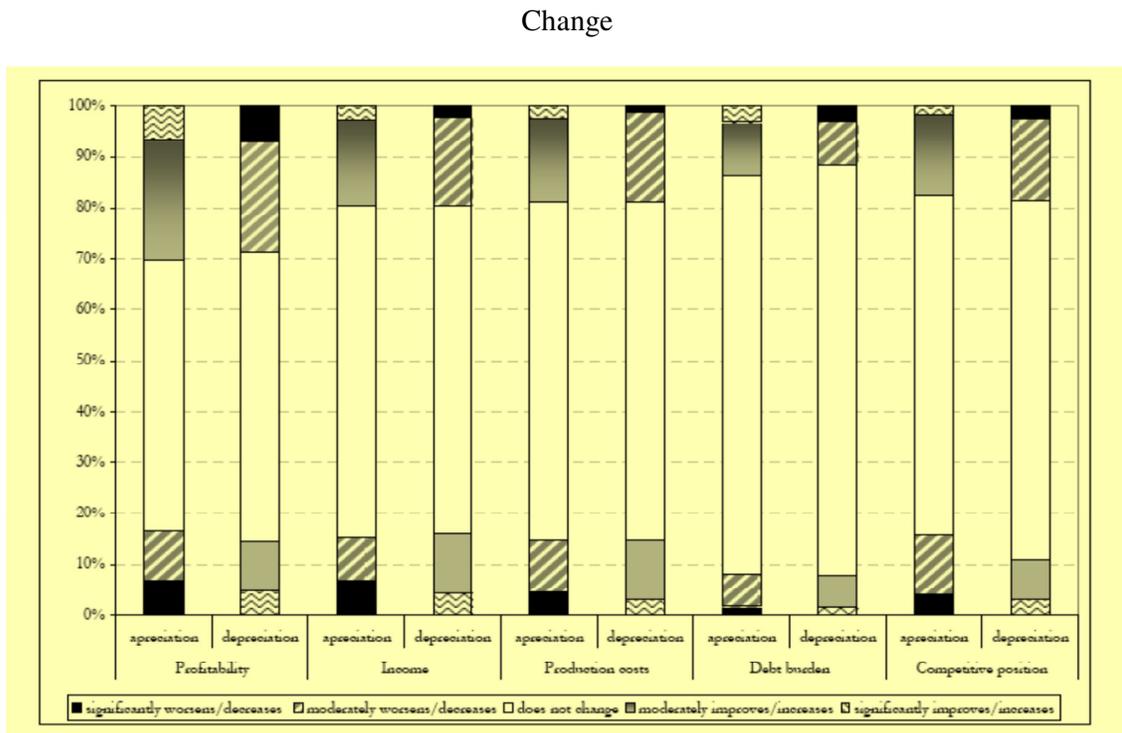
Accounting exposure or currency mismatch (CM) is defined as follows (Loderer and Pichler,2000):

Stock CM = MKD value of FX assets – MKD value of FX liabilities

Flow CM = MKD value of FX income – MKD value of FX expenditures

In the case of a negative currency mismatch, depreciation of the domestic currency would have negative effect, while appreciation would influence the net position positively. Enterprises may have exchange rate exposure even if currency mismatch is zero, if the scheduling of inflows and outflows differs.

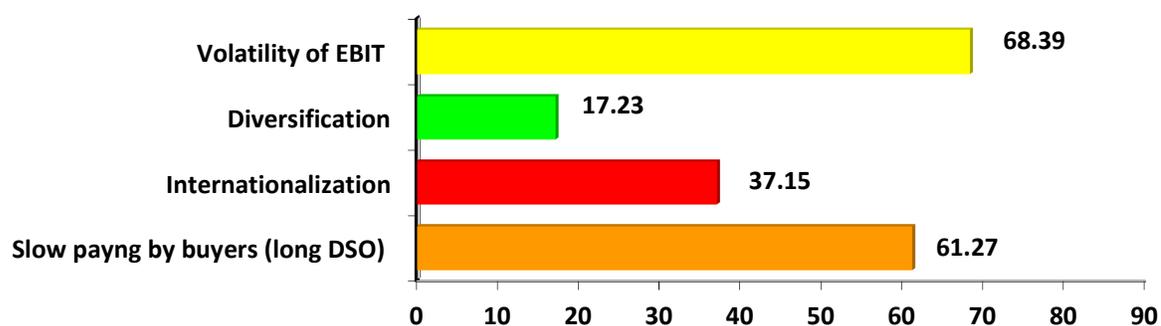
Figure 1: Expectations of Enterprises in Case of a Potential Exchange Rate



Source: Survey on the Exchange Rate Exposure of Macedonian SMEs.

The survey responses about the impact of business strategy on intended financial strategy are summarized in Figure 2 and Table 1.

Figure 2. The impact of business strategy elements on financial strategy



Source: Authors' calculations

Table 1. The impact of business strategy elements on financial strategy

	% of companies		Mean										
	Imp orta nt or very imp orta nt	Unim portan t or with little impor tance	All	Size		Industry		Internatio- nalization		Diversifi cation		Debt	
				L	S	FP	O	N-I	I	UnD	D	UnL	L
Volatility of EBIT	68.3 9	3.15	3.80 7	3.79 5	3.914	3.93 5	3.79 0	3.68 0	3.98 7	3.68 5	3.99 0	3.67 5	3.88 0
Diversifi cation	17.2 3	48.40	2.46 3	2.17 6	2.725*	2454	2.56 4	2.50 3	2.57 2	2.28 0	2.80 3	2.28 6	2.60 7
Internati ona- lization	37.1 5	31.05	2.80 7	2.41 4	3.130*	2.71 3	2.98 3	3.09 2	2.81 6*	2.54 2	3.36 5*	2.64 7	2.92 5
Slow paying by buyers	61.2 7	8.05	3.60 1	3.31 8	3.860*	3.56 5	3.72 5	3.68 0	3.69 4	3.42 3	3.92 8	3.45 2	3.69 8

*significant at the 0.05 level.

Source: Authors' calculations

The greatest number of managers sees EBIT volatility as the most important factor of applied business strategy that influences decisions about borrowing: 68.39% believe it is an important or very important factor (mean = 3.807). EBIT volatility can be viewed as a synthetic indicator of business risk in terms of implemented overall business strategy. This indicates that managers are well aware of the need to combine the effects of business and financial risks meaningfully. In contrast to the views on diversification and internationalization, managers believe that a very practical problem is an important or very important factor of business strategy that determines the level of debt: delay of buyers in meeting their liabilities to the company. More than 61% of managers agreed with this assessment (a mean of nearly 3.6). We found additional statistically significant differences in attitude between managers of small and large companies in terms of how managers see impact of internationalization on level of debt (3.130 versus 2.414).

Managers of small companies also believe more than managers of large companies that diversification encourages the use of debt (2.725 versus 2.176). Finally, not only managers of small companies but also managers of non-internationalized companies and diversified companies are more inclined to believe that internationalization encourages use of debt. One possible explanation is that managers of small firms find that diversification requires a significant investment that cannot be provided through internal financing and it is necessary to arrange additional borrowing for this purpose. The view of internationalization that managers of diversified firms have may be influenced by their experience of additional borrowing to extend product scope (i.e., diversification), leading them to conclude that additional borrowing is also necessary when it comes to extending geographical scope (Bordo et

al.,2009).

6. CONCLUSION

Regressions indicated that the exchange rate exposure of a firm is positively related to firm size, foreign ownership, foreign trade activity and FX indebtedness. In terms of sectors, the highest the ratio of firms exposed to exchange rate changes is found in the manufacturing sector, but in transportation and trade sectors the ratio is also higher than average. The majority of companies interviewed are not prepared for changes in the exchange rate. On the basis of their answers, most of SMEs with exchange rate exposure do not assess their exchange rate exposure or deal with its magnitude, and generally believe that they have no exchange rate exposure or that it is negligible. foreign exchange debt, as a means of natural hedging, may reduce exchange rate exposure, but if foreign exchange indebtedness is motivated by the reduction of costs (i.e. payment of lower interest rates upon borrowing, for example), the exchange rate exposure of the enterprise will grow. Several questions were posed in connection with assessing exchange rate exposure, expectations regarding the potential impact of the exchange rate on profitability, income, costs, debt and competitive position. Enterprises were asked to express their expectations on both the effects of appreciation and depreciation, as exchange rate exposure may be asymmetrical (Figure 2). Half of firms with non-zero CM gave answers, based on which it is clear that they are not aware of the existence of exposure or deem it to be insignificant. About 50% of these firms do not expect the exchange rate to affect any of the aforementioned variables. The other half of this group said they had exposure, but they do not manage it or the answers are contradictory. For example, firms answered that they had no

exposure but expected they would be influenced by a change in the exchange rate.

In general, developing countries - the Balkan countries have a shortage of savings and they imported foreign savings. Companies in Macedonia tend to borrow in foreign currency-Euro which is particularly popular in Serbia and Croatia, due to the lower interest rates compared to interest rates on credits in national currency. Differences in interest rates are an indicator of expected future depreciation / appreciation currency in terms of fluctuating exchange rates (Zettelmeyer et al., 2010). The currency risk can be hedged in two ways: if the company is a net exporter and lend in currency of the net exports, or in short-term loans, if agreed today a term exchange rate to repay the loan at the time of the mature. But, in the Western Balkans as we have seen from the above researches there is no developed market of term rates to use this tool. Namely, as an instrument to mitigate foreign exchange risk can serve the following rule - if the company does not generate income in the same currency as the loan is, repayment capacity of the loan should not exceed 50-60 EBIT of the company. In the case of depreciation, the company has the capacity to back the loan. So, those countries which are small and open (as Macedonia) have high indicator on protection of the EUR currency risk through their exports in Euros. These sectors can avoid currency risk by borrowing in Euros.

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ASSESSING FINANCIAL MOTIVATION AND ITS INFLUENCE ON PERFORMANCE OF TEACHERS IN GOVERNMENT SENIOR HIGH SCHOOLS IN GHANA

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Abstract:

The study looked at financial motivation and its influence on performance of teachers in Government Senior High Schools in Ghana. The sample of the study consisted of 207 public senior high schools drawn from a population of 535. A total of 621 questionnaires were distributed to teachers working in various public senior high schools out of which 520 representing 83.74% were retrieved. The respondents that constituted the sample were drawn using convenience sampling. The researchers used Chi Square to assess the independence between financial motivation and performance of teachers which was measured using the pass rate of students at the West Africa Examination Council. From the Chi Square test statistic and analyzes of questionnaires retrieved from respondents, it was realized that there is association

between financial motivation (Single Spine) and performance of teachers at public senior high schools. The study concluded by advising that for financial motivation to continue to serve as motivators in the long run, it is crucial to manage other variables that are associated with it.

Keywords: financial motivation, teachers, performance, Senior High Schools, Ghana

1 INTRODUCTION

All over the world, compensation in the form of wages or any other form of incentive influences job performance and has effects on organization's success (Adeogun, 2008). According to Wayne (1992), compensation includes direct cash payments and indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity and is usually the single most important employment reward that has a significant effect on individual attitudes and job performance.

Motivation guides people actions and behaviours toward achievement of some goals (Alam and Farid, 2011). Teacher motivation has become an important issue given their responsibility to impact knowledge and skills to learners. It is argued that satisfied teachers are generally more productive and can influence students' achievement (McCollum, 2001). Some educationists and politicians have also shown concerns about this issue of financial motivation for teachers. For example, during the 15th National Best Teacher Award ceremony (6th June, 2009) the former and late President of Ghana, Professor John Evans Atta Mills, delivering his message through the then Vice President, John Mahama, directed that "the

Ministry of Education and the Ghana Education Service should ensure that salaries and emoluments of teachers, especially newly engaged ones and those in deprived and remote areas, are promptly paid”. He noted that “one of the major demoralizing factors for teachers had been the delays and inequity in remuneration for work done in comparison with their colleagues in other sectors.”

It is a well-known fact that teachers who teach in the first and second cycle institutions and employed by Ghana Education Service and the Ministry of Education in Malawi , and some other African countries, including Ghana, are not well compensated, with respect to salary and allowances. There is also a broad consensus among other stakeholders, including community members and students that poor incentives and conditions of service have resulted in low morale and thus poor performance among teachers (Wragg et al 2001; Malen, 2005).

Related studies done by other researchers have established the linkage between financial motivation and job performance in organisations (Artz, 2010) but with regard to specific research work on financial motivation and job performance of teachers particularly in government sector, it is woefully inadequate. This gap in literature needs to be filled in order to increase the understanding of the relationship between financial motivation and job performance of government teachers using Ghana as a test case. In view of this, the study seeks to find out the sort of relationship between direct and indirect compensation given to government teachers and its impact on their job performance.

2. LITERATURE REVIEW

The general purpose of this study is to assess the extent financial motivation plays in influencing the performance of teachers in Ghana. Considerable controversy surrounds the concept of pay as a motivator, but studies continue to reveal that incentive pay plans can increase productivity and improve efficiency (Aronso, 1979). In the case of the Senior High School teacher, such financial motivations include the basic monthly salaries and some fringe benefits such as car maintenance allowance, house or form master's allowance, medical care, accommodation allowance, and guidance and counseling allowance (Ghana Education Service, 2000). From the comments of Kokemuller (2013), financial motivation relates to the way in which an organization uses compensation structure to motivate workers to perform well. To the writer, companies use a variety of pay structures depending on the type of work environment and the nature of the work being performed.

In Ghana, the Ghana Education Service Council, acting on behalf of the Government of Ghana, collaborates with teachers' Associations such as Ghana National Association of Teachers (GNAT) and National Association of Graduate Teachers (NAGRAT) to spell out the conditions and scheme of service and the code of professional conduct for teachers. Unlike most of the private sector, public school teacher salaries are set largely based on seniority, experience and educational level. In the public sector, teacher unions often negotiate salaries levels for their members with the Ghana Education Service (GES) and teachers with higher levels of education and seniority or experience are paid more, while entry-level teachers are paid far less than their most senior counterparts. However, teacher attrition rates are high, with more than half of all new teachers leaving the profession within five years due to low pay and poor

working conditions which according to National Education Association cited in Hedges, Laine and Greenwald (2011) remains a very high figure.

One of the factors that researchers believe to motivate employees is fringe benefits. Murray (2013) stated that fringe benefits are benefits or compensation given to employees in addition to wages or salaries. Fringe benefits can be in the form of time off, such as paid vacation or sick time, or for benefits with monetary value such as pensions, health insurance coverage, and life insurance coverage. Fringe benefits are meant to influence employees' performance positively but is it always the case? Kwak & Lee (2009) found out that there are more negative signs than positive signs on the fringe-benefit variables, a study which they conducted on Korean firms. Looking at their findings, it is not surprising that such a situation will occur simply because in most circumstances it is not the quantum of financial reward that motivates the employees but it is how equitable the employees see the financial reward in relation to the skills, effort and knowledge. On the basis of this, an employee is likely to let unacceptable financial reward affects his performance negatively more than if the financial reward was not in existence. In supporting this argument, there are lot of fringe benefits that are found in the Ghana Education Service but these benefits have not aid teachers in Ghana to improve their performance. A comment from the Volta Regional Director of Education in Ghana on 27th November 2013 which can be found on www.modernghana.com indicates that poor performance of students should be blamed on teachers since they did not put up their best and hence abysmal performance of students. Looking at such comment, it is clear that although the GES Council and the GNAT conditions of service reveals various fringe benefits such as maintenance and mileage allowances, night allowance to employees on

duty, allowance for teachers in difficult/deprived areas, bonuses, housemaster and form master allowances, guidance and counseling allowances, car-maintenance allowances for those who own means of transport, transfer allowances and accommodation, all these financial benefits have not yielded the expected outcome in terms of improved performance of teachers in Ghana. Though giving awards to employees to enhance their performance has been seen as discretion on the part of the employer rather than a statutory requirement, many studies have proved that they are very vital and as such impacts positively on employees performance. A study conducted by Holt (2001) found that teachers view distributing school awards as appropriate in relation to motivating them to improve upon their performance, although the writer believed that when there is no fairness in the distribution, employees performance can be affected negatively.

From the various literature, one can set hypotheses for the study as:

H₀: Performance of Government Senior High School Teachers in Ghana is independent on provision of financial motivation

H₁: Performance of Government Senior High School Teachers in Ghana is associated with provision of financial motivation at 5% level of significance.

3. METHODOLOGY

The study looks at how financial motivation influences the performance of Government Senior High School Teachers in Ghana. The target population for the study is all the 535 government senior high schools in Ghana as at the year 2013. In getting sample for the study, the researchers adopted a

probability sampling technique where a simple random table was used to select 207 government senior high schools for the study. In doing this all the government senior high schools were coded using six digits 001000 to 535000. Going through the random table, 207 government senior high schools were selected provided they fall within the range. These senior high schools came from all the ten regions of Ghana.

For the researchers to get teachers to be used in the study, convenience sampling which is a non probability sampling technique was adopted. The choice of this non probability sampling technique was based on difficulty of the researchers getting full list of all the names of teachers in these 207 sampled schools so that randomly they could be selected. On the basis of this difficulty, the researchers decided to sample 3 teachers each from these schools based on their willingness to provide answers to the questionnaires distributed. In all 621 teachers were involved in the study. The main data collection instrument used for the study was **self-designed** questionnaires. The questionnaires distributed to the respondents centered on the extent to which they agree to wages and salaries, fringe benefits and end of year awards influence their ability to perform well in their respective institutions. In looking at financial motivation and its influence on performance of teachers in the selected sample schools, the researchers used chi square to test the independence between financial motivation and teachers performance in these government senior high schools.

This was done by looking after the introduction of single spine pay policy by the government of Ghana which was meant to motivate workers at the public sector and before the introduction of the policy and its

corresponding influence on students pass rate in those selected schools.

3.1 Description of variables as used in the methodology

Defining performance of the teacher is an important factor in understanding this research work but it has been a topic that has not received sufficient attention. The large literature (Darling-Hammond & Loewenberg, 1998; Hughes, 2011; Srafi, 2011 Chapman & Lowther, 1982; Carr et al 2010) on teacher performance generally looks at the effect of teacher characteristics on students' performance in the area of examination results and this is exactly how the researchers also define performance in the context of this research work.

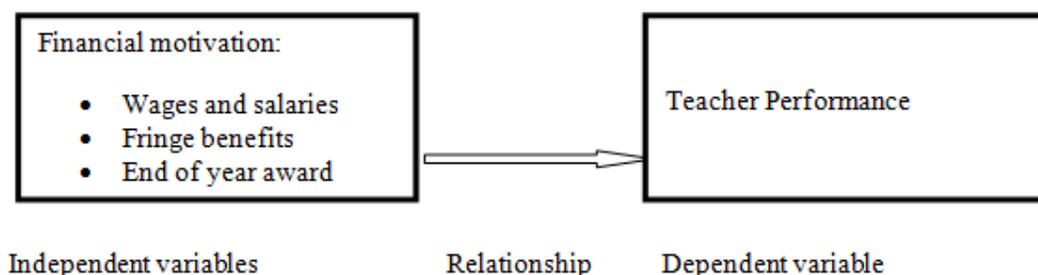
In doing this, the performance of completed third year students at the West Africa Examination Council was compared with the Government of Ghana before and after the introduction of the single spine pay policy using a four year period (before: 2006 to 2009) and (after: 2011 to 2014). Performance of students were measured based on their ability to obtain Aggregate 36 (A1 – C6) or less which qualifies them to enter into universities or tertiary institutions. Students performance before the implementation of single spine pay policy in all the selected senior high schools were aggregated for those who qualify to enter into universities or other tertiary institutions as well as for those who did not qualify. The same thing was done with students' performance after the implementation of the single spine pay policy. Doing this enabled the researchers to have overall picture with regard to the overall performance of students before and after the Government of Ghana initiative to motivate its teachers

through the single spine pay policy. Looking at the area of financial motivation, there are lots of these which an organization can provide in order to entice its employees to put up their best but the study looks at financial motivation in the area of wages and salaries including allowances, fringe benefits and end of year awards.

Wages and salaries in the contest of this research refers to remuneration provided by the Government of Ghana to teachers in government senior high schools at the end of the month which has been dubbed as ‘single spine’; whilst fringe benefits in the contest of study is used as compensation provided by the government in addition to the single spine. Last, the researchers defined end of year award as compensation provided by the government which has been dubbed as ‘best teacher award’ at the end of year to show appreciation to teachers who exhibited good performance throughout the period.

From the description of variables, one can come out with a conceptual framework for the study as provided in figure 1 below:

Figure 1: Conceptual framework for the study



4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

The main objective underlying the study is to assess financial motivation and its influence on performance of teachers using Ghana as the study area. The data collection instrument used was questionnaires and there was the need to measure for internal consistency or reliability of scale as well as questions in the questionnaire. In doing this, Cronbach α test was conducted with 12 items in the questionnaire and the results can be seen in table 1.

Table 1: Reliability co-efficient

Cronbach α	No of items
.839	12

The above cronbach α test conducted for 12 items is .839, suggesting that the items have relatively high internal consistency and such the validity and reliability of the data collection instrument cannot be ignored. It must also be noted that out of the 621 questionnaires sent to the respondents sampled for the study, 520 representing 83.74% were retrieved.

Demographic characteristics are very important in research and as pointed out by Leonid & Gavrilova (1991), there is a need for researchers to consider the demographic characteristics of respondents as they can influence the findings and outcome of their research. Demographic factors such as age, educational background, sex, religion and marital status play a major role in determining how individuals reason and

see things as a whole and this can influence the answers they provide to certain questions. Taking a clue from the literature provided by these writers, the researchers decided to look at the demographics of teachers sampled for the study as presented in table 1 below:

Table 1: Demographic characteristics of teachers

Variables	Category	Frequency (N)	Percentage (%)
Age	20-30	101	19.42
	31-40	165	31.73
	41-50	192	36.92
	50+	62	11.93
Sex	Male	389	74.81
	Female	131	25.19
Religion	Christian	306	58.85
	Non Christian	214	41.15
Educational Qualification	HND	89	17.11
	1st degree	304	58.46
	Master's degree	76	14.62
	Other	51	9.81
Marital Status	Married	327	62.88
	Other	193	37.12

The demographic characteristics of the respondents indicate majority of the respondents (36.92%) falling within the age range of 41-50; male dominating the study (74.81%); greater number of respondents (58.85%) been Christians; larger number of respondents (58.46%) holding first degree and married teachers dominating the study (62.88%). The above indicators as seen from the table show that majority of the respondents gave critical thought to the questions raised in the questionnaire before providing

answers. This is in line with the literature provided by Groot and Brink (2002) who were of the view that older, educated and married people are much particular about the consequences of their actions whether oral or in written and think carefully before making them known to others.

Since the study looks at financial motivation and its influence on teachers performance, there was the need to look at the extent to which the sampled teachers from the selected senior high schools agree to current wage and salary policy (single spine) in the government sector, fringe benefits and end of year award dubbed as 'best teacher award' serving as fuel to ignite them put up their best. The questionnaires distributed to 621 respondents on the above issue which 520 were retrieved representing 83.74% response rate, produced results that can be witnessed in tables 2 and 3.

Table 2: Singe Spine Pay Policy as Financial motivator

Responses	Frequency	Percent	Mean
Strongly Disagree	39	7.5	4.2
Disagree	82	15.8	
Neutral	54	10.4	
Agree	203	39.0	
Strongly Agree	142	27.3	
Total	520	100	

Source: Fieldwork, 2015

The above mean score of 4.2 shows that majority of teachers in Ghana agree to the assertion that the new government pay policy (Single Spine) is a motivator to enhance their performance. Whilst this may be true based on their responses, there is the need for the government to manage other variables that go with this pay policy if workers are expected to see it as a motivator in the long run.

For instance, as the manager of the economy if economic indicators such as inflation, interest and exchange rates are not managed well, it has the tendency of diluting the purchasing power of workers and wages and salaries that were previously seen as motivator will tend to be rejected by workers.

The other variables which were also looked at as financial motivators and its influence on performance of teachers were fringe benefits and end of year award. In finding the views of the respondents in relation to the association between these variables and performance of teachers, the questionnaires that were distributed produced results that can be seen in table 3:

Table 3: Fringe Benefits and End of Year Award as Financial motivators

Responses	Frequency	Percent	
Mean			
Strongly Disagree	43	8.3	
Disagree	78	15.0	
Neutral	29	5.5	
Agree	266	51.2	4.6
Strongly Agree	104	20.0	
Total	520	100	

Source: Fieldwork, 2015

The score of 4.6 shows a strong opinion of the respondents, that fringe benefits and end of year award provided by the government is a strong financial motivator for them to impart knowledge onto students. Though the views of the respondents show a positive association between the variables, it is important to note that if there is no clear policy instituted by the employer with regard to how employees should enjoy fringe benefits and end of year awards, it can create more harm than these financial motivators serving the purpose which they were meant. This argument is in line with the comment given by Waterreus (2001), who was of the view that compensation issues are very dear to employees and there should not be any doubt in the minds of employees that it is discriminatory. In line with this argument, it was very sad to see 89% of the respondents disagreeing to the assertion that there is transparency and fairness in the way fringe benefits and end of year awards are administered in the government sector, despite been seen as strong financial motivators.

Though the response from the respondents shows association between financial motivation and teachers' performance, there was a need to use statistical tool (chi square) to test the independence between the variables. This was done by looking at the financial motivation in the form of Government of Ghana before and after the implementation of single spine pay policy and its influence on teachers' performance in the selected high schools based on the data obtained from West Africa Examination Council (Ghana). This can be seen in table 2 which a chi square test statistic was used to test the independence between the variables.

Table 4: Students performance before and after single spine pay policy 2006 to 2014

	Number of Students obtained aggregate 36 or less ('000)	Number of Students obtained more than aggregate 36 ('000)
Before Single Spine Pay Policy	69	472
After Single Spine Pay Policy	186	512

Source: West Africa Examination Council

The above table shows that about 69000 students (**2006**: 14,747; **2007**:14,188; **2008**:17,010 and **2009**:23,037) obtained aggregate 36 or better before the Government of Ghana introduction of single spine pay policy. During this same period (2006 to 2009), about 472000 students (**2006**:103,230; **2007**:119,843; **2008**:114,345; **2009**:134,964) obtained more than aggregate 36. The Government of Ghana after introduction of the single spine pay policy recorded about 186000 students (**2011**:38,297; **2012**:54,032; **2013**:25,640; **2014**:68,048) obtaining aggregate 36 or less whilst during the same period (2011 to 2014) about 512000 students (**2011**:108,999; **2012**:120,264; **2013**:108,251; **2014**:174,114) were seen obtaining more than aggregate 36.

Looking at these figures, it is clear that the number of students that obtained aggregate 36 or better after the government introduction of single spine pay policy were more than before the introduction of such policy. In order to really ascertain whether there is any association between the performance of teachers which is reflected in students' performance at the West Africa Examination Council and financial

motivation in the form of single spine, a chi square test statistic using the data in table 4 were used to assess the associations between the variables which is represented in table 3.

$$X^2 = \sum_{i=1}^r \sum_{j=1}^c \frac{(O_{i,j} - E_{i,j})^2}{E_{i,j}}$$

Table 5: Chi square test statistic of financial motivation and teachers' performance

	Students obtained aggregate 36 or less	Students obtained more than aggregate 36	<i>Marginal Row Totals</i>
Before Single Spine Pay Policy	69 (111.34) [16.1]	472 (429.66) [4.17]	541
After Single Spine Pay Policy	186 (143.66) [12.48]	512 (554.34) [3.23]	698
<i>Marginal Column Totals</i>	255	984	1239 (Grand Total)

The Chi-square statistic $X^2 = 35.992$, the P value is 0 and this result is significant at $p < 0.05$. From this chi square test statistic with 1 degree of freedom and a critical value of 3.841, we reject the null hypothesis with 95% confidence level that there is association between financial motivation provided by the Government of Ghana in the form of single spine pay policy and performance of teachers reflected in students obtaining aggregate 36 or better. This results is in line with the literature provided by Chiaburu and Tekleab (2005), Doulton and Van Der (1999) and Den and Verburg (2004) who were of the view that equity and fairness play important role in motivating employees to accept any remuneration that goes with the services they provide as part of their employment relationship with employers. It is therefore in the right direction for the

government to continue ensuring equity and fairness in the public sector wage which was one of the reasons behind the introduction of the single spine pay policy.

5. CONCLUSION

The study has shown that teachers see financial motivation as motivators and for governments who are seen as the largest employer of these teachers in most countries to get the best in the form of teachers exhibiting good performance, proper attention needs to be paid to financial motivators. Whilst they are strong motivators, it is imperative for the government to ensure that other variables that are associated with financial motivational factors are managed very well if they are to continue to serve as motivators in the long run. There is also the need to ensure fairness, equity, and transparency in the distribution of packages that are meant to serve as financial motivators since as proposed by the equity theory, a teacher will consider that he is treated fairly if he perceives the ratio of his inputs to his outcomes to be equivalent to those around him.

6. LIMITATION AND SUGGESTION FOR FURTHER RESEARCH

The study looked at financial motivation and its influence on performance of teachers in the government sector without considering teachers in the private sector. This means generalizing the results to suit Ghana as whole will not be meaningful. It is imperative that other researchers looked at financial motivation and its influence on teachers in the private sector in order for us to make comparisons in future

literature. Again, financial motivation is not the only determinant of performance since as proposed by Gill and Stone (2010), employers should look at employees ability to perform which comes in the form of skills and knowledge acquired by the employee. In light of this, it is suggested that government effort to train teachers in the sector by way of further studies should be looked at by other researchers and its contribution to their performance in order for us to have access to future literature on non financial motivation and its contribution specifically to teachers' performance.

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ARE EXCHANGE RATE EXPOSURE AND HEDGING IMPORTANT FOR FIRM PERFORMANCES? EVIDENCE FOR MACEDONIAN SMES

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Abstract

Globalization brings benefits and threats for the sector of small and medium enterprises, because of their role to export which is from big importance for small and open economies. Recommendations are related on building relationships with financial institutions, especially banks in order to facilitate the financing of small and medium enterprises (SMEs). In this context, it is useful to identify which are exporters and those who seek to provide value in areas like managing foreign exchange risk and predict currency needs. Most investors will be familiar with the concept of currency exposure, with constantly changing exchange rates affecting the cost of investing in international securities. These same issues also affect companies that operate internationally. So what effect do currency fluctuations have on company profits, and what are they doing to insulate themselves? Firms can choose to manage their currency exposure through business practices. Having a truly international company can help with this as, theoretically, losses made when one currency falls will be recovered when another rises. Where contracts are concerned business can also set up clauses that reduce this exposure. In many cases this comes in the form of an agreement to protect the client and the company should exchange movements exceed the agreed-upon level. Dealing with the currency exposure is all about managing risk, as fluctuations are by very nature unpredictable. In this paper we examine this question. We surveyed financial and general managers of companies in Macedonia in order to examine their views and practices about this important questions.

Keywords: Exchange rate exposure; Hedging, SME; Macedonia, risk.

INTRODUCTION

It is widely acknowledged that in an open economy, the exchange rate constitutes the most important price. The existence of exchange rate exposure can be very painful as examples from several emerging

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economies have shown.

Although the rapid growth in international investments reflects the benefits of geographic diversification, currency risk can counteract some of these advantages (Edwards, 1998) . Since foreign exchange rates can have a significant impact on returns, investors may be interested in hedging this risk where possible and appropriate. Investments in overseas instruments, such as stocks and bonds, can generate substantial returns and provide a greater degree of portfolio diversification, but they introduce an added risk, that of exchange rates. While hedging instruments such as currency futures, forwards and options have always been available, their relative complexity has hindered widespread adoption by the average investor.

This paper was motivated by the increasing role of foreign exchange debt in financing small and medium-sized enterprises. FX debt, if not hedged, exposes firms to depreciation, which may result in losses for the banking sector as well. There are other channels through which the credit risk of corporations is also influenced by exchange rate changes. Financial crisis and exchange rate exposure literature is reviewed to highlight the significance of this issue.

We will first present the theoretical foundation, then we will present the research methodology, and finally we will discuss the findings.

THEORETICAL LITERATURE REVIEW

How does the exchange rate regime affect firms' incentives to hedge their exposure to currency risk? This question has been at the center of the debate over optimal exchange rate regimes in emerging markets since the financial crises of the 1990s exposed the perils of unhedged foreign currency debt. Yet there is no clear consensus among economists on whether the type (or degree of flexibility) of the exchange rate regime affects the corporate sector's incentives to take on foreign currency denominated liabilities or to insure against depreciation risk.

Two basic views exist in this respect. On the one hand, several authors have argued that pegged exchange rate regimes biases corporate borrowing towards foreign currency, due to an implicit exchange rate guarantee given by the government (Mishkin,1996; Goldstein and Turner, 2004). Under fixed or pegged regimes, the central bank keeps currency volatility within a pre-announced range, effectively underwriting currency risk (Dooley,2000). Thus, firms borrow in dollars to benefit from the lower ex ante dollar interest rates, and expect the government to insure them from any potential loss in the event of a large devaluation. A second variant of this argument suggests that because of limited exchange rate volatility under fixed or tightly managed exchange rate regimes, borrowers appear to consider a steep devaluation a low-probability event, and therefore neglect or underestimate the exchange rate risk associated with borrowing in foreign currency. The fact that fixed/pegged exchange rates have played a role in every recent financial crisis since 1994, and that firms relied extensively on unhedged foreign currency financing in the years leading up to the crisis, is often used as strong evidence for these views.

On the other hand, Eichengreen and Hausmann (1999) and Eichengreen, Hausmann, and Panizza (2005) dispute this view. The authors suggest that at the root of currency mismatches lies the fundamental inability of emerging markets to borrow abroad in their own currency. Inevitably, this leads to an

accumulation of foreign-currency denominated debt which firms are simply unable to hedge, even if they have the foresight or prudence to match the currency structure of their assets and liabilities. In addition, McKinnon and Pill (1999) argue that adopting a floating rate regime will actually exacerbate currency mismatches. Because the domestic interest rate risk premium is a direct function of the stability of the currency, exchange rate volatility associated with floating rates will increase domestic interest rates (and thus the incentives to borrow in foreign currency) and make financial hedging more expensive.

HEDGING AS A TOOL FOR UPSTREAMING THE COMPANIES

Commodity price volatility has always been with us and is the single biggest variable in forecasting EBIT for non-integrated independent exploration and production companies (Aabo, 2003).

The use of commodity derivatives can mitigate or remove oil or gas price uncertainty as one of the fundamental industry variables, a variable which in turn directly impacts liquidity, (the poor management of which is the biggest predictor of a small cap's impending mortality).

If used incorrectly, without a clear understanding of and regard for the interaction between the derivative product and its specific characteristics and the underlying reserve, production, timing and fiscal risks, derivatives can multiply losses in the case of reservoir-related production, under-performance.

To hedge or not to hedge?

While currency movements can affect a portfolio, sometimes those fluctuations can be beneficial to investors. In such cases, currency hedging would actually forego any profits that could be obtained from favorable movements in the exchange rate. So when does it actually make sense to hedge? It is important for investors to assess several factors when deciding whether or not to hedge currency (Keloharju and Niskanen, 2001).

- **Investor Outlook:** If an investor believes that a foreign currency will appreciate relative to the Canadian dollar, than investing in unhedged securities is probably more suitable. In this case, if the outlook proved to be correct, the investor would receive both the returns on the underlying security and the gains on the currency. Alternatively, if an investor believes that foreign currency will depreciate relative to the Canadian dollar, then currency hedging may be a viable solution to mitigate losses.
- **Time Horizon:** In the short run, currencies are more prone to diverging from equilibrium than over the long term. Given the higher currency volatility over shorter or medium horizons, hedging may help to eliminate noise from constant changes. Hedging currency may allow investors to attain their goals if they value stability and are seeking to reduce short-term downside risk.
- **Cost:** Currency forwards that are especially liquid, like the U.S. dollar, are relatively inexpensive to hedge. However, for underlying currencies that are less liquid, such as those for emerging markets, hedging foreign exchange exposure may become more costly and less efficient. These higher costs can potentially diminish returns over time. The costs associated with hedging currency may include bid/ask spreads, carrying costs, and margin. Investors should evaluate whether the cost of a hedge outweighs the currency's potential downside risk.
- **Potential Cash Flow Mismatches:** Hedge positions may produce

cash flows independent of the assets being hedged. While the change in value of hedged assets attributable to exchange rates should approximately offset the change in the value of the hedge itself, the hedge position may create interim negative (or positive) cash flows as currency derivatives positions are rolled forward. The situation becomes somewhat more risky for portfolios holding illiquid hedged assets. In such a case, a losing hedge position will produce negative cash flows that may not be im

Mitchell and Stafford (2000) lay out the three essential step to setting up hedging strategy.

Step 1: Find a bank that provides the hedging tools you need.

Step 2: Figure out what kind of exposure you have. (If a significant percentage of your revenue comes from the euro, you're highly exposed to volatility.)

Step 3: Enlist someone—an expert or consultant in this area—that can offer unbiased information.

Regarding these three steps maybe the third one is the most important part. A misquote of an interbank rate can double hedge costs. Any sort of disagreement in implied volatility can double options premiums. It's essential to have some sort of a third party that has access to interbank pricing, who can help to negotiate terms with the bank. There's another reason to consider hedging, too. It may help in beating out the competitors. When companies are able to take their exposure off the books and protect themselves against it, it can be a big boon to their efforts. It's a huge competitive advantage for companies because many small businesses are just not that familiar with protecting themselves in this way.

Snapshot of exchange rate exposure for Macedonian companies

Refinancing risk is significant for Macedonia. It will need to repay large Eurobonds maturing in 2013 and 2015, as well as the PLL purchase (in 2014–16) and the bank loan guaranteed by the World Bank PBG (in 2016) . Market volatility has been high since the onset of the global crisis, due to external rather than domestic factors. This was evident in 2009, when the government issued a 3½-year Eurobond at a yield of 9½ percent, more than double the 4½ percent yield of the 10- year issuance in 2005, and in 2010 when it canceled a planned Eurobond issuance after market rates spiked in the run-up to the Greek program. In addition, domestic debt features a very short average maturity of just 6 months, and hence the need to roll over existing debt on average 2 times per year.

Macedonia's exposure to currency risk could gradually be reduced by increasing domestic non FX-indexed denar issuance. Currency exposure is considerable: all external debt is in FX, and almost half of outstanding domestic government debt is FX-linked (Table 1). Taken together, almost 90 percent of general government debt is hence denominated in or linked to foreign currency. Currency risk—defined as the (high) exposure multiplied by the (low) probability of a shock—may not appear to be high in light of the stability of the peg over the past 15 years. However, reducing it would add to policy flexibility in the event of unforeseen shocks in the future. Gradually increasing the share of domestic denar-denominated, non FX-linked debt would be a prudent strategy in this context, together with increasing the share of domestic debt in fiscal financing. These actions would also bring other benefits,

including developing the domestic currency yield curve, improving the monetary policy transmission mechanism, and in general promoting greater use of denars in financial transactions.

Table 1. Percentage of foreign currency debt in domestic debt

Croatia	53
Macedonia	51
Bulgaria	33
Romania	26
Serbia	13
Ukraine	4
Hungary	0
Moldova	0

Note: Domestic debt denominated in or linked to foreign exchange. Data for Macedonia includes structural bonds.

By developing and following a medium-term debt strategy along these lines, Macedonia can achieve the goal of minimizing medium-term costs subject to keeping risks within appropriate pre-set bounds. As described above, the government has taken the first initial steps toward renewed market development. Further gradual moves in this direction, guided by a comprehensive debt strategy, would bring the goal within reach. Achieving this goal would benefit the budget through lower interest expense and lower risks over the medium term. At the same time, developing a domestic yield curve would yield positive externalities for the real economy, as it would clearly establish a denar yield curve that can be used in pricing private sector loans and bonds.

Traditionally, Macedonia has had low fiscal deficits, ranging from -1% to $+1\%$, but during the crisis in 2009 this grew initially to 2.5% then to 2.8% with our highest in 2012 at 3.8% . In 2013, due to the financial stimulus were at 3.5% . NBRM was able to mitigate successfully because Macedonian public debt was low at around 20% of GDP which afforded us room for expansion which we used during this crisis period.

Table 2: Country data sheet- Macedonia

Population: 2.075.625	2011	2012	2013	2014
GDP (real, in mn eur)	6.415	6.386	6.556	6.803
GDP (nominal, in mn eur)	7.544	7.585	8.112	8.533
GDP per capita in eur	3.105	3.086	3.163	3.227
GDP per capita PPP	9.588	9.529	9.768	10.120
GDP growth	2.3%	-0.5%	2.7%	3.8%
Remittances (in mn eur)	195	198	191	204

Remittances as % of GDP	3.0%	3.1%	2.9%	3.0%
Total investments (in mn eur)	1.668	1.845	1.868	2.082
Investments as % of GDP	26.0 %	28.9 %	28.5 %	30.6 %
Foreign direct investments	344	111	252	262
Foreign direct invest.as % of GDP	5.4%	1.7%	3.8%	3.9%
Total import (in mn eur)	5.053	5.071	4.983	5.485
Total imports as % of GDP	78.8 %	79.4 %	76.0 %	80.6 %
Import to EU (in mn eur)	3.038	3.372	3.397	3.821
Import to EU as % of total import	60.1 %	66.5 %	68.2 %	69.7 %
Total export (in mn eur)	3.215	3.124	3.235	3.723
Total exports as % of GDP	50.1 %	48.9 %	49.3 %	54.7 %
Export to EU (in mn eur)	2.281	2.110	2.386	3.025
Export to EU as % of total export	70.9 %	67.5 %	73.8 %	81.3 %

Source: State Statistical Office (various years, various publications).

Apart from the macro-economy concerns, the crisis with the Euro as a currency helped boost confidence in Macedonian domestic currency [MKD denar]. This is because people naturally began to wonder what would happen with Europe; therefore, its primary currency. As a result, some people began to orient more towards the MKD. Macedonia, like most former Yugoslavian countries are highly Euro-rized, which means people save and use credits in Euros, with a 65% Euro to 35% MKD ratio. During the crisis and continuing today, the ratio of households and their propensity to save in MKD has elevated to 50%.

Methodology

The study involved a field survey conducted in July 2015, by applying a self-administered questionnaire which was distributed among the managers in companies in Macedonia. The survey contained questions on accounting exchange rate exposure, “exposure awareness”. The aim was to collect data and to examine the behaviour of enterprises. Analysis of the data was conducted with a focus on exchange rate exposure. The analysis is based on descriptive statistics and probit and ordered probit regressions. Also, we investigated managers’ attitudes about the impact of business strategies on the intended financial strategy. Attitudes were examined using a five-point Likert Scale, where (L) are large companies and small (S). (FP) are food processing companies and other industries (O). Then companies (N-I) are

non-internationalized and internationalized (I). Companies (D) are diversified (D), companies with a specialization ratio (SR) and undiversified (UnD) companies. Here are companies which were classified as leveraged (L) and unleveraged (UnL). In 45 companies we asked managers what encourages and what limits the use of debt:

- High volatility of EBIT (high business risk) limits the use of debt (lower financial risk);
- Diversification (operations in more businesses) encourages the use of debt;
- Internationalization (sales in other countries) encourages the use of debt;
- Long periods of collection of accounts receivable force the use of debt.

ANALYSIS, RESULTS AND DISCUSSION

This part focuses on the firms which were asked about their opinion for their exchange rate exposure and expectations. As firms are not obliged to register the denomination of items in their books by the accounting system, the volume of FX items may be larger than reported. Firms are required to count export revenues and import expenditures, however, they may have FX income or expenditure from non-foreign trade type activity or they may have FX balance sheet items. This distortion is higher for FX assets and liabilities than for income statement items. On the other hand, the exchange rate exposure perceived by firms is underestimated as a result of low volatility of the exchange rate in the period before the survey. It may easily be the case that firms projected this situation into the future, and thus felt they had no exchange rate risk at all.

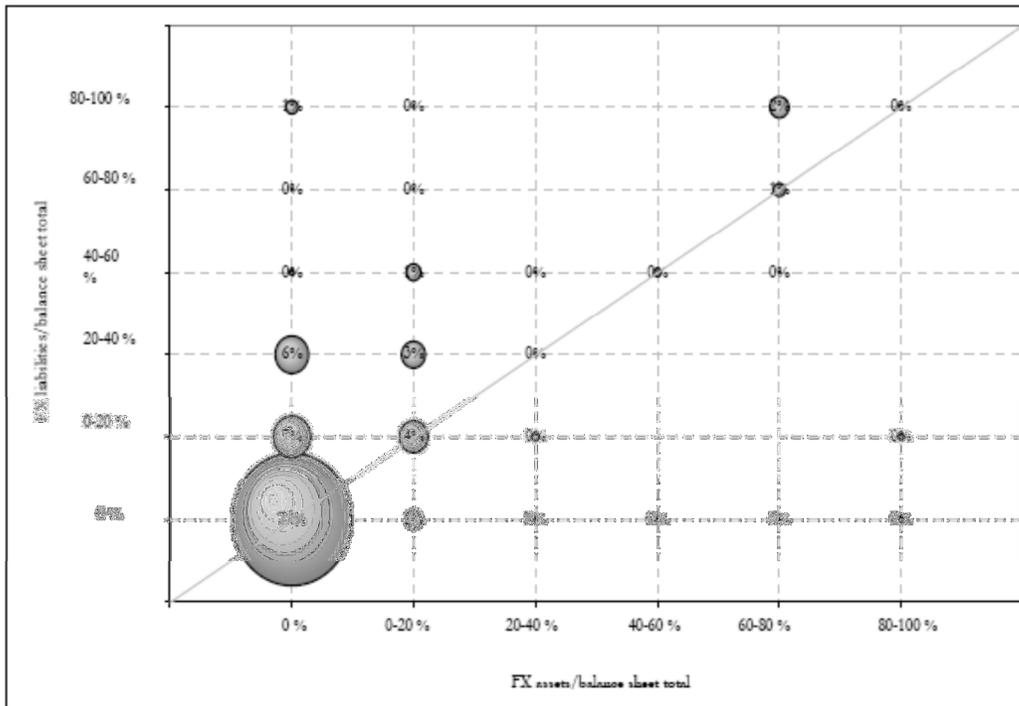
Accounting exposure or currency mismatch (CM) is defined as follows (Loderer and Pichler, 2000):

Stock CM = MKD value of FX assets – MKD value of FX liabilities

Flow CM = MKD value of FX income – MKD value of FX expenditures

In the case of a negative currency mismatch, depreciation of the domestic currency would have negative effect, while appreciation would influence the net position positively. Enterprises may have exchange rate exposure even if currency mismatch is zero, if the scheduling of inflows and outflows differs.

Figure 1: Foreign Exchange Assets and Foreign Exchange Liabilities of Companies

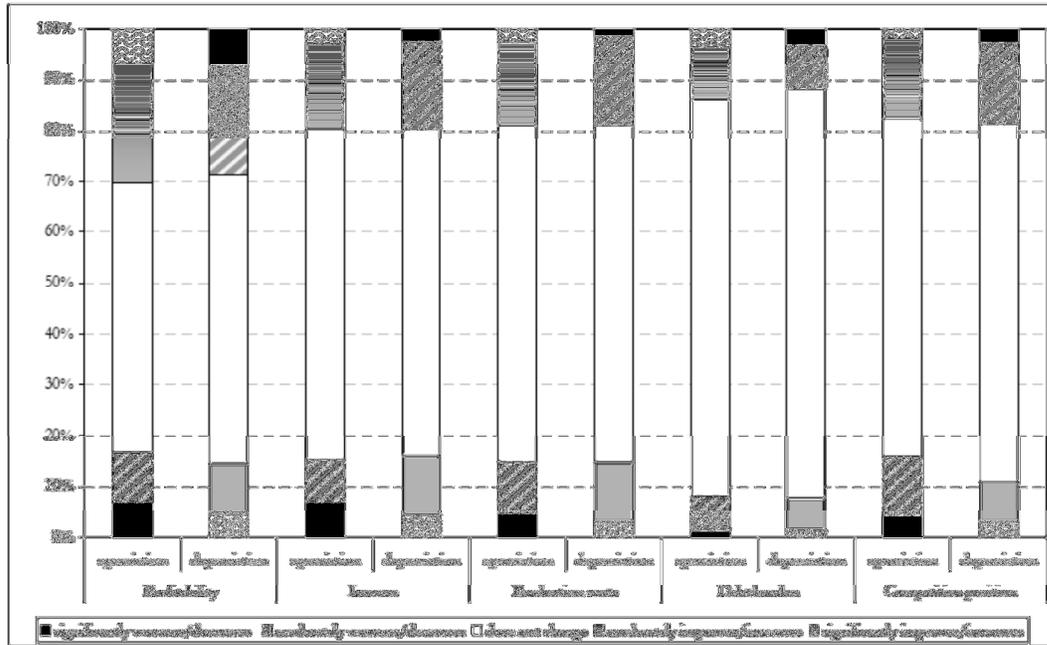


Source: Survey on the Exchange Rate Exposure of Macedonian SMEs.

Note: The size of circles indicates the ratio of the balance sheet total in the given category compared to the total sample.

The variance of flow CM is much higher than it was in the case of stock CM. According to their ratio of balance sheet total, around 70% of enterprises have income or expenditures in foreign exchange. As a whole, there are more enterprises with positive flow CM than with negative flow.

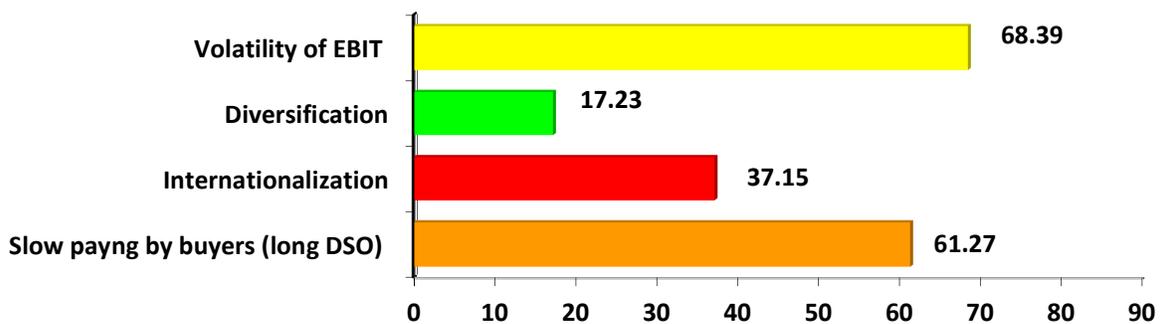
Figure 2: Expectations of Enterprises in Case of a Potential Exchange Rate Change



Source: Survey on the Exchange Rate Exposure of Macedonian SMEs.

The survey responses about the impact of business strategy on intended financial strategy are summarized in Figure 3 and Table 3.

Figure 3. The impact of business strategy elements on financial strategy



Source: Authors' calculations

Table 3. The impact of business strategy elements on financial strategy

	% of companies		Mean										
	Important or very important	Unimportant or with little importance	All	Size		Industry		Internationalization		Diversification		Debt	
				L	S	FP	O	N-I	I	UnD	D	UnL	L
Volatility of EBIT	68.39	3.15	3.807	3.795	3.914	3.935	3.790	3.680	3.987	3.685	3.990	3.675	3.880
Diversification	17.23	48.40	2.463	2.176	2.725*	2454	2.564	2.503	2.572	2.280	2.803	2.286	2.607
Internationalization	37.15	31.05	2.807	2.414	3.130*	2.713	2.983	3.092	2.816*	2.542	3.365*	2.647	2.925
Slow paying by buyers	61.27	8.05	3.601	3.318	3.860*	3.565	3.725	3.680	3.694	3.423	3.928	3.452	3.698

*significant at the 0.05 level.

Source: Authors' calculations

The greatest number of managers sees EBIT volatility as the most important factor of applied business strategy that influences decisions about borrowing: 68.39% believe it is an important or very important factor (mean = 3.807). EBIT volatility can be viewed as a synthetic indicator of business risk in terms of implemented overall business strategy. This indicates that managers are well aware of the need to combine the effects of business and financial risks meaningfully.

In contrast to the views on diversification and internationalization, managers believe that a very practical problem is an important or very important factor of business strategy that determines the level of debt: delay of buyers in meeting their liabilities to the company. More than 61% of managers agreed with this assessment (a mean of nearly 3.6). We found additional statistically significant differences in attitude between managers of small and large companies in terms of how managers see impact of internationalization on level of debt (3.130 versus 2.414).

Managers of small companies also believe more than managers of large companies that diversification encourages the use of debt (2.725 versus 2.176). Finally, not only managers of small companies but also managers of non-internationalized companies and diversified companies are

more inclined to believe that internationalization encourages use of debt. One possible explanation is that managers of small firms find that diversification requires a significant investment that cannot be provided through internal financing and it is necessary to arrange additional borrowing for this purpose. The view of internationalization that managers of diversified firms have may be influenced by their experience of additional borrowing to extend product scope (i.e., diversification), leading them to conclude that additional borrowing is also necessary when it comes to extending geographical scope.

Conclusion: Hedging impact on real businesses

Organizations have to evaluate the risks of doing business on an international level.

As with private investors, business essentially have four options to counteract their currency exposure. The simplest approach is just to monitor the changes, and this can be the best option if companies do not think that they are at a particularly high risk from exchange rate fluctuations.

Another is to lock into an exchange rate for a fixed period of time by setting up a forward contract. If the exposure estimates are correct, this can be a beneficial approach. Some business will also purchase currency in advance if they know that they will be making big purchases and are concerned about volatility.

Third option is to hedge against this exposure via derivatives. Although this may be the most complicated option, it can be effective in limiting exposure to volatility. It can also give a clearer picture of how a company's overseas operations are really performing.

Finally, firms can choose to manage their currency exposure through business practices. Having a truly international company can help with this as, theoretically, losses made when one currency falls will be recovered when another rises. Where contracts are concerned business can also set up clauses that reduce this exposure. In many cases this comes in the form of an agreement to protect the client and the company should exchange movements exceed the agreed-upon level. Some businesses also agree on setting all contracts in their core currency, protecting them from any exposure as they always be paid the same relative amount. Dealing with the currency exposure is all about managing risk, as fluctuations are by very nature unpredictable. However, while private investors only have their own savings to worry about if they fail to manage this risk appropriately, businesses face angry shareholders and a drop in share value – as well as a drop in profits.

Regressions indicated that the exchange rate exposure of a firm is positively related to firm size, foreign ownership, foreign trade activity and FX indebtedness. In terms of sectors, the highest the ratio of firms exposed to exchange rate changes is found in the manufacturing sector, but in transportation and trade sectors the ratio is also higher than average. The majority of companies interviewed are not prepared for changes in the exchange rate. On the basis of their answers, most of SMEs with exchange rate exposure do not assess their exchange rate exposure or deal with its magnitude, and generally believe that they have no exchange rate exposure or that it is negligible. foreign exchange debt, as a means of natural hedging, may reduce exchange rate exposure, but if foreign exchange indebtedness is motivated by the reduction of costs (i.e. payment of lower interest rates upon borrowing, for example), the exchange rate

exposure of the enterprise will grow. Several questions were posed in connection with assessing exchange rate exposure, expectations regarding the potential impact of the exchange rate on profitability, income, costs, debt and competitive position. Enterprises were asked to express their expectations on both the effects of appreciation and depreciation, as exchange rate exposure may be asymmetrical (Figure 2). Half of firms with non-zero CM gave answers, based on which it is clear that they are not aware of the existence of exposure or deem it to be insignificant. About 50% of these firms do not expect the exchange rate to affect any of the aforementioned variables. The other half of this group said they had exposure, but they do not manage it or the answers are contradictory. For example, firms answered that they had no exposure but expected they would be influenced by a change in the exchange rate.

In general, developing countries - the Balkan countries have a shortage of savings and they imported foreign savings. Companies in Macedonia tend to borrow in foreign currency-Euro which is particularly popular in Serbia and Croatia, due to the lower interest rates compared to interest rates on credits in national currency. Differences in interest rates are an indicator of expected future depreciation / appreciation currency in terms of fluctuating exchange rates. The currency risk can be hedged in two ways: if the company is a net exporter and lend in currency of the net exports, or in short-term loans, if agreed today a term exchange rate to repay the loan at the time of the mature. But, in the Western Balkans as we have seen from the above researches there is no developed market of term rates to use this tool. Namely, as an instrument to mitigate foreign exchange risk can serve the following rule - if the company does not generate income in the same currency as the loan is, repayment capacity of the loan should not exceed 50-60 EBIT of the company. In the case of depreciation, the company has the capacity to back the loan. So, those countries which are small and open (as Macedonia) have high indicator on protection of the EUR currency risk through their exports in Euros. These sectors can avoid currency risk by borrowing in Euros.

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CAN MICRO FINANCING INCREASE ITS ROLE IN SUPPORT OF ACCOMMODATION INVESTMENTS OF FAMILY OWNED TOURIST ENTERPRISES?

¹Zoran Temelkov, ²Dejan Metodijeski

Abstract

Microfinance has proven its success in augmenting the living standards of population in poverty regions. Its financing products have supported numerous entrepreneurial activities and have contributed toward the local and regional economic growth. Having proven success in supporting entrepreneur's need of capital, the purpose is to analyse the manner in which micro financing products could provide benefits for the increase in accommodation capacity of a family owned tourist enterprises.

These enterprises are faced with numerous obstacles in the desire for expansion of their activities. They are faced with lost profits and low productivity due to long period required for full utilization of their accommodating capacities. One thing is directly responsible for these problems, which is the lack of investment capital. More precisely, increasing the accommodation capacity requires higher level of initial capital. For this reason, a recommendation is given regarding the needed direction of micro financing development. In addition, it is concluded that, aside of its criticisms, micro financing could prove itself as a viable solution for supporting tourist enterprises growth, but the prerequisite is the modification of products suitable for the needs of tourist enterprise.

Key words: Micro financing, enterprises, tourism, accommodation capacity, capital accumulation

1. INTRODUCTION

Although there is a vast literature on issues related to micro financing, entrepreneurial promotion and economic development, little attention has been given to the role of microfinance in development of accommodation capacities of family owned enterprises. These enterprises need higher level of capital as well as long term repayment period, not offered by the microfinance products. At the beginning the basic notion behind the micro financing and its products is presented. The brief presentation is in manner that will point out the functioning and purpose of micro financing.

The problems of tourist enterprises related to the increase of accommodation capacity and productivity improvement are considered. Namely, most of the obstacles of these enterprises are closely

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related with the need to accumulate investment capital. Accumulating the necessary funds through savings requires a longer period, because of the low profitability. The role of microfinance in reducing this accumulation period is of crucial importance for the expansion of tourist enterprises. The challenge is to modify micro financing products, for the purpose of fulfilling identified needs.

2. THE ROLE AND IMPORTANCE OF MICRO FINANCING IN ENTREPRENEURIAL DEVELOPMENT

The main objectives behind the creation of micro financing institutions were the alleviation of poverty and economic development in poverty regions and developing countries. Purpose of micro financing is to provide access to capital for entrepreneurs excluded from the commercial lending channels. Therefore, provide capital for their small scale entrepreneurial activities. Consequently, micro loans have been directly responsible for increase in the entrepreneurial activity in poverty regions as well as developing countries (Fried, R., 2009). According to Ravindarn A.M. and Vinodan A. (2009) enterprise development is one of the factors that have crucial role in achievement of sustainable development, on local and regional level. Thus, globally, the entrepreneurial activity is highly supported through numerous financial and non-financial products and services. Therefore, Zeller and Sharma (1998) emphasis the importance of microfinance institutions in the process of establishing a new, or growth of an existing family business.

The reason behind the success of microfinance in supporting an entrepreneurial activity, is consisted in the category of clients served. Namely, the poor are faced with financial constraints, not only in terms of lack of personal capital, but also lack of ability to borrow from conventional lending channels (Aigbokhan, B. E., and Asemota, A. E., 2011). The justification of conventional lending institutions is that this category of clients usually lack collateral, are associated with higher risk and the profitability in serving these clients is relatively low. Therefore, microfinance serves as a concept with which these constrains for promotion of entrepreneurial activity are bridged. Another characteristic of micro financing that has contributed to its success is the concept of group lending i.e. the peer monitoring process (Aigbokhan, B. E., and Asemota, A. E., 2011). The group lending not only supports the individual business activities, it also ensures adequate repayment history for each borrowers. Consequently, the borrowers are able to continually apply for new (higher amount) loan for the purpose of enterprise growth.

3. MAIN OBSTACLES OF SMALL SCALE TOURIST ENTERPRISES GROWTH

There are numerous obstacles which are obstructing the expansion of a small scale accommodation enterprises. But, maybe the most important, or at least, the starting problem, is the lack of capital needed for long term investment directed at the increasing of accommodation capacity. Although micro financing is offering loans for tourism sector directed toward community based activities, it does not provide direct support for investment in the accommodation capacity. The problem, as to why micro financing does not support investments in the accommodation tourist enterprises, is the need for high capital level as well

as the time frame for the required capital (World Tourism Organization, 2005). Namely, Mighri, Z. (2013) state that the drawback of micro finance loans for financing capital investments is the repayment period of these loans. Meaning that microfinance loans maturity period is from few weeks up to a year, whereas the investments in accommodation require a long term loan. Jos van der Sterren (2008) is arguing that this financing gap is directly responsible for impediment of the growth rate of tourist sector, and improvement of living standard of local population. Furthermore, Jos van der Sterren (2008) is stating that this financing gap is hindering the competitiveness of small scale tourist enterprises against international companies within the tourist sector. In regards to the aforementioned, Milana, C. and Ashta, A. (2012) are pointing out that finance has a central role in the development of an enterprise, especially an enterprises which is faced with low level of capital accumulation. Moreover, they argue that access to finance will ensure timely fulfillment of real investments. Consequently, this is the weak side of the tourist enterprises in accomplishing any growth rate in the medium run. Namely, for the purpose of increasing their accommodation capacity of their enterprise, entrepreneurs are in need of high level of investment capital. Saving the needed capital is a lengthy process due to low profit margin. For this reason, the potential of their local tourism is underutilized due to the inadequate capacity. Table 1 is describing the characteristics and the asset base for accumulation of the different types of enterprises.

Table 1: Characteristics of enterprises

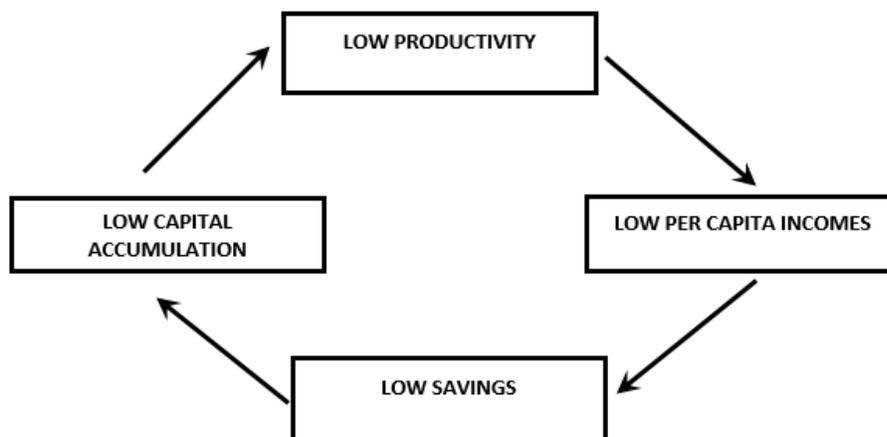
Type	Characteristics	Asset base for accumulation
Self-employed poor	Mostly part-time labor, temporary, sometimes seasonal activity, family based labor. Main aim – additional family income	No permanent asset base, no capital accumulation, permanent cash shortage. Business only as survival strategy
Micro enterprise	Not focused on economic expansion. Fixed business premises, limited fixed assets. Family labor, informal or formal status. Little orientation to growth Tourism is one of multiple family income resources	Permanent availability of liquid assets, some savings. Little capital accumulation. Business as main strategy. Income stabilization as main purpose.
Small enterprise	Partly formalized, operating license. Profit / growth oriented. Specialized tourism business possible.	Business as main strategy, non-permanent availability of fixed assets, capital accumulation, income and return oriented.

Source: Josvander Sterren (2008) Financial Markets, Microfinance and Tourism in Developing Countries, Working paper, V1.1, pp. 38.

The characteristics presented in table 1 illustrate the weakness of enterprises, primarily in their strategy, and most importantly the main obstacles, responsible for obstructed enterprise growth. Namely, the need for investment capital is obvious, and the accumulation of investment capital is a lengthy process

because of the low profit and low saving rate. Problems faced by small scale entrepreneurs regarding their investments in accommodation capacity is best described by the vicious cycle of poverty presented by Guy Vincent (2004) in figure 1.

Figure 1: Vicious Cycle of Poverty



Source: Guy Vincent (2004) Sustainable Micro entrepreneurship: The Roles of Microfinance, Entrepreneurship and Sustainability in Reducing Poverty in Developing Countries. Available at: http://www.gdrc.org/icm/micro/guy_sust-micro.pdf

The vicious cycle is showing the causes behind the capital accumulation problem of entrepreneurs in developing countries. Meaning that, due to small accommodation capacity, they are not able to increase their productivity. Even though the productivity as defined by Nicholas Bloom, et al. (2010) refers to the ratio of output to inputs, it could be argued that for small scale tourist enterprises, the input side of productivity is relatively low. This is in a sense that they cannot utilize the full capacity of their fixed asset, since they are increasing the accommodation capacity, in phases. In other words, they are additionally building new accommodation (rooms) in stages i.e. when they accumulate enough capital for the next construction stage.¹ Thus the productivity is hindered in a sense that it might be a substantial period for additional increase of the capacity, instead of building the entire capacity at once and increase the input level. This increase in input level would result in higher output and possibility for growth of tourist enterprise expansion. The problem with productivity is additionally emphasized considering the government campaign in developing countries for increasing the tourist activity. More precisely, the government measures are attracting new tourists (if successful) whereas the local accommodation capacity are limited. This is creating also the problem of competitiveness. International companies, have the needed capital for building a large scale accommodation capacities, which further decrease the income of micro entrepreneurs even more. In relation to the vicious cycle, the low (hindered) productivity is producing low level of income, which is directly reflected in low savings rate of enterprises. Unable to save the needed amount of capital, results in low capital accumulation.

¹The logic behind would be that in circumstances when the entrepreneur is planning to have capacity of 12 rooms situated on three floors, he/she will build the first floor (four rooms), and the money earned from these rooms would be accumulated for the construction of the next four rooms (i.e. the second floor).

The common point of the aforementioned issues which are obstructing the enterprise expansion is the lack of adequate level of capital. Namely, not only these small scale enterprises don't have the capacity to accumulate sufficient capital for their investments in accommodation capacity, they are also faced with difficulties in obtaining external capital. Meaning that, they are not able to finance their activities through loans, since in most cases financial institutions consider them a high risk borrower. Therefore, they are either excluding these clients or impose strict lending conditions.

4. CAN MICROFINANCE SUPPORT THE INCREASE IN ACCOMMODATION CAPACITY OF ENTERPRISES?

Analyzing the problems in the previous sections is imposing the need to understand the way in which micro financing could help the accommodation capacity building of tourist enterprises. Stated differently, whether micro financing products could act as a mechanism for providing the needed investment capital. Before, making any kind of recommendation, there is a need for the presentation of the major critic of micro financing concept. Deneweth, H., et al. (2014) are criticizing the micro financing in terms of the loan amounts and the repayment period. Namely, they state that although the current microfinancing modes are applicable in the high poverty regions, they are not entirely adequate for providing financial support in developing countries. They add that the small loans offered by the microfinance institutions are not satisfying the entrepreneur's financial needs. This is especially true for the case of family owned tourist enterprises, which require high initial capital for building the fixed assets i.e. accommodation capacity.

The answer to the question whether micro financing can provide support for tourist enterprises in current form is negative. This is so because there is the need for micro financing to modify its products in terms of loan amount and repayment period, in accordance to the need of tourist enterprises in developing countries. This modification should be made only with the purpose of designing the products to suit the needs of enterprises that are family managed. Thus, helping them in their competitiveness against the major hospitality companies, who are grasping the benefits of a country's tourism promotional policy, hence hindering the growth of the small entrepreneur.

5. CONCLUSION

Micro financing is directly responsible for improving the living standards of millions of people in poverty regions. In addition, it has significantly contributed toward the development of poor entrepreneur's activities and family owned businesses. Irrespective of the success of micro financing, its current products are not suitable to support the development of family owned tourist enterprises. More precisely, microfinance products cannot support the increase of accommodation capacity of tourist enterprises. Consequently, these enterprises are faced with decreased productivity and low profitability.

The conclusion is that microfinance should accommodate its products in accordance to the needs of these enterprises. Namely, they should reconsider the repayment period along with the loan amount issues to the entrepreneurs in developing countries issued for investments in their accommodation

capacity.

The recommendation is that further research should be conducted regarding the need of these enterprises independently for each developing county. Meaning that, the modifications could not be generalized, because of the different economic situation in the countries.

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FACTORS AFFECTING DEPOSITORS' SATISFACTION TOWARD THE SERVICES OF PRIVATE COMMERCIAL BANKS IN BANGLADESH: A STUDY ON DHAKA AND KHULNA CITY

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Abstract

The purpose of this paper is to analyze factor and measure the level of satisfaction of the depositors (customers) towards the services of the private commercial banks in Bangladesh. The study surveyed 120 customers of PCBs from Dhaka and Khulna city to determine the key influential factors that significantly influence on their level of satisfaction. These customers were surveyed through judgmental sampling method with structured questionnaire from November to December 2015. After collection of primary data, the statistical computer package SPSS version 16.0 was used to analyze the data. The findings of the study have manifest some new dimensional knowledge for obtaining the banking target, developing the service style and process, and increasing depositors' satisfaction. This research has demonstrated to the government, banking policy makers, and top-level bank executives to provide concrete and effective guidelines for developing new area of banking services.

Key words: Depositors' satisfaction, Services, Respondents, Private Commercial Banks (PCBs), Perception, Factor, Customers.

1. INTRODUCTION

Banking is a very potential sector in Bangladesh which plays significant role in business and commerce.

When Bangladesh became an independent country in December 1971, she inherited 1,116 abandoned branches of 17 scheduled banks including 3 foreign banks along with a poor banking system in terms of professional's bank personnel, banking service, network and administrative measures (Akterujjaman, 2015). In fact, banks deliver the services typically to those persons who are connected with banking activities with their necessity. Hence, "The nature of the relationship depends upon type of services rendered by the banker, which has two aspects: one is legal and another is behavioral" (Ahmed, 1989).

In addition "the financial transactions in ancient and medieval period of Bengal region were dominantly prevailed, which have been helped to establish and evolve the bank functions as well as its operating systems. But, in fact, the interest rate, commission rate etc of ancient and medieval banking was charged by the money lenders and goldsmiths as a monopolistic nature" (Abedin, 1988).

The study was about an analysis of the depositors' satisfaction towards the services of commercial banks in Bangladesh. Depositors' satisfaction regarding the services of the banks depends on several factors. So, first of all, in order to analyze depositors' satisfaction level, factors which are used as the performance measurement criteria of sample Banks are analyzed. Here some positive statements have been used under different factors in the questionnaire and data were collected through a survey to know the satisfaction towards the services of commercial banks.

2. OBJECTIVES OF THE STUDY

The main objective of the study is to identify the factors that influence individual depositors to select the private commercial banks for receiving services. However, the researcher has identified the following specific objectives.

1. To assess the perception and satisfaction of the depositors towards the services of the selected commercial banks in Dhaka and Khulna city.
2. To identify the factors those affect the service taking decision of the customers.

3. To identify whether individuals with different education levels show difference in opinions with regard to the determining factors.
4. To provide a set of recommendations and suggestions with a view to improving depositors' satisfaction towards the services of private commercial banks in Bangladesh.

3. REVIEW OF LITERATURE

Rahman et al. (2014) analyzed the productivity and profitability of Nationalized Commercial Banks (NCBs) in Bangladesh. The study was based on secondary data. The results achieved through ratio analysis were not hopeful. Basically, the paper emphasized on three NCBs, but the present study is on four private commercial banks depositors' satisfaction measurement from Dhaka and Khulna city of Bangladesh.

Khandker (2011) attempted to evaluate the performance of private commercial banks considering the impact of the economic environment of Bangladesh on the performance of the banks. The author concluded that operating a banking business in the economic environment of a developing country like Bangladesh requires full understanding of the changing economic situations, sound strategy-making for tackling adverse situations, effective short term planning and efficient risk management, whereas my paper will focus on factors affecting depositors; satisfaction toward the services of PCBs in Bangladesh.

Khondaker & Mir (2011) mentioned that customer satisfaction is an important aspect of measuring performance, particularly for the banking and finance industry. The purpose of the paper was to identify the factors that affect and explain customer satisfaction in Bangladesh's state-owned commercial banks (SCBs). But my study will examine demographic, descriptive, and factor analysis to determine the critical factors in measuring customer satisfaction of PCBs in the context of a developing economy's banking sector.

Datta, et al. (2011) in their paper made comparative analysis of performance in terms of total deposits, credits, assets, shareholders equity and the three profitability ratios like ROA, ROE and ROD of ten private commercial banks in Bangladesh and ranks them accordingly. The study also investigated the

impact of operational efficiency and asset utilization on the financial performance of these banks. But the present study will measure the level of satisfaction of the depositors, whereas, the previous was a comparative study.

Sarker, et al. (2012) explored the factors that drive customers to form various attitudes towards different types of banks in Bangladesh and find out probable solutions from the marketers perspective. In the article they compared between private commercial banks and nationalized commercial banks in Bangladesh with implications of Fishbein model, whereas, my research will give importance in factor analysis to measure depositors' satisfaction.

Saha & Nesa (2011) analyzed and compared customers services of Hongkong and Shanghai Banking Corporation (HSBC) and Dutch Bangla Bank Limited (DBBL) on the basis of SERVQUAL model and factor analysis to explore customers' level of satisfaction, while, the present paper will be on four private commercial banks in Bangladesh.

Shamsuddoha & Alamgir (2004) investigate customer satisfaction as the most important factor behind loyalty in retail banking. Satisfaction plays an important role to establish loyal customer base. This study points out that satisfaction and loyalty relationship is critical for retail banking. Understanding the factors behind loyalty as well as the antecedents of customer satisfaction is an important issue for academic research and for marketing in financial services. The aim of this study was to identify satisfaction as the major factor behind customer loyalty in retail banking. The findings reveal that satisfaction and loyalty are related to each other. Moreover, satisfaction has a positive and direct impact on loyalty in banking. This study was on loyalty and satisfaction in retail banking, but not on the depositors' satisfaction towards the services of commercial banks. This is why the researcher has a vast opportunity to measure depositors' satisfaction towards the service of commercial banks in Bangladesh.

Khan et al. (2008) analyze the banking behavior of Islamic bank customers in Bangladesh. By collecting data from a sample of 100 customers of Islamic banks, researchers conducted a comprehensive profile analysis, a number of chi-square tests, and t tests and found a number of key findings as to the behavior of Islamic bank customers in Bangladesh. First, most of the customers of Islamic banks fall in the age

category of 25-35 years. Islamic bank customers are highly educated and have durable relationships with the banks. Second, high customer awareness and usage exist for various deposit mobilization instruments but there is not high awareness and usage of any individual financing facilities of Islamic banks. Third, income category and education have a significant role in depositors' usage of various Islamic bank products/services. Fourth, customers seem to be satisfied with a number of products/services of Islamic banks. Fifth, among the service delivery elements, 'employees' deserve an immediate attention for improving customer satisfaction. Finally, 'religious principles' is the key bank selection criterion of the Islamic bank customers, while depositors' demography plays some role in determining which selection criteria matter more than others do. This research was only on Islamic bank depositors' banking behavior but the authors did not discuss depositors' satisfaction towards the services of commercial banks. So, here the researcher has wide scope to conduct a research on depositors' satisfaction.

Parthasarthi (2005) has suggested that banks must organize customers in their branches to know the grievances or wants of them. He has also suggested that the staff meeting should also be conducted and training has to be provided to them. This may enhance the ability of bank employees and lead to better customer relationship. Enquiry counters should be installed for smooth functioning of banking services. Customer friendly approach alone can give better results to banking industry.

Aggarwal & Mehta (2004) have stated that the Indian banking has entered into the third wave of banking reforms. This stage will be called as an area of regeneration and consolidation. Now, only the Indian banking sectors are focusing their attention on better and best services. This is due to high competition between the private and public sector banking. The survival of the fittest is modern policy of banking sector. At last, the Indian banking too has realized that 'customer is the king'. So, Indian banks must realize that a visit to a bank by customer must be a pleasant visit, not a painful experience. Customer friendly approach alone can help the Indian banks to retain their customers.

4. METHODOLOGY OF THE STUDY

Basically, there are two types of bank's customers, i.e., depositor and borrower. In the study the

researcher considered only the depositors as the customers, who deposit money and other resources in different ways to the private commercial banks in Bangladesh.

4.1 Selection of the Study Area

On considering the possibility of investigation, time constrains and limitations of financial assistance two cities: Dhaka and Khulna has taken purposively as the study area.

4.2 Selection of Sample Banks and Respondents

The study is conducted among four Private Commercial Banks (PCBs) for analyzing and measuring the satisfaction of their depositors' with the rendering services. The study areas were Dhaka and Khulna city and 04 renowned private commercial banks have taken as sample banks. The total sample branches were 12 from Dhaka and Khulna city altogether. The total respondents were 120 depositors. As the respondents, the required numbers of customers were taken from the selected branches through judgmental sampling method. The below table 1 shows, sample branches and total respondents of the study.

Table 1: Sample Branches and Total Respondents of the Study

Name of the Bank	Dhaka Branches		Khulna Branches	Total No. of SB*	No. of Respondents Depositors
BRAC Bank Ltd.	Uttara Branch	Banani Branch	Khulna Branch	03	30
Prime Bank Ltd.	Uttara Branch	Banani Branch	Khulna Branch	03	30
Mercantile Bank Ltd.	Uttara Branch	Banani Branch	Khulna Branch	03	30
National Bank Ltd.	Uttara Branch	Banani Branch	Khulna Branch	03	30
Total	04	04	04	12	120

*SB** = Sample Branches

4.3 Sources of Data

The study was conducted on the basis of both primary and secondary data. Primary data which were

collected from selected respondents through a structured questionnaire (Malthora, 2008). Required data were collected from the sample units through two methods of survey i.e., personal interviews with structured questionnaire and direct observations (Akterujjaman, 2010). Secondary data are the published official statistics, report documents, laws, ordinance, books, articles, periodicals of different domestic and international agencies etc. Annual reports of concern banks, different reports, and statistics of Bangladesh Bank, ministry of finance and websites of related local and international institutions were used as sources of data. All the data were incorporated in the analysis according to their suitability and needs with due care and acknowledgements.

4.4 Research Questionnaire

Using a questionnaire as a survey tool has been chosen as a means of primary quantitative data collection. It is accepted that the use of a questionnaire as a method for gathering data is suitable for market research especially for the financial industry, which most concerns perception, and beliefs.

The questionnaires were distributed by hand to the respondents of the sample banks in Dhaka and Khulna city. To avoid bias, questionnaires were distributed at supermarkets, in front of the sample banks, shops, restaurants, cafes, buses, parks etc. All respondents were asked to rate each of the items of the questions according to importance on a 5-point Likert scale and others. Questionnaires were analyzed by using the statistical computer package SPSS version 16.0.

4.5 The Pilot Study (Pre-test of Questionnaire)

A pilot test was conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. It should, therefore, draw subjects from the target population and simulate the procedures and protocols that have been designated for data collection (Cooper and Schindler, 2003). Piloting and pre-testing questions is always desirable, but not solely to do with trying to ensure that the survey questions operate well; piloting also has a role of ensuring that the research instrument as a whole functions well (Bryman and Bell, 2015). Bryman and Bell also state that pilot studies may be

crucial in relation to research based on self-completion questionnaires.

This research pilot study was conducted with the cooperation of 30 randomly selected customers. The respondents' demographic descriptions were as follows: PCBs account holders were found to be between 30–40 years of age, ten were female and twenty were male, twenty five married and five single. In terms of education, PCBs account holders were in the college and university level.

The pilot study was used to test the questionnaire items in terms of clarity, layout, length and time, before distribution. All respondents answered the research questionnaires in the presence of the researcher and whenever they asked for further understanding, the researcher clarified it. As a result of the pilot test, the questionnaire phrases were simplified and some questionnaire items were clarified more.

4.6 Measurement Techniques

Indeed, satisfaction measurement is a difficult job and it is also difficult to conduct any psychological study. In the proposed study bank's customer satisfaction measured by the specific techniques. "In social science studies, while measuring attitudes of the people, it generally follows the techniques of preparing the attitude scale in such a way that the score of the individual responses assign him a place on a scale" (Kothari, 2004).

The present study, basically, were conducted on the basis of Summated scale that is Likert scale. Such type of scale consists of a number of statements, which express either a favorable or unfavorable attitude towards the given object to which the respondent is asked to react. In a Likert scale, the respondent is asked to respond to each of the statements in terms of several degrees, usually five degrees of agreement or disagreement and those are: highly satisfied, satisfied, neutral, dissatisfied and highly dissatisfied. The scale illustrate as follows:

5	4	3	2	1
Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied

4.7 Processing and Analysis of Data

Collected data were processed and analyzed by way of using quantitative techniques. Basically,

demographic, descriptive and empirical analyses were conducted. For assuming the characteristics of data, demographic analysis, descriptive analysis and interpretations were drawn on the basis of percentage frequency, calculated mean, standard deviation (SD). In addition, empirical analyses were depicted by coefficient of variation (CV) and factor analysis was done. The statistical computer package SPSS version 16.0 was used for authentic analysis for all the cases.

5. EMPIRICAL FINDINGS AND ANALYSIS

An analysis is generated from the questionnaire to achieve the objectives of the study. In order to analyze the collected data a 5-point Likert type scale has been used, where 5 stands for highly satisfied customers, 4 stands for satisfied customers, 3 stands for neutral customers, 2 stands for dissatisfied customers, and 1 stands for highly dissatisfied customers. Several judgments were made from the responses of customers to validate the objectives of the study. The results of different tests are presented below:

5.1 Demographic Analysis of Respondents

The demographic variables are chosen and related to analyze the customers' satisfaction in the study area and the researcher attempts to associate these key variables so as it fulfill the objectives of the study. The analyses of the demographic characteristics of the respondents are shown in table 2.

Table 2: Demographic Characteristics of the Respondents (N^{*}=120)

Options/Characteristics	Frequency	Percent	Valid Percent
Sex			
Male	84	70.0	70.0
Female	36	30.0	30.0
Total	120	100.0	100.0
Age			
20-30 years	24	20	20
30-40 years	29	24.17	24.17
40-50 years	36	30	30
50-Above	31	25.83	25.83
Total	120	100.0	100.0
Marital Status			

Married	80	66.67	66.67
Single	37	30.83	30.83
Others	3	2.5	2.5
Total	120	100.0	100.0
Level of Education			
Primary	10	8.33	8.33
High School	25	20.83	20.83
College	57	47.5	47.5
University	28	23.33	23.33
Total	120	100.0	100.0
Profession			
Student	27	23.5	23.5
Service holder	49	40.83	40.83
Businessman	31	25.83	25.83
Housewife	8	6.67	6.67
Others	5	4.17	4.17
Total	120	100.0	100.0
Monthly Income			
Below BDT 10000	11	9.17	9.17
10000-30000	28	23.33	23.33
30000-50000	60	50	50
50000-Above	21	17.5	17.5
Total	120	100.0	100.0

Source: Field Survey, November-December 2015

Note: *N = Total frequency = 120

Table 2 shows the demographic characteristics of the respondents. Out of 120 respondents, majority of the respondents (70 percent) are male, whereas 30 percent are female. About 30 percent of the respondents are in 40-50 years and 26 percent respondents are in 50-Above years as well as 24 percent respondents are in 30-40 years of age. Marital status shows that majority of the respondents (67 percent) are married, on the other hand, 31 percent customers are single who come to get the services from the private commercial banks. Table 1 also reveals that 48 percent respondents are in college level of education and about 23 percent respondents are in university level. The highest numbers of respondents (41 percent) are service holders and about 26 percent respondents' are businessmen, whereas 24 percent are students. 50

percent respondents' monthly income is in between 30000-50000, whereas it is seen that about 23 percent respondents' monthly income is in between BDT 10000-30000 taka.

5.2 Depositors' Expression on the Level of Satisfaction

The depositors frequently receive different services from the banks and the level of satisfaction depends on the quality of rendered services. Depositors expect that their banks will satisfy them by providing the necessary services. On the other hand, concerned bankers try to satisfy their depositors through better services. However, the opinions of the depositors towards level of their satisfaction are presented in following table 3 by showing the values of percentage frequency, mean (\bar{x}), standard deviation (SD) and coefficient of variation (CV) on the basis of depositors' perceptual responses of PCBs in the expression of level of satisfaction.

Table 3: Level of Satisfaction of the Depositors' on Different Services

Variables	Responses						Statistics		
		5	4	3	2	1	Mean	SD	CV
Opening account	f	69	41	7	3	0	4.467	0.721	16.14
	%	57.5	34.2	5.8	2.5	0			
Depositing money	f	61	47	10	2	0	4.492	0.714	16.26
	%	50.8	39.2	8.3	1.7	0			
Encashment of general cheque	f	41	39	27	11	2	3.883	1.039	26.75
	%	34.2	32.5	22.5	9.2	1.7			
Encashment of Demand Draft	f	51	37	23	5	4	4.050	1.044	25.78
	%	42.5	30.8	19.2	4.2	3.3			
To get chequebook	f	31	42	7	18	22	3.442	1.538	44.68
	%	35.0	25.8	5.8	15.0	18.3			
To know cash balance	f	59	46	11	4	0	4.433	0.781	18.03
	%	49.2	38.3	9.2	3.3	0			
To prepare DD/bank draft/pay order	f	43	51	16	7	3	4.033	0.978	24.25
	%	35.8	42.5	13.3	5.8	2.5			
Collection of cheque (all)	f	38	57	10	8	7	4.083	1.164	28.51
	%	47.5	31.7	8.3	6.7	5.8			

Source: Field Survey, November-December 2015

In case of “Opening account” 58% customers (depositors) were highly satisfied about opening account facility of private commercial banks and 34% customers were satisfied. The mean value of customers’ response towards opening account of private commercial banks is 4.467, which lies in satisfied category. In this regard, the value of SD and CV are 0.721 and 16.14 respectively, which indicate the opinions of the customers are less deviated, i.e., the customers are satisfied towards account opening facilities by the PCBs.

Under the variable “Depositing money” 51% customers were highly dissatisfied about depositing money of private commercial banks. Of whom 39% customers were satisfied. The mean value of customers’ response towards depositing money of private commercial banks is 4.492, which lies in dissatisfaction category. In this regard standard deviation is 0.714 and coefficient of variation is 16.26 and these indicate that the opinion of the customers is less deviated. So, it can be concluded that service providers provide enough support to the depositors in depositing money.

In case of “Encashment of general cheque” 34% customers were highly satisfied about encashment of general cheque of private commercial banks (PCBs) and 33% customers were satisfied and 23% depositors showed their neutrality. The mean value of customers’ response towards encashment of general cheque of private commercial banks is 3.883, which lies in satisfied category. It is observed that the value of SD and CV are 1.039 and 26.75 respectively, which indicate the opinions of the customers are less deviated, i.e., the customers are satisfied towards the services of encashment of general cheque.

Regarding “Encashment of Demand Draft” 43% customers were highly satisfied about encashment of Demand Draft by private commercial banks (PCBs). Of whom 31% customers were satisfied and 19% customers were neutral. The mean value of customers’ response towards encashment of Demand Draft of private commercial banks is 4.050, which fall in satisfied category. In this regard standard deviation is 1.044 and coefficient of variation is 25.78 and these indicate that the opinion of the customers is less

deviated. So, it can be concluded that service providers give enough support.

In case of “To get chequebook” 35% customers were highly satisfied to get chequebook of private commercial banks and 26% customers were satisfied. The mean value of customers’ response towards to get chequebook of private commercial banks is 3.442, which lies in neutral category. The SD value 1.538 and CV value 44.68 indicate that the customers are neither satisfied nor dissatisfied towards the behavior pattern of service providers regarding receiving chequebook. So, bankers should give importance in improving chequebook issuing services.

Regarding “To know cash balance” 49% customers were highly satisfied about to know cash balance of private commercial banks (PCBs). Of whom 38% customers were satisfied and 9% customers were neutral. The mean value of customers’ response towards to know cash balance of private commercial banks is 4.433, which fall in satisfied category. It is observed that the value of SD and CV are 0.781 and 18.03 respectively, which indicate the opinions of the customers are less deviated, i.e., the customers are satisfied towards the availability of the service providers informing about their cash balance to the customers.

Under the variable “To prepare DD/bank draft/pay order” 36% customers were highly satisfied about preparing DD/bank draft/pay order of private commercial banks (PCBs). Of whom 43% customers were satisfied. The mean value of customers’ response towards preparing DD/bank draft/pay order of private commercial banks is 4.033, which lies in satisfied category. It is observed that the value of SD and CV are 0.978 and 24.25 respectively, which indicate the opinions of the customers are less deviated, i.e., the customers are satisfied towards the availability of the service providers in preparing DD/bank draft/pay order.

Regarding “collection of cheque (all)” 48% customers of private commercial banks were highly satisfied.

Of whom 32% customers were satisfied and 8% customers were neutral. The mean value of customers' response towards collection of cheque (all) of private commercial banks is 4.083, which fall in satisfied category. It is observed that the value of SD and CV are 1.164 and 28.51 respectively, which indicate the opinions of the customers are less deviated, i.e., the customers are satisfied towards cheque collection facilities.

5.3 Factor Analysis

The general purpose of factor analysis is to find a method of summarizing the information contained in a number of original variables into a smaller set of new composite dimensions (factors) with minimum loss of information. That is the 'Factor Analysis' tries to identify and define the underlying dimensions in the original variables (Subadra, 2006).

Factor analysis usually proceeds from the correlation matrix formed out of the selected variables included in the study. The appropriateness of the factor model can also be calculated from this.

Next, factor extraction, the number of factors necessary to represent the data and the method of calculating them must be determined. At this step, how well the chosen model fits the data is also ascertained. Rotation focuses on transforming the factors to make them more interpretable and following this, scores for each factor can be computed for each case. These scores are then used for farther analysis.

For the research, it is interesting to study the factors which can be derived out of several variables which contribute in measuring the level of satisfaction towards the specific bank.

There are 8 variables under the heading "express your level of satisfaction". Hence, correlation matrix for the variables (8 statements) is calculated in order to establish the relationship between them. Generally, a correlation value of 0.3 (absolute value) is taken as sufficient to explain the relationship between the variables. Correlation matrix value has been given in table 4.

Table 4: Factor Analysis - Correlation Matrix

Variables	Opening account	Depositing money	Encashment of general cheque	Encashment of Demand Draft	To get chequebook	To know cash balance	To prepare DD/bank draft/pay order	Collection of cheque (all)
Opening account	1.000							
Depositing money	.916	1.000						
Encashment of general cheque	.870	.890	1.000					
Encashment of Demand Draft	.895	.898	.920	1.000				
To get chequebook	.851	.844	.948	.891	1.000			
To know cash balance	.900	.954	.887	.917	.848	1.000		
To prepare DD/bank draft/pay order	.871	.872	.930	.936	.878	.887	1.000	
Collection of cheque (all)	.885	.912	.891	.930	.871	.949	.928	1.000

Correlation matrix for the variables from 'opening account' to 'collection of cheque (all)' (totally 8 items) was analyzed initially for possible inclusion in Factor Analysis. Further, two test are applied to the resultant correlation matrix to test whether the relationship among the variables is significant or not. First, Bartlett's test of sphericity is used to test whether the correlation matrix is an identity matrix (table 5), i. e. all the diagonal terms in the matrix are one and the off-diagonal terms in the matrix are zero. The calculated test value is 1.842E3 (Approximate chi-square). It shows that the correlation matrix is not an identity matrix, i.e. correlation exists between the variables. Another test of Kaiser-Meyer-Olkin (KMO) measure is used to test the sampling adequacy. This test is based on the correlation and partial correlation of the variables. If KMO measure is closer to 1, it is good to use factor analysis and if KMO measure is closer to 0, the factor analysis is not ideal for the variables and the data. The value of the test statistics is 0.905, which means the factor analysis for the selected variables is found to be appropriate to the data.

The results of the above two tests are presented in table 5.

Table 5: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.905
Bartlett's Test of Sphericity	Approx. Chi-Square	1.842E3
	df	28
	Sig.	.000

Next, Principal Component Analysis (PCA) is used to extract factors (table 6). PCA is a method to transform a set of correlated variables into a set of uncorrelated variables (here factors) so that the factors are unrelated and the variables selected for each factor are related.

Table 6: Communalities -Extraction Method: Principal Component Analysis

Variables	Initial	Extraction
Opening account	1.000	.995
Depositing money	1.000	.973
Encashment of general cheque	1.000	.972
Encashment of Demand Draft	1.000	.955
To get chequebook	1.000	.983
To know cash balance	1.000	.983
To prepare DD/bank draft/pay order	1.000	.978
Collection of cheque (all)	1.000	.967

The PCA extracted 4 factors and all these are coefficients used to express a standardized variable in terms of the factors. These coefficients are called factor loadings, since they indicate how much weight is assigned to each factor. Thus, factors with large coefficient (in absolute value) a variable are closely related to that variable. Table 7 shows the factor leading to each variable.

Table 7: Component Matrix ^a**Extraction Method: Principal Component Analysis**

Variables	Component			
	1	2	3	4
Opening account	.941	-.145	.199	.222
Depositing money	.954	-.208	.099	-.098
Encashment of general cheque	.960	.210	.054	-.049
Encashment of Demand Draft	.968	.033	-.104	.081
To get chequebook	.933	.288	.147	-.087
To know cash balance	.961	-.198	-.031	-.135
To prepare DD/bank draft/pay order	.956	.105	-.191	.125
Collection of cheque (all)	.964	-.080	-.163	-.056

a. 4 components extracted

It is seen from table 7 that Factor 1 is with the largest loading (0.968) for the variable ‘Encashment of Demand Draft’. These are all the correlations between the factors and the variables, since all the factors are uncorrelated with each other. Hence the correlation between variable ‘Encashment of Demand Draft’ and Factor 1 is 0.968. Thus the factor matrix is obtained and presented in the above table. On the other hand, Factor 2 is with the largest loading (0.288) for the variable ‘To get chequebook’, and Factor 3 is with the largest loading (0.199) for the variable ‘Opening account’.

Then communalities for each variable are calculated from the factor matrix. The proportion of variable explained by the common factors is called communality of the variable. Eigen values are also calculated which give the proportion to the total variance explained by all the factors. The calculated value of “percentage of variance” explains how much variance is attributed to each factor. Cumulative percentage is calculated to explain the total variance in the selected variables. Table 8 discloses Eigen values, percentage of variance, and cumulative percentage of each factor.

Table 8: Total Variance Explained - Extraction Method: Principal Component Analysis

Variables	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.293	91.166	91.166	7.293	91.166	91.166
2	.249	3.117	94.283	.249	3.117	94.283
3	.149	1.862	96.145	.149	1.862	96.145
4	.112	1.405	97.550	.112	1.405	97.550
5	.076	.946	98.496			
6	.062	.774	99.270			
7	.034	.421	99.691			
8	.025	.309	100.000			

It could be seen from the above table factor 1 has the maximum Eigen value of 7.293. All the factors are arranged in the order of importance; cumulative percentage of 4 factor model explains that there are 97.55 percent of variables in the selected variables.

Although the factor matrix obtained in the extraction phase indicates the relationship between the factors and the individual variables, it is usually difficult to identify meaningful factors based on this matrix. Often variables and factors do not appear correlated in any interpretable pattern. Most factors are correlated with many variables. since the idea of factor analysis is to identify the factors that meaningfully summarize the sets of closely related variables, the Rotation phase of the factor analysis attempts to transfer initial matrix into one that is easier to interpret. It is called the rotation of the factor matrix.

Table 9: Rotated Component Matrix

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

Variables	Component			
	1	2	3	4
Opening account	.488	.416	.366	.670
Depositing money	.713	.433	.319	.419

Encashment of general cheque	.430	.707	.436	.312
Encashment of Demand Draft	.480	.494	.586	.371
To get chequebook	.384	.789	.348	.303
To know cash balance	.736	.411	.410	.323
To prepare DD/bank draft/pay order	.408	.498	.675	.330
Collection of cheque (all)	.626	.430	.561	.275

From the above table 9, it could be seen that each factor identifies itself with a few sets of variables closely connected to it. In each factor most preferred variables are placed first and the remaining in the order of ranks scored by them.

Normally, from the results given above, factor score coefficients can be calculated for all variables (since each factor is a linear combination of all variables) which are then used to calculate the factor scores for each individual. Since PCA was used in extraction of initial factors, all methods will result in estimating same factor score coefficients. However, for the study, original values of the variables were retained for further analysis and factor scores were thus obtained by adding the values of the respective variables for that particular factor, for each respondent.

Table 10: ANOVA

Variables		Sum of Squares	df	Mean Square	F	Sig.
Opening account	Between Groups	48.046	3	16.015	134.424	.000
	Within Groups	13.820	116	.119		
	Total	61.867	119			
Depositing money	Between Groups	45.758	3	15.253	119.280	.000
	Within Groups	14.833	116	.128		
	Total	60.592	119			
Encashment of general cheque	Between Groups	104.347	3	34.782	167.977	.000
	Within Groups	24.020	116	.207		
	Total	128.367	119			
Encashment of Demand Draft	Between Groups	101.060	3	33.687	136.438	.000
	Within Groups	28.640	116	.247		
	Total	129.700	119			
To get chequebook	Between Groups	253.568	3	84.523	349.866	.000
	Within Groups	28.024	116	.242		
	Total	281.592	119			
To know cash balance	Between Groups	54.486	3	18.162	115.882	.000
	Within Groups	18.181	116	.157		
	Total	72.667	119			
To prepare DD/bank draft/pay order	Between Groups	92.046	3	30.682	163.110	.000
	Within Groups	21.820	116	.188		
	Total	113.867	119			
Collection of cheque (all)	Between Groups	137.146	3	45.715	220.763	.000
	Within Groups	24.021	116	.207		
	Total	161.167	119			

Analysis of Variance (ANOVA) has been used to identify whether depositors' level of satisfaction differ according to their level of education. The underlying factors identified in this study are opening account, depositing money, encashment of general cheque, encashment of Demand Draft, get chequebook, know cash balance, prepare DD/bank draft/pay order, and collection of cheque from the banks. These factors

affect depositors to select banks for getting services. ANOVA results present difference of opinions among individuals with various level of education in table 10.

6. CONCLUSIONS

Bangladesh is a developing country. Banking sector is playing a unique role in the economy of Bangladesh. The measurement of depositors' satisfaction is basically a sophisticated assignment in the banking concern, though it was a complex job. In the context of competitive banking and its influences on the economy, the attitudinal views of customers have got more preference in the banking sector.

It is observed from the descriptive and empirical analysis that in case of rendering services, private commercial banks have some successes as well as lacking in all respects. It is remarkable that according to descriptive analysis, PCBs have held better position in terms of services rendered to the depositors.

The findings of the study have manifest some new dimensional knowledge for obtaining the banking target, developing the service style and process, and increasing depositors' satisfaction. This research has demonstrated to the government, banking policy makers, and top-level bank executives to provide concrete and effective guidelines for developing new area of banking services.

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FEDERATING SCHOOL WEBSITES: DEVELOPING A FEDERATION PLATFORM FOR MULTIPLE WEBSITES WITH COMMONALITIES

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Abstract

Websites are now proliferating as most popular communication channels. In these days of smart working and learning, as students and parents demands the convenience of the access through Internet for communicating with schools and teachers, every school across different levels and grades build and maintain class websites. Most schools are experiencing problems in building and maintaining these websites as time and efforts need to be concerted beyond their expertise. However, schools in a same district share common curriculum in a lock-step manner under the supervision of city-wide school boards, local governments or district headmasters. It seems that every school in the district request funding to build similar websites for similar purpose, though the sites may be different from each other only a bit in terms of structure and content. As school (and class) websites for the same grade have similar requirements with a bit of twist, these websites can be technically ‘federated.’ Though several authoring tools were developed and used in practice, most were designed for authoring and maintaining a single website. This study presents an architectural framework for a management platform developed for federating school websites. It is designed with provisions of templates and module library, and has been

tested in the field. Detail requirements are analyzed and presented. System architecture under development is presented with details of loosely coupled modular structure of the platform.

Keywords: Federated Websites, Websites Management, Web Authoring, Interface Design

Introduction

In the early days of the Internet, simple and plain-vanilla websites were sufficient for information provision for firms and individuals. Since the advent of HTML around mid 90's, web pages have gone through tremendous development in terms of technologies and structures as well as content. These days, developing websites require much more skills and knowledge than just HTML, as websites are becoming more and more dynamic, accommodating multilateral communications among various stakeholders.

These days, no matter what kind of business a firm is running, they need to run and maintain several websites for different purposes: promotional site for product and services (where customers can post questions), commercial transaction site (where orders are made and delivery information posted), customer service sites (where interactive service requests are made and accommodated), and various sites for employees' access to internal and external business processing systems. Possibly, some of these sites may have several variations depending on situational requirements such as the variety of products and services or different focal activities for corporate social responsibility. As the number of websites maintained by a firm grows, management and maintenance of these sites is becoming a separate business function performed by specialized groups.

Though these sites are designed for different purpose and serving different groups, they share a lot of common elements. For example, at the interface level, company identities would better be maintained across different sites, not only in terms of logos and symbols but also of themes, colors, images, brands, etc. When it comes to the underlying databases, the case becomes technically more serious. Basic data for customers and employees needs to be shared, or at least available through standardized connection protocol, to accommodate single sign-on functionalities. From time to time, customer generated data from one site would need to be transferred to other sites for further processing. Conceptually, these websites are 'federated' in all practical sense as they are sharing common elements while maintaining localized content.

School sites are, also, good candidates for this kind of website federation. Most of schools in the same educational district shares similar schedule with similar pedagogical content. Classes in the same grade are taught the same thing at the same time, with similar instructions, exercises, and homework assignments. However, each class also has their own localized needs for situational differences in terms of content and schedule. Imagine in an education district, 100 first grade middle school classes are being taught basic geometry at the same time. Each class needs online support in terms of questions and answers, homework submission, and community activities. Common webpage for 100 classes would not be a solution because the members are different and there will be differences in terms of progress and detail schedule, despite sharing of the pedagogical big picture.

In this research, an integrated authoring and management platform for this kind of federated websites are conceptualized and presented in detail in terms of requirements and architecture. First of all, the concept of federated websites is explicated in detail with a supporting review of the word ‘federated’ usage in related field. Architecture of the platform is presented with a prototypical application in high schools in a large city.

Federated Websites: Concepts and Supports

First of all, in Oxford Dictionaries Online (Oxford University Press, 2012), ‘federation’ is defined as “a group of states with a central government but independence in internal affairs” or “an organization or group within which smaller divisions have some degree of internal autonomy.” It is clear that the term federation is mostly used in politics and political economy as these definitions suggest. However, in Wikipedia (Wikipedia, 2012), this general definition is followed by a specific use of the word ‘federation’ in information science: “Federation [means] the standardization of information systems, or their means of inter-connection. Federated identity [refers to] many (generally un-federated) methods of allowing user's data in one system to be transferred to, and used by, another.” As suggested in Wikipedia, information scientists are already using the term ‘federation’ referring to commonalities across different systems. Henceforth, federated websites can be defined as a collection of websites that maintains common components while some level of localized autonomy is preserved.

Use of “Federated” in Computing

Despite the origin of the word ‘federation’ is traced back into political economy and organizational theories, this terminology has been imported and used in computing, in order to point out commonalities and/or connections among and across disparate systems and databases. In the computing literature, the use of word ‘federated’ can be found only in a few occasions, yet: federated identity, federated search, federated cloud, and digital curation. These four are reviewed and the meaning of federated approach is explicated followed by discussions on federated websites and its management.

Federated Identity refers to the methods of linking the identity and related attributes of individuals, spread and stored across multiple identity management systems. Most popular is single sign-on (SSO), in which a user's authentication token is trusted across multiple systems. SSO is only a beginning of federated identity management, as it relates only to user authentication at the level of technical inter-operability (Bhatti, Bertino, & Ghafoor, 2007). Federated identity management is motivated by the classical authentication and authorization protocols, implemented as Kerberos (web.mit.edu/kerberos/www/), which uses identity-based credentials issued by a centralized server (Satchell, Shanks, Howard, & Murphy, 2011).

Federated Search - the ability to simultaneously search multiple online library databases or Web resources – is now a critical retrieval tool for digital libraries. Possibilities of federated search eliminating the need to be familiarized with multiple databases were first mentioned in 2001 (Tennant, 2001). While

foreseeing challenges posed by federated searching, early implementations are reported such as Searchlight and WebFeat. Since its inception, several thousand libraries across the globe have started providing some form of federated search on their digital collection interfaces.

Federated Cloud is implementation of several interconnected cloud computing services. As a federation is the union of multiple parts that serves a common purpose, this federation of cloud computing service is the practice of linking and connecting different service providers' cloud environments, in order to balance the load and the traffic and accommodating peak demands (Rochwerger et al., 2009). Though cloud computing service itself holds promising future for service computing, to truly fulfill the promise, capabilities to federate different cloud centers across separate entities and organizations are critical as any single-provider clouds inherently sustain limited scalability as demand grows exponentially in near future. For federated clouds to be operational, inter-operability needs to be secured with built-in business service management support. Only through federation can infrastructure providers can exploit from their aggregated capacities meeting seemingly infinite demand of service computing utility.

Digital Curation, by definition, refers to the curation of digital artifacts and content, possibly customized for situational context. Most of cases, digital curation involves establishing and developing of long term repositories of digital assets for their stakeholders' reference. Digital curation entails collecting and verifying digital assets, providing search and retrieval capabilities, auguring integrity of the collection and maintaining somewhat standardized comparability of collection including semantics and ontologies of content. The first cyber infrastructure report from National Science Foundation (Atkins et al., 2003) notes that "multidisciplinary, well-curated federated collections of scientific data (p. 7)" is critical for future research and development as the size and scope of these data grows.

All in all, while the term federation is recently becoming a bit popular in computing, its common attributes as well as definition still presents challenges, whether the concept of federation is applied for identify management, search and discovery management, services of clouding or curating of the content.

"Federated" Approach in Computing

First of all, federation or federating does not mean answering for complete control in terms of content or structure. Federation refers to a practical method used for an application or a system to talk to others for any reasons (Irvin, 2009). Federated identify focuses on sharing user data for authentication across different domains while federated cloud on sharing repository resources that may include a bit standardized interfaces among them. The degree of communication and standardization lead to the differences in federation strength. It can be concluded that, in most cases, federation in information management world, is generally described as the ability to access information and communicate between disparate silos of systems and content.

Once federated, related systems are potentially governable under one umbrella structure when necessary, and represented as a single entity consisting of locally autonomous unite. To federate, content could be

pulled into a single repository, or left at the source in a fragmented manner and only conceptually federated. Fewer management problems would be involved with the single repository approach, and having one repository would seem to reduce complexity.

Federated Websites Management

The idea of websites federation actually comes from the observation of practice as noted at the introduction. In case of schools, all of the schools at any level maintain their own website. Rather than using the websites to promote school to outside stakeholders, most schools use their website as a multilateral communication channel among teachers, parents and students. Except a few static pages at the front where history, symbols, regulations, employees, overall schedules are posted, other pages are organized following structure of the school and very dynamic. For example, most school websites provide a kind of hosting of class web pages in which similar but separate bulletin boards for students. In some schools, hundreds of bulletin boards are operated: school news, message of parents, subject discussion rooms, teachers' lounges for different purpose, parents' lounges for different purpose, class bulletins for different purposes, etc. More importantly, schools at the same level mostly maintain similar structure and organization, especially in elementary and middle schools.

This similarity in functions, organization and content lead us to believe that schools can be a good example of "federated websites," where actual content and activities need to be localized with different users. Even though there are multiple websites performing similar functions, each website should be managed by different person and used by different users. Differences need to be maintained while commonalities are preserved. Also, at the same time, if we can federate school websites, instructions or directorates from the governmental office of education can be delivered to all the stakeholders at the speed of light, through federated interfaces, such as pop-ups or widgets.

For example, primary schools in a district maintain very strong commonality in terms of education content, structure and sequence. Also, each school maintains very similar organizational structure (such as grades and classes) and activities (giving out homework and encourage online discussions, etc.). Standardized curricula and consistent evaluative techniques, as well as educational methods and processes are very common across different schools.

Now, elementary and secondary school websites are managed by teachers who are not IT professionals and it can be an extra stress to those teachers. Also, there are securities and privacy caused by website hacking, so professional management for school websites is absolutely vital. To solve this problem, some schools request external service facilities, but this is decreasing due to budgetary constraints. Even though they use external service providers, actual content management are still dealt with by teachers. Teachers are required to participate in website administration, so relying only on commercial hosts is not that easy. Also, when the external service facility asks them for data correction, it takes a lot of time and delivering user's opinions causes many problems. It creates an obstacle to the original purpose of the educational website.

Differences and Advances from typical ASP (Application Service Provider) Services

In some sense, this idea of federation may have some technical resemblance with the concept of application service provider model. Application service provider (ASP) concept developed about a decade ago leverages advanced networking technologies, allowing applications be hosted remotely (Walsh, 2003). In this model, provider hosts applications on a server farm at remote location. Users access these applications via network connection when necessary. It can be applied to nearly any type of application and is commonly used for deploying an array of software. As web pages are becoming a set of complex web applications, web pages are also serviced by ASP. Key benefit of ASP is the economy of scale that allows provider to operate a data center at a lower cost per user. Another benefit derives from hiring talented technology experts whom many small firms cannot afford. Clients may reap strategic benefits in that the provider keeps up to date on the latest technologies.

In practice, ASP provides compartmentalized and segmented area and resources for each client. Technically, each client holds specific portions of databases as their own use when needed, and when an application is called upon and remotely loaded, portions of server resources are reserved solely for this client while maintaining partitions among clients. In other words, sharing of resources in ASP model is the sequential turnover of resource ownership instead of sharing of resources in real time among clients.

Compared to the ASP model, the federated website management model assumes sharing of resources in real time as clients and client applications share common components by definition. For example, the user database used for authentication is conceptually a single database shared by different clients through appropriate authentication and privilege management protocols.

Also, in ASP model, interface among clients or client applications would not need to be standardized as each client is treated as a governing entity within their domain, while, in federated management, client applications need maintain standardized interfaces among them in order to talk to each other from time to time as they are sharing resources by way of communication and collaboration when necessary. In this regard, a platform model seems appropriate as a manager of these federated websites, rather than application or DBMS model.

Developing a Federated Websites Management Platform

A working prototype of the federated websites management platform (FWMP) is developed with elementary and middle schools as the target domain. Though FWMP can be used for general purpose, setting up the target domain will help us in clarifying initial set of requirements. Initial set of system requirements are derived from analysis of school websites and interviews with different user groups of these sites. Based on critical requirements derived, the system architecture is conceptualized with five layers.

System Requirements

Increasingly, emphasis is being put on effective websites maintenance as the number of websites grows. Contents should be continued to be updated in order for the sites to be alive and up to date, leading to increase in maintenance costs. Also, in school environment, many site operators are not IT experts. For example, each class website is maintained and monitored possibly by the homeroom teacher or the class

captain, and it is also the case for the school website operators. Usually, one of the teachers will take this responsibility, possibly without specialized knowledge on web technologies. They are mostly concerned about the content in terms of class discussion, home works, and social networking among students, teachers and parents. It is, therefore, necessary to ensure that websites may be easily and conveniently managed. The platform needs to be designed to provide easy to use WYSIWYG type of interface.

Requirement 1: Easy to use WYSIWYG type interface need to be provided so that novice users can operate and maintain school websites at all levels of grades and classes.

In creating a website, its design is generally determined by visual elements such as screen frame, background color, font, icons and consistence with elements. Previous studies on website design show that design specific elements are recognized to be as essential as functions, affecting users' intention to use the site. Consistence in design is also found to have effects on users' trust in webpage contents. Most of current website authoring and management tools are focusing on content management and update without considering the design component. Wizard type of website authoring tool, especially, is missing this point. The platform needs to provide drag and drop type of design library which may contain design templates and application widgets with thematic classifications.

Requirement 2: Easy to use design component library including templates and widgets with thematic classification system should be built for the platform, possibly domain-specific, with drag and drop capability.

School websites are supplementary means of information provision, interactive communication, asynchronous interaction, and self-paced non-linear learning for students and teachers. Contemporary theories of education emphasizes cooperative learning, non-linear thinking, learning through peer group network, quick and dirty pickup of knowledge with dynamic content and on-spot integration of knowledge. School websites are, in some sense, the fields of these kinds of educational experiments. Some experiments require novel design but most of them are depending upon underlying pedagogical structure and organization. FWMP should be able to accommodate these newly developing experimental pedagogies, especially in online dimension. In this regard, FWMP needs to provide easy to use content management facilities with extendible application programming interface for further expansion in the future.

Requirement 3: Content authoring and management modules should provide easy to use interface for creating, registering, revising, updating and deleting activities concerning content, and open application programming interface for these facilities.

School websites are more like public community centers where a variety of interactions take place among students, parents, teachers and administrators. Web 2.0 that facilitates user's interaction, knowledge sharing, cooperative efforts and participation in activities with others, has been the trend in modern pedagogy, much earlier than technological development of Web 2.0. In current educational context,

ubiquitous delivery of information and interactive communication becomes the norm rather than exception even at the primary school level.

Requirement 4: Easy to use, drag and drop type multilateral communication facilities need to be provided at the platform in a modular form so that novice system operators may create and maintain interactive communication areas for the use of different stakeholders.

As described above, FWMP need to facilitate a range of production and management tools for school websites, which tends to be synchronized in terms of content and schedule, but cannot be exactly the same, as different user groups are involved. By using WYSIWYG, design templates and application widgets, Ajax and RIA, the FWMP should be designed to aid novice users in making up and maintain webpages in an easier manner. In order to reduce the production & maintenance costs above and support administrative convenience, it is designed with a repository of common library of templates and widgets with thematic classification, rather than as fragmented collection of co-located servers, at least at the conceptual level. This scale up problem may be solved later by federated clouding scheme when scope and scale grows out of reach. FWMP is initially here conceptualized as centrally managed federated websites production and management platform.

Proposed Platform System Architecture

The management platform for federated websites in this study is conceptualized into five layers: content, service, hosting, processor, and operation layers. Segregation of each layer keeps each process independent and compartmentalized for any future system upgrades and expansion. Also, since each layer is linked to each other through standardized programming interface, interaction among these layers are handled by procedure call and message flows, implementing loosely coupled modular structure.

Content layer hosts file and database management system where actual content are stored with relevant metadata. Files here include design templates with detail classifications and tags. Database handles master data for user authentications as well as actual website content, through these are maintained in separate regions of database with different operational triggers.

Service layer on top of content layer consists of basic service tool libraries such as authoring application, widgets and templates managers with tag search facilities, user management, media trans-coding, and a local search engine. These libraries provide basic functionalities of multimedia management through J2EE servlets.

On top of these service libraries, FWMP-specific facility of federation manager resides and manages domain specific service requests and responses. Thematic consistencies are maintained at this layer for different domains, and shared components of federated websites are managed. This layer is separated with a prospect that multi-tenancy concept being developed in SaaS(software as a service) or IaaS(infrastructure as a service) type of technological advance may be applied at this layer without affecting other layers. This layer also handles request filtering and responding from domain managers. At this point, a multi-tenant view is implemented with facilities of Aspect Oriented Programming. This layer, also, handles system monitoring and distributing content with load balancing capabilities.

The processor layer on top of federated domain managers basically handles multimedia decoding at user interface level: static HTML, dynamic HTML, video/audio based on HTML5, Mobile page, supporting Flash on request, etc.

The topmost layer of operations handles actual service calls and responses. When necessary, different service processes are choreographed for efficiency and effectiveness of website operations.

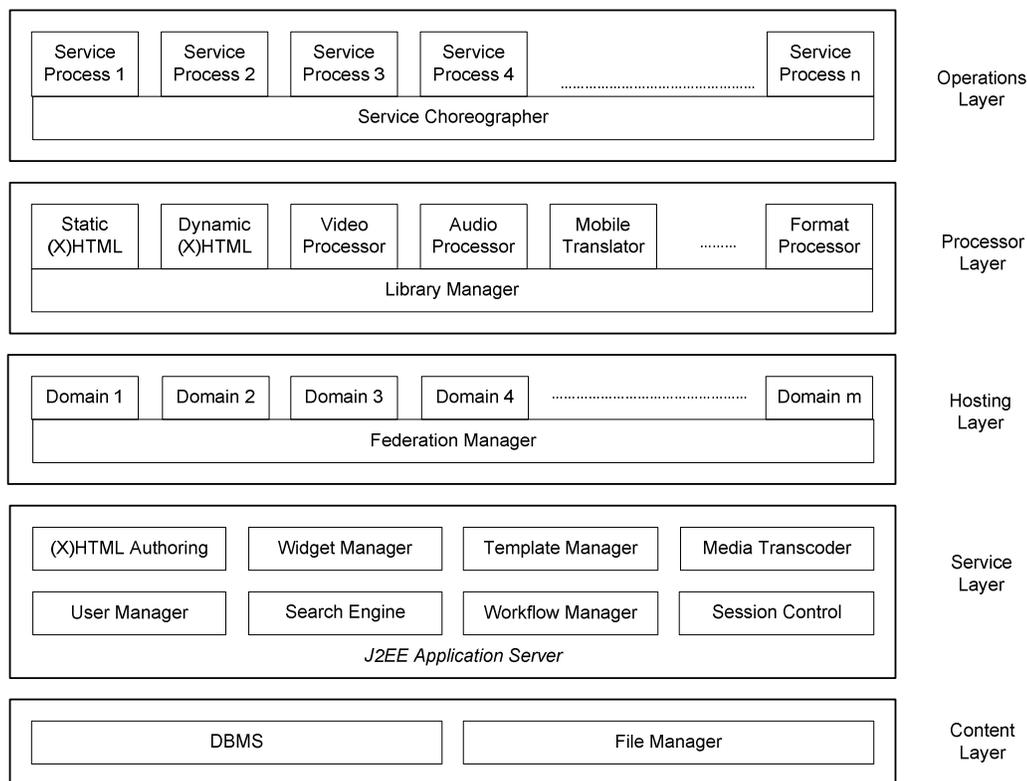


Fig. 1. System Architecture

System Features in Prototype

The techniques used to develop this platform are widely used open-source technologies, not specifically vendor-dependent technique, so they ensure interoperability across various platforms in the open source world. Java, which is cross-platform, client languages for pure XHTML is used with CS and Rich Internet Applications based on Javascript Ajax to meet web standards and web accessibility requirements. Also, ORM technology was used independent of specific DBMS. AOP (Aspect Oriented Programming) was also used for a multi-tenant environment for providing ASP service to each website. For various presentation effects using limited design resources, all design factors were separated and presented with a composite view pattern. Figure 2 presents the configuration of generic software applications and their relations with different servers and base technologies.

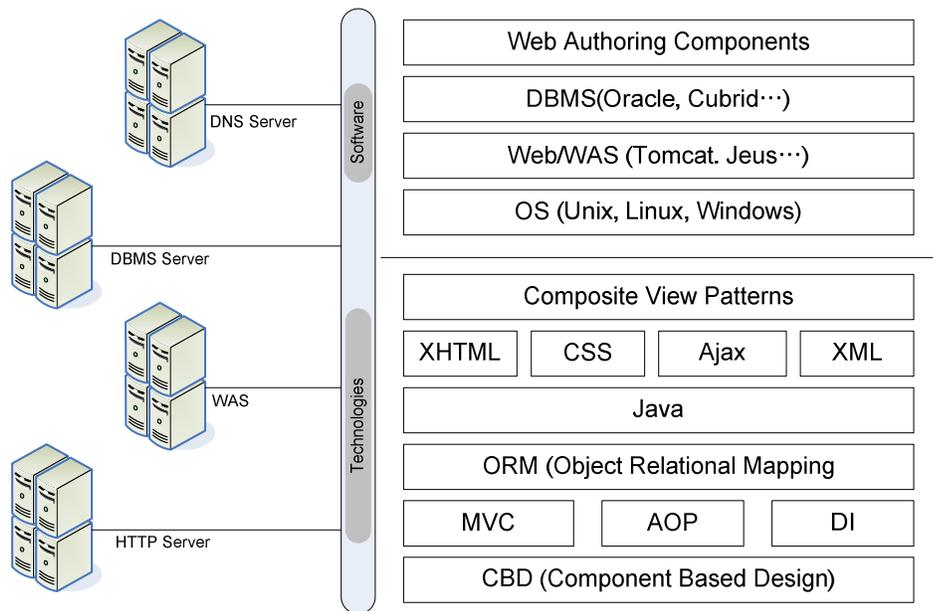


Fig. 2. Applications, Technologies and Servers

Designing and maintaining websites in a way to manage a federation: common laws but local implementations

First and foremost prominent feature of this platform is the instant production of a website from a set of templates and modules shared among schools (and reside in the centralized server so that anybody can use any time). When a school signs up for a website, the CIO of the school district office produce a basic website with a click of a button. Compared to the commercial webhosting, in which each clients are provided with specific system resources, FWM reduces system load by providing common components in a shared thread, minimizing resource utilization. All the school websites are managed in a federated way. For example, when there is a change in the district's schedule for something like a common test, a common pop up can be easily installed in a matter of seconds. Such a work flow results in as many time and cost reduction as the number of participating school increases. If these are not federated, the maintenance costs would amount to the number of sites, while this federation requires maintenance action at the central server level. Such contents as notices, pop-ups or banners are simultaneously updated over websites that are independently managed or grouped. By using federated approach, this system allows website administrators to post the same contents over websites in a real time.

Diversity in designs using widgets

One of the problems experienced by multiple site management for different schools is the differences each school asks for in terms of design features. Website design diversity needs to be maintained for each school to maintain their identities in terms of colors, designs and other features. Charges for design changes are prohibitive when all the schools maintain their own websites as separate charges are made for

each school. Though some research proposed to adopt a template approach in maintaining identity, it is still difficult to maintain libraries of templates with all the modification for different sites. This problem is solved in this platform by providing widget libraries. Design elements are grouped into meaningful units beyond webpages, and designed into widgets. Each widget is separately managed from others. Respective widgets provide various skins by using CSS, and can be added or deleted by using WYSIWYG tool or repositioned over web page by using drag and drop action.

Mash up with educational portals.

Each school website produces a limited number of educational materials, lowering the productivity efficiency compared to labor efforts in terms of the number of teachers, students or economy. The district office builds and maintains a parallel portal site whereby authorized schools can access to educational materials developed centrally by the district. However, the portal sites were not much used. To solve this problem, this platform provide a series of simple mashup functions that allow teachers to easily put a link on the class websites accessing the portal content without going into details of html programming.

Conclusions

Education field is not an exception in the information revolution. Agencies are agonizing about how to advance education with information and communication technologies. Most research on website management focuses on how to design a single website, despite users are beginning to realize similarities and differences among different websites maintained by similar organizations, such as the schools where students are educated using common curriculum with similar schedules. Platform architecture is developed in this study for federated management of websites with similar requirements, such as school websites.

This federated approach seems to prove itself useful when applied to a school district in a large city on a prototype basis. By using this platform provided by district office, schools are expected to construct their websites at much lower costs than before, even with different requirements met for each school with less update cost. Teachers also experience reduction of workloads of managing websites by introducing e-learning contents management system in a WYSIWYG mode. Teachers seems to keep a good relationship with students through interactive communication over website bulletin board improving the quality of learning by applying materials necessary for classes with the aid of open-source mashup technologies. Students or parents seems to be more motivated to appropriately use functions or bulletins wherein a variety of contents are uploaded or speedily updated with periodically redesigned design components.

Existing studies on websites authoring and managing mostly address only the easiness of use and/or useful designs in producing and maintaining a single website, and are not appropriately applicable for recently emerging “federatable” websites. A design of federated website management platform is presented here that may serve the federated websites for different groups of users. School websites are selected as a service domain for the initial prototype development.

By using this federated websites management platform, schools are able to construct their websites at lower costs than before, and also at the same time, maintain their own identities in terms of content and design. Using the content management features of the platform, teacher and student operators can easily manage their portions of websites in WYSIWYG drag and drop mode. Using template and widget library provided, novice operators can change and revise functions as well as designs, periodically. Further studies should be made to develop the system that ensures custom tailored service to be provided without depreciating efficiency and stability.

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THE CONCEPTUALIZATION OF VARIOUS ASPECTS OF INNOVATION AND ITS RELEVANCE WITH SMES

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Abstract

This paper is an effort to conceptualize different aspects of innovation. The study of many pertinent papers to this topic has helped in understanding the importance of innovation small and medium enterprises. The different sources of idea generation and innovation are also discussed in light of the previous work done on innovation. During the study the factors which effect innovation are discussed. In this review work the four different perspectives from which innovation can be studied are discussed to be individual, organization, networking for innovation and finally, the presently popular System of Innovation approach which focuses on the mutual interactions of economic agents. The role of government in making innovation work is discussed and is felt that the National Innovation initiatives offer chances for economies to grow and prosper as innovation is one big mean of achieving economic prosperity. The barriers of innovation are found to be the lack of resources, lack of innovation idea generation, lack of technical knowledge of human capital. Lack of judicial and enforcement system, lack of Collaborative networks and inefficiencies of internal R&D.

Key Words: innovation, Small and Medium Enterprises, Barriers, Collaborative networks, R&D.

1. Introduction

The sacrosanct objective of this review paper is to shed light on the literature and research papers which has discussed innovation and its importance in Small and Medium Enterprises. This review is an effort to highlight the work that is pertinent to development through innovation in processes and production. This will also discuss in fair bit of detail the sources of innovation and the different perspectives through which innovation can be seen. In this review paper, an effort is made to see what the potential barriers to innovation in enterprises are and what their consequences.

2. Importance of innovation

The importance of innovation is attributed more often to the firm performance improvement but the overwhelming failures of new product neutralizes the tendency to innovate. The results of America alone suggests an 85% failure in the 17000 new products that were launched in 1993. Firms introducing new products to market face many challenges first and foremost being what type innovation to carry out where. The type of innovation research is not an area thoroughly investigated in international context. The success of incremental or radical innovation in advanced countries cannot be generalized in developing economies. The monetary success from Innovation is related closely to the adequate market size and the investments in supply chain.

3. Sources of innovation and Idea Generations:

1. Demanding and competent Customers, with who the dialogue brings ideas as they have the vision to share their experience competently. Meeting the customers demand can always help the firm's managers to brainstorm and produce innovative ideas (Kristensson et al. 204).

2. Some competent employees of organization can also produce innovative ideas although their proportion is not considered to be huge because of two main reasons, their preoccupation with daily operations and their context bounded information in a rather fragmentary and sketchy manner (Nonaka and Takeuchi, 1995).

3. Sometimes the lack of processes which are idea generating friendly in the firms, create obstacle in the ways of employees to put forward their suggestions for innovative services and ideas (Evardsson et al., 2000).

4. Factors effecting innovation

Several features and factors effect the innovations. These are either uncontrollable like contextual factors of infrastructure, economic development path, business culture and market size. As well as controllable factors like types of innovation, new product development strategies, new commercialization strategies like promotion, distribution, supply chain development and strategic control. Incremental innovation is favorable for emerging countries as compared to developed countries (Iyer, LaPlaca, & Sharma, 2006). Irrespective the type and nature of technology, importantly, the technology should be the one which suits the market SME caters, the environment, skills of innovation practitioners and infrastructure. Continuing to improve the traditional technologies and introduce new technologies is the succession mode of innovation. The chase mode technological innovation concept means that the firms sees and follows the innovators and try to develop new products before others do so (Yao, 2008).

5. Typology of innovation

As life blood of innovation, knowledge either new or existing pieces of knowledge in novel ways make innovation happen. Innovation can have these types.

5.1 **Product innovation** refers to the introduction of new or improved products to the markets.

5.2 **Process innovation**, a complicated phenomenon, refers to the nature and sequence of production process.

5.3 **Radical innovation** accounts to the introduction of new technology or its combination as an outcome of an R&D action to cope with customer or market need.

5.4 **Incremental innovation** is the enhancement to products or processes based on feedback of users (De Propris, 2002). Service product innovation is the addition of new values to the core offerings. An example is the financial and insurance service where the policies like improved mortgage products interests, repayment option, credit cards options or the general insurance options like health ,property insurance etc.

5.5 **Service innovation** is the introduction of newness to the existing processes and organization. It is a new development that makes the service products more appealing to the customers, hence studies sheds light on the importance of customer interaction system and customer feedback.

5.6 **Organizational innovations** are innovations that the firms adopt by changing the daily routine activities and operations to address their productivity, efficiency, flexibility and creativity through the disembodied knowledge. Organizational innovation is somehow a fertile ground for innovation as it provides relaxed base for smooth process innovation by reducing the stress in the firm.

5.7 **Marketing innovations** include the market segmentation and opening new markets and decisions of method to serve these markets (Johns, 1999). As the point of ambiguity between the different innovation types, here again a problem remains unanswered. If the marketing innovation does include the four marketing Ps, then Product is one of the major P. which then makes the product "P" a common both to product innovation and market innovation. The empirical evidences show that marketing innovations are vital to develop and maintain a competitive advantage through lowering costs and differentiation (Naidoo, 2010).

6. Perspectives of innovation

Innovation phenomenon can likely be addressed from four perspectives. First, the individuals who innovate, second, the organization which is central to the innovation management studies (these two are the introvert types. Thirdly, networking for innovation and finally, the presently popular System of Innovation approach which focuses on the mutual interactions of economic agents.

The academics may define innovation as some kind of scientific novelty while entrepreneurs may define some new activity carried out for money making.

In an SME which is managed by its owner, the fact remains that most of the decision process takes place by the owner and so the innovations level is curtailed. Furthermore, the owner is a savior of personal interests and not maximizing the potential of organization. This leaves a conflicting situation between entrepreneurs and owner for innovation.

Sometimes the importance of R&D to the bring innovation to firms is overestimated and the skilled and qualified workforce is underestimated. A core competency is to entice the technically equipped workforce.

The internal knowledge sources of SMEs may not be sufficient for SMEs to innovate rather they need to establish links with other firms to seek complementary knowledge.

Innovation is considered as the offspring of diverse external players rather than an outcome of internal organizational activities. The ultimate goal of firm to conduct innovation is gaining benefit.

Some researchers associate a dilemma with cross sectional studies of innovation. They hold the view that it is often not clear to see whether innovative firms grow or growing firms innovate.

Due to its heterogeneous nature, the study of relationship between innovation and firm performance does not seem to be an easy task. An important point to note is that innovation is not free and consumes investment so innovative firms are not necessarily growing firms but may be surviving firms (Authors, 2010).

7. Role of government intermediaries in SME innovation

A very little research has been done to explore the utility of applying the open innovation in SMEs in developing countries. Whereas the SMEs of developed world seem to have learnt the art of innovating, the SMEs of developing world still find it difficult due to many obstacles to find a way through innovation.

The National Innovation initiatives offer chances for economies to grow and prosper as innovation is one big mean of achieving economic prosperity. While incorporating innovation hubs as being important for national and local growth, developing countries will find many hurdles doing so.

A model which can involve experienced inventors and research teams and government agencies as intermediaries may connect with SMEs to produce innovatively. Government also plays a vital role in promoting innovation as it provides roadmaps through its programs, promote innovation through introduction of innovation friendly policies and protect innovation through regulations (Yao, 2008). Due to the recognized fact that SMEs resulted substantial economic growth, this spurs innovation in country as well.

8. Barriers to innovation in SMEs

The firms frequently face the problems of having, fewer resources, Less inventive and creative employees and, Lack of understanding of idea generating.

The SMEs can perform efficiently by bringing in the strategies through which they can constantly innovate and improve their competitive advantage and operating proficiency.

Due to the structural differences, SMEs are quite unlike the big firms in products and service innovations. This is largely due to the lack of resources, capital, human resources and processes.

So SMEs should have a different approach to innovation and must ideally link to other networks, researchers, agents, customers and suppliers.

Collaborative networking can help acquire new knowledge or missing knowledge for open innovation activity and SMEs normally do well in hooking up with external networks than big firms.

Other vital internal factors are the level of owner's technical education, previous work experience and technical skills of local workforce considered by innovation hubs and government.

Internal Factors

Similarly, SMEs should collaborate with other social networks than academic institutions within certain

limited context to share R&D externally as off course over reliance may cause intellectual property loss. A very little very rare use of internet only limited to email is seen even in some SMEs of developed countries. Far too little of the benefits are perceived by the firms, very hardly organizations are ready to adopt and competitors may put pressure alongside.

Lack of judicial systems efficient enough to make good solutions to address the issues.

Paradoxically, developing countries either have very strong or very weak intellectually rights regime.

Lack of financial and managerial resources to utilize the external network is one other problem.

Social interactions based on trust developed from the repeatedly successful transactions between firms, long term loyal customers and suppliers can get over the legal obligations. Also the government agent can istle recommend to partner or not some firms, 2ndly provide better legal services for SMEs and keep record of the agreements in detail.

Lack of enforcement and improper, insufficient legislation is highly ranked barrier in the face of SMEs making(Vrgovic, Vidicki, Glassman, & Walton, 2012).

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THE EVOLUTION OF REGULATORY AND SUPERVISORY FRAMEWORK OF ISLAMIC BANKS: A GROWING GLOBAL DIVERGENCE

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Abstract

This study has explored the regulatory and supervisory system of four distinct countries which has significant contribution in development of Islamic finance in their respective geographic location. All sampled countries have dual banking system and its regulatory system for both Islamic and conventional banking have come across the different developmental stages. Beside the core purpose of this study to explore the regulatory/supervisory framework of selected countries, we have also covered those significant elements which are prerequisite and contributing towards an efficient and effective regulatory structure in a country. Historically the regulatory and supervisory system for Islamic bank evolved globally in a very divergent way. Mainly because of institutional differences, legal systems, and the influence of different Islamic laws and schools of thought.

Keyword: Islamic Finance, Islamic Banking, Regulatory and Supervisory System, Banking and Finance, Shariah Compliance.

1.1 Introduction

The origin of Islamic finance in mid of 1960 has attracted the attention worldwide for its social responsible principles inherent deep in Islamic Shariah. The growth achieved by shairah compliant industry is by far than one would have predicted at the time of its introduction. But the growth of Islamic banking and finance has never been followed by its regulatory and supervisory system. This is the most important factor not only to insure the ultimate compliance of this industry to Shariah principles, but also for global operations and acceptability. In past one and half decades the need for regulatory and supervisory system was felt and especially the subprime crises have further highlighted its need. But the regulatory and supervisory system for Islamic bank evolved globally in a very divergent way. The evolution of regulatory and supervisory structure of Islamic banks is under the influence of different Islamic laws and schools of thought. The variability in regulatory and supervisory framework is affecting the reliability and worldwide applicability of IBF as alternative system to conventional interest based

system.

This study has thoroughly explored Islamic banking regulatory and supervisory structure in four diverse countries. The selected countries are; 1) Pakistan 2) Malaysia, 3) Bahrain, and 4) United Kingdom. Although all these countries except UK are Muslim majority countries, but Islamic banking in every country is practiced under relatively different regulatory and supervisory framework. Different aspects of regulatory an supervisory system such as Sharia Supervisory Board, regulatory capital, information disclosure, legal barriers and development of account standards and risk management principles are comprehensively brought under discussion and explored. The objectives of this study is to comprehensively document the evolution and development in regulatory and supervisory system of IBF, and at the same time shed lights on continuous and growing divergence of regulatory and supervisory system in Pakistan, Malaysia, Bahrain and United Kingdom.

This study is organized as follows. Section 2 discusses the development of regulatory and supervisory framework of IBF in Pakistan, Section 3 will cover the case of Malyaisa regulatory and supervisory system, Section 4 is dedicated for Bahrain and Section 5 cover the case of United Kingdom. The last Section 6 provides conclusion and recommendation for future research

2.1 Pakistan - Case 1

Pakistan is one of the biggest Islamic countries with fast growing Islamic banking industry. The market share of IB has registered remarkable growth, from 0.5% in 2003 to 6.7% in 2010, with annual growth of more than 30% in last seven years. Islamic banking development has long history in Pakistan and came across different phases. The State Bank of Pakistan (SBP) acts as a sole regulatory and supervisory body of banking sector in Pakistan. The SBP perform its operations under the umbrella of State Bank of Pakistan Act 1956, Banking Companies Ordinance, 1962; Bank's Nationalization Act, 1974 and Banking and Financial Services Ordinance, 1984 (Hussain, 2006a; Hassan, 2007).

2.1.1 Development of Islamic Banking and Finance

In Pakistan the development of IBF can easily be divided in three phases. The first phase has a long history expended over 30 years. Starting from 1960s till early 1990s, an era of revolutionary action, to completely transform the economy according to Shariah principles. The first initiative was to establish the Council of Islamic Ideology (CII) in 1962 to advice and recommends the parliament on legitimacy of any law under Islamic Shariah (Council of Islamic Ideology, 2011). The CII in its report gave a framework to government of Pakistan (GOP) to transform the economy according to Shariah by 1982. To implement the recommendation of CII, GOP has took series of action by transforming different government organization such as National Investment Trust (NIT), Investment Corporation of Pakistan (ICP) and House Building Finance Corporation (HBFC) completely interest free in late 1970. Similarly, GOP also enacted Mudarabah Companies Ordinance 1981 to introduce two-tier Mudarabah. Beside this seven other laws were amended by Banking and Financial Services Ordinance 1984 (Hussain, 2006b; Akhtar, 2007; Hassan, 2007). In a major policy statement, Ministry of Finance (MoF) ordered SBP to completely eliminated interest from banking system by 1985 (SBP BCD circular No. 13 of 20 June, 1984). This was followed by SBP instruction to open interest free counters at all banks¹. Moreover, SBP also introduced

¹ All the Banks were nationalized at that time in Pakistan.

12 Islamic modes financing in three categories. Despite serious efforts, all these initiatives didn't achieved its desired objectives due to multiple reasons such as revolutionary changes, rigid system, weak Shariah compliance framework, decreasing interest from stakeholders and international pressure (IMF) to privatize and liberalize economy (Mehmood, 2002).

Second phase which started after SCP Riba Judgment in 1999 remained till 2002, was much shorter but comparatively planned phase. To implement SCP decision to transform present interest based system according Shariah (*for further detail please refers to Legislative and Legal framework below*) GOP established a Commission for Transformation of Financial System (CTFS) at SBP, and two Task Forces were setup at Ministry of Finance (MoF) and Ministry of Law (MoL) to recommend strategies and steps to remove Riba from government transaction and amendment in legal-framework respectively (State Bank of Pakistan, 2002). In first interim report CTFS suggested necessary action to setup the building grounds, while second report identified Islamic modes of financing and its operational aspects. A complete framework to bring system according to Shariah was given in final report. But before the deadline to implement, SCP in 2002 set aside its earlier decision of 1999 and case was referred back to Federal Shariat Court (FSC) for fresh hearing, which is still pending there.

During second phase, GOP realized the importance of IF for economy and initiated a parallel system, without disrupting the current financial setup. But the actual era of development in Islamic banking started after the issuance of detail criteria in 2001 by SBP to establishment IB in current regulatory system. On the basis of this criterion Meezan Islamic Banks started its operation in 2002 as a first full-fledged IB in the country. It was followed by establishment of Islamic Banking Department (IBD) in 2003, with the objective to develop Islamic banking as a parallel banking system in country. Since then IBD has taken numerous initiatives to strengthen the regulatory and supervisory framework of IB. As per *IBD Circular No. 2 of 2004*¹ Currently three types of IB are in operation, full-fledge IB, conventional banks with Islamic banking subsidiaries and with Islamic branches. Moreover according to *SBP-IBD Circular No. 02 of 2010*² now conventional banks can also operate through Islamic windows at their conventional branches and converts its conventional branches into Islamic.

2.1.2 Islamic Financial Institution in Operations

In Pakistan IB recorded a tremendous growth during past ten years. Currently 5 dedicated IB and 13 conventional banks (operating with Islamic window) are in operation with a network of 751 branches across the country (State Bank of Pakistan, 2011). Most of these IB are active in commercial banking activities, and other areas of IF, such as, Mudarabah companies, Takafull and capital market activates has very limited market operations and penetration into general businesses.

2.1.3 Financial Sector Regulatory Structure

In Pakistan the governance of financial sector is divided between SBP and Securities and Exchange Commission of Pakistan (SECP). Banks, DFI, and Microfinance banks are regulated and supervised by SBP, while remaining FI are under the jurisdiction of SECP. Historically there was no formal coordination between SBP and SECP to share information about activities of different FIs they regulate, mainly due to

¹ Available at:<http://www.sbp.org.pk/ibd/2004/cir02.htm>(Accessed:15/07/2011)

² Available at:<http://www.sbp.org.pk/ibd/2010/C2.htm>(Accessed:15/07/2011)

separate operations of these FI. But realizing the consolidation of financial industry like Bancassurance¹ in March 2009, SECP and SBP signed a MoU to share information for better and efficient monitoring of FI. Similarly they also signed a LoU to create a joint task force to oversee the various risk arising from financial conglomerates and to reduce the regulatory arbitrage (SECP, 2009).

2.1.4 Evolution of Regulatory System

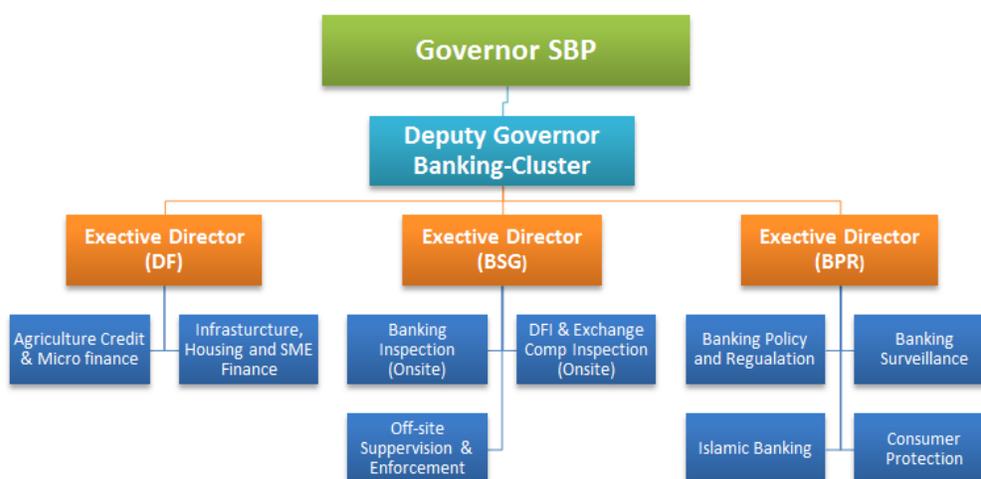
To oversee the operations of banking sector SBP was established in July 1, 1948 as a sole regulatory and supervisory body of whole banking sector. The SBP is a statutory body wholly owned by the GOP and its original constitution was lay down in SBP order 1948. Its operational responsibilities remain unaffected till 1st January, 1974, when the banks were nationalized and its functions were completely changed by Banks Nationalization Act, 1974. In 80's number of initiatives were taken by GOP to Islamise the economy, but the role and responsibilities of SBP remained unchanged till 1994 (Ahmad, Malik and Humayoun, 2010). The GOP gave absolute autonomy to SBP under financial sector reforms program. Its power was further enlarged by the parliament from January 1st, 1997, by introducing several amendments in SBP Act 1956, BCO 1962 and BNA, 1974. Further to authorize the IB the BCO 1962 was amend to include special clause that will allow the operations of IB according to Quran and Sunnah (Husain, 2006).

Management and Accountability of SBP

The top management of SBP consist of, Governor acting as CEO who is responsible for all the operations of the Bank on the behalf of the BOD. The Governor is appointed for three years by the President of Pakistan after recommendation by Federal government. Under the Governor there may be one or more Deputy Governors appointed by Federal government for the time period of not more than five years.

At SBP the overall banking sector regulatory and supervisory structure is divided into three broader categories which are further subdivided into different departments as shown in the figure below.

Figure 2 SBP Organogram



Source: State Bank of Pakistan

Type of Regulation

¹ Like merger of Network Leasing Corporation Ltd with KASB Bank Ltd in 2009 and Askari Leasing Ltd in Askari Bank Ltd in 2010.

SBP have no specifically defined principles which can be used as guidelines for Banks and various departments' of SBP to achieve their respective objectives. So broadly we can say that SBP have adapted ruled based regulation, but at the same time, some of the Guidelines developed for IB are flexible enough to be adopted by banks according to their business requirement. Which shows some glimpses of principle based regulation.

2.1.5 Regulatory and Supervisory Framework for Islamic Banks

To develop a dynamic banking sector SBP have issued a comprehensive criteria and requirements for *establishing IB¹* and conversion of *conventional branches²* to IB branches. Further during the in initial stages IB were also supported by low SLR of 14% or even below, due to lack of Shariah compliant instruments. But SBP has increased the SLR by 5% recently, and now like conventional banks, IB will have to maintain SLR³ of 19% of its total demand liabilities and CRR of 5%.

Regulatory Capital Requirement

To comply with Basel standards, SBP had instructed all banks to maintain Minimum Capital requirement. Thus each bank has to maintain minimum CAR of 8% of their risk adjusted weighted assets and Minimum Paid up Capital (MPC) of Rs. 1 billion (SBP, 2008a). But, with changing dynamics of banking sector, SBP revised its regulatory capital⁴ requirements over the years, by notifying the banks to increase their CAR to 10% till December 31, 2009, regardless of their CAMELS ratings and also increased minimum paid up capital as shown below.

Table 1

	Minimum Paid up Capital (free of losses)	Timeframe
1	Rupees 6 billion	31.12.2009
2	Rupees 7 billion	31.12.2010
3	Rupees 8 billion	31.12.2011
4	Rupees 9 billion	31.12.2012
5	Rupees 10 billion	31.12.2013
Source: BSD Circular No. 07 of 2009		

To adopt the capital adequacy standards prepared by IFSB, team was formed by SBP in 2007 (SBP, 2008b). But no such guidelines have been issued by SBP for IB capital adequacy calculation till date (Kardar, 2011).

Risk Management Framework

For effective risk management in IBs, SBP have issued guiding principles called as *Risk Management Guidelines for Islamic Banking Institutions⁵*, by tailoring IFSB risk management standards and taking

¹ SBP-IBD Circular No. 2 in 2004. Available at:<http://www.sbp.org.pk/ibd/2004/cir02.htm> (Accessed:20/07/2011)

² SBP-IBD Circular No. 02 June 25, 2010; Available at:<http://www.sbp.org.pk/ibd/2010/C2.htm>(Accessed: 20/07/2011)

³ DMMD Circular No. 3 of 2011, Dated: April 27, 2011. Available at:
<http://www.sbp.org.pk/dmmd/2011/C3.htm>(Accessed:18/07/2011)

⁴ For further details please refer to SBP circulars on subject "Minimum Capital Requirements for Banks/DFIs".

⁵ Available at: <http://www.sbp.org.pk/ibd/2008/Annex-c1.pdf> (Accessed on: 20/07/2011)

local market risk profile in consideration. This draft contain fourteen guiding principles which cover six types of risk i.e. 1) Credit risk , 2) Equity investment risk , 3) Market risk , 4) Liquidity risk , 5) Rate of return risk , 6) Operational risk, and set a comprehensive process for risk measurement, reporting and senior management oversight. These principles are flexible enough that each bank can adopt it according to its risk profile. Moreover, in the view of forward looking risk management approach, SBP has also set a comprehensive framework of stress testing for conventional banks, but no such system is in place for IB (Kardar, 2011).

Shariah Compliance and role of Shariah Supervisory Board

For a robust and resilient Islamic banking sector SBP has implement three pronged strategy to establish a comprehensive Shariah compliance framework (Akhtar, 2006). This framework has three pillars.

- (i) *SBP Shariah Board:* Shariah supervisory board has been constituted at SBP level, which has five members¹ including a chairman who is also a Shariah scholar. The board provide guidelines on Shariah aspects and regulation to SBP, new product development and approval, and helps in conflict settlement arising from Shariah compliance inspection at banks level.
- (ii) *Banks Shariah Advisors/Board:* Shariah advisor oversee the operations, financial transactions and products of a specific bank according to Shariah. These Shariah advisors are selected by banks and approved by SBP according to a *fit and proper*² criteria established and issued by SBP.
- (iii) *Shariah audit system:* To standardized the audit and inspection in Islamic banks SBP have issued a comprehensive inspection manual. Moreover SBP have also issued *Instructions and Guidelines for Shariah Compliance*³ to further strength the IB compliance framework.

Information Disclosure and Reporting

Islamic banks in Pakistan are reporting on the financial reporting standards issued by SECP under the Companies Ordinance, 1984. However, IB can use AAOIFI accounting standards in the areas which are not covered by SECP financial reporting standards. A committee setup by ICAP to review the AAOIFI accounting standards has so far issued two accounting standards IFAS-1 Murabaha and IFAS-2 Ijarah, which are applicable from 2006 and 2007 respectively. Other areas like profit distribution to PLS depositors, Diminishing Musharkah etc. are still in progress (State Bank of Pakistan, 2008a) and recently SBP have issued notification⁴ to gradually adopt AAOIFI Accounting Standards.

To improve the information disclosure SBP have instructed IB to properly disclose the criteria of profit distribution to depositors, breakup of financing and most importantly the compensation and benefits to

¹ Member include a Lawyer, Shariah scholar, Chartered accountant and the fifth member of the Board is SBP's Director of Islamic Banking Department

² In IBD Circular No. 02 of 2007 issued on March 20, 2007 SBP revised its initial Fit and Proper criteria for Shariah Advisors issued in 2004.

³ IBD circular No. 2, dated March 25, 2008; Available at: <http://www.sbp.org.pk/acd/2009/C1-Appendix.pdf>

⁴ SBP-IBD Circular No. 01 January 12, 2010; Available at: <http://www.sbp.org.pk/ibd/2010/C1.htm> (Accessed: 23/07/2011)

Shariah advisor. Beside this, conventional banks were instructed to maintain separate financial statements for their Islamic banking branches¹. But these are very basic type of information disclosure requirement in contrast to *IFSB-Guidelines*² on information disclosure.

Supervisory Oversight

To protect interests of depositors and achieve financial stability in the country, SBP have discarded 'Compliance Oriented' supervisory system and transformed to 'Risk Assessment Approach' by using CAMELS/CAELS framework to appraise the FIs (Kardar, 2011). Moreover, to oversee and monitor the activities of banking sector, SBP is using a system of 'off-site' surveillance and 'on-site' inspection. Off-site surveillance is conducted through various reports and returns submitted to SBP from banks. While, on-site inspection is carried out by SBP on regular basis depending upon the rating of banks and approved plan. Both off-site surveillance system and on-site inspection system operate closely to take a holistic view of a bank. Special enquiry can be conducted if there is some negative market report or critical conditions of a FI.

Liquidity Management

The availability of liquidity management instrument and interbank money market always remained a grey area for IB, and Pakistan in no exception, with no interbank money market and limited number of Shariah compliant liquidity instruments. Due to lack of these instruments IBs are relying on Commodity Murabaha and different types of Sukuk to maintain their liquidity and SLR (State Bank of Pakistan, 2008a).

Consumer Safety Net

At the moment there is no consumer safety net available for the deposit holders of IB in Pakistan. But SBP acts as lender of last resort for troubled FI, especially during liquidity crisis.

Legislative and Legal Framework

The root of Islamic banking comes from the 1973 constitution of Islamic Republic of Pakistan, where it was declared that, Islam will be the religion of State, and step must be taken to enable Muslim of Pakistan to live their lives according to teachings of Holy Quran and Sunnah (Constitution of 1973). Further

- a) Riba is declared prohibited and shall be eliminated as soon as possible³.
- b) And all existing laws shall be transformed according to Islam⁴.

These constitutional binding and other executive orders have set long history of Islamic banking development initiatives (Mehmood, 2002). But in recent history a major breakthrough in legal front was, decision by SCP in 1999, called *Khaki case*⁵ (Riba Judgment), where SCP upheld the 1991 FSC decision to declare 23 financial laws and banking practice adopted after 1st July 1985 as un-Islamic. But later it

¹ SBP-IBD Circular No 2, March 25, 2008; Available at: <http://www.sbp.org.pk/ibd/2008/C2.htm> (Accessed: 23/07/2011)

² Available at: <http://www.ifsb.org/standard/ifsb4.pdf> (Accessed: 23/07/2011)

³ Constitution of 1973 "Principle of Policy", Article 38(f).

⁴ Constitution of 1973, Article 227.

⁵ Dr. M. Aslam Khaki and Others vs Syed Muhammad Hashim and Others, PLD 2000 SC 225.

was set aside by SCP in review petition by UBL¹ in 2002, and case was sent back to FSC for further review and research in this area. Since then no major law has been introduced so far to cover various legal contracts, contractual relationship and recovery laws from Shariah view point. That's why, even today it is presumed that, "whenever there is a conflict between the Islamic banking framework and the existing law, the latter will prevail" (Gafoor, 1995)

3.1 Malaysia - Case 2

Malaysia has one the most developed and structured Islamic banking system in the world. Its Islamic Banking sector has a history of more than three decades of tremendous growth and applause by critics and academia around the world. Currently the Islamic banking sector have an assets of \$116 billion which accounted 21% of whole banking sector, with annual growth of 20% in past ten years (Permatasari, 2011). To oversee the banking sector the Bank Negara Malaysia (BNM) is the sole regulatory and supervisory body in the country, established on 26 January 1959 under the Central Bank of Malaysia Act 1958. The Bank performs its regulatory and supervisory function under Banking and Financial Institutions Act 1989 (BAFIA) while IB are authorized and regulated under Islamic banking Act 1983 (IBA). The main difference between the two Acts is, the banks authorized under BAFIA can perform Islamic banking activities with its commercial banking business, while FI authorized under IBA are only restricted to IB operations.

3.1.1 Development of Islamic Banking and Finance

The birth of IF in Malaysia can be traced back to the establishment of Pilgrimage Fund Board in 1962, also called 'Tabung Haji', which started operation in September 1963. The basic purpose of this fund was to invest the money of pilgrims in Shariah acceptable areas to meet the cost to perform Haj. After that, there was stagnation period for about 20 years, with almost no development of IF in the country. The development of IF in Malaysia was divided into three stages by Kadir (2009) as institutional foundation phase from 1983 to 1992, Institutional building and activity generation as 2nd stage from 1993 to 2000 and the last stage from 2001-2010 was of Strategic positioning & international integration.

During first phase Malaysian Cabinet enacted IBA 1983 after the recommendations of National Council and also approved the establishment of Bank Islam Malaysia Berhad (BIMB) as first IB in the country (Laldin, 2008). It was followed by legislation of Takaful Act in 1984 which endorsed the legal framework for establishment of first Takaful operator in 1985. Within ten years of BIMB inception, its branch network stretched to 80 and also got listed on Kuala Lumpur Stock Exchange (KLSE) in 1992. These encouraging developments led Malaysian government to adopt a comprehensive strategy to develop IF. To increase the number of IB in country, BNM introduced *Skim Perbankan Tanpa Faedah* (interest-free banking scheme) on 4th March, 1993 also now known as Islamic Windows under BAFIA section 32 and 124 (Adek, 1999). To insure the integrity of a system the Islamic banking division was established at BNM to keep Capital, funds and operations of IB separate from conventional banks. While at the same time, products and operations of Islamic window are kept under scrutiny of Shariah scholars. As whole in

¹ United Bank Limited vs M/s Farooq Brothers etc., PLD 2002 SC 815-816.

1990s, we saw a multidimensional development of Islamic financial industry. The most notable are the issuance of Shell MDS Sdn Bhd as a first Islamic bond in 1990, BIMB Securities Sdn, Bhd as a first brokerage company in 1994, the development of International Capital Market (ICM) unit by the Securities Commission (SC) of Malaysia and Islamic Interbank Money Market in 1994. It was followed by Shariah Advisory Council (SAC) at SC in 1996 and at BNM in 1997, and listing of first Shariah approved securities on the KLSE in 1997 and most importantly the introduction of Bank Muamalat Malaysia Berhad as second full-fledged in 1999 (Adek, 1999).

Malaysia entered 20th century with established and reliable Islamic industry which came across Asian financial crisis started in late 1990s. In the beginning of 2001 GOM and BNM introduced Capital Market Master Plan (CMMP) and Financial Sectors Master Plan (FSMP) respectively to establish Malaysia as a global hub for IF (Aziz, 2005). To improve the regulatory and legal framework SAC issued guidelines for Islamic securities. Further, to give level playing field GOM gave some tax incentives to Islamic bond for five years in 2003. These developments set the basic foundation for growth of cohesive ICM in Malaysia. During this phase a major breakthroughs were establishment of Malaysia Deposit Insurance Corporation under Malaysia Deposit Insurance Act 2005, Malaysian International Financial Centre (MIFC) and establishment of IFSB and IILM in Malaysia. The legal and regulatory framework for IF was further strengthened by enactment of the Central Bank of Malaysia Act 2009 and Capital Market and Services Act 2009.

3.1.2 Islamic Financial Institutions in Operations

Malaysian financial sector have wide array of IFI in operations. According to BNM (2011a) in banking sector currently there are 17 Islamic banks out of these 2 are full-fledged Islamic banks and remaining operate under either Islamic window or subsidiary of conventional banks, 4 international Islamic banks, 6 DFI offering Islamic banking products and services, 7 Islamic investment banks and 2 commercial banks offering Islamic services in foreign currency. Similarly, Malaysia have well developed Takaful sector with 11 local and 1 international Takaful operators and 4 Re-Takaful companies are also in operations. Whilst well developed Capital and Money market is fully supported by vibrant and growing Sukuk market.

3.1.3 Financial Sector Regulatory Structure

Currently the regulation and supervision of Malaysian financial sector is divided into three main regulatory bodies.

- i. BNM regulate and oversee the operations of Banks, Insurance companies, DFI, discount houses and money brokers.
- ii. The Securities Commission of Malaysia oversees the operation of Capital Market.
- iii. The Labuan Off shore Financial Services Authority (LOFSA) regulates and oversees the operations Off-shore FI.

3.1.4 Evolution of Regulatory System

The BNM is a statutory body wholly owned by the GOM with the paid-up capital currently at RM100

But, to balance financial regulatory system BNM have maintained dual regulatory approach and some areas are strictly prescriptive in nature e.g. capital adequacy requirements, limitation on exposure to counterparty risk and different regulatory reporting are strictly ruled based.

3.1.5 Regulatory and Supervisory Framework of Islamic Banks

In Malaysia all IB working under IBA and BFIA as Islamic window, will have to maintain Statutory Reserve Requirement (SRR) of 4% of eligible liability from 16th July, 2011, further details of calculation of SRR, type of eligible liabilities and penalties are given in *Statutory Reserve Requirement* document (BNM, 2007b). Similarly to enhance liquidity management in IB Liquidity Framework was introduced by BNM (2002a) to replace liquid asset ratio requirement. The main purpose was to assess the IBs ability to meet its maturing obligations and funding ability under stress conditions.

Regulatory Capital Requirement

To comply with international standards all the banks operated in Malaysian must maintain minimum CAR of 8% of their RWA. As whole the capital adequacy framework for IB consist two detailed documents, which are completely in compliance with BCBS and IFSB standards. The first one is *Risk-Weighted Capital Adequacy Framework¹ (Basel II - Risk-Weighted Assets Computation)* which is applicable to all banks and FIs licensed under BFIA 1989, while the second document *Capital Adequacy Framework for Islamic Banks² (CAFIB)* is applicable only to IB licensed under section 3(4) of IBA 1983. Moreover, general guidelines for capital calculation and other requirement have been issued in *Risk-Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components)* which is applicable to both documents mentioned above.

To implement Pillar-II of Basel accord, BNM have issued detail guidelines for risk management in document of *Capital Adequacy framework for Islamic Banks-Internal Capital Adequacy Assessment Process Pillar-II³* which are not covered in pillar I. Further to address the issue of PSIA in Capital calculation for capital adequacy framework BNM have also issued *Guidelines on Recognition and Measurement of Profit Sharing Investment Account (PSIA) as Risk Absorbent⁴*.

Risk Management Framework

For risk management there are no specific guidelines from BNM to be followed by IB, but infect general principles are set in different regulatory document for IB to manage their risk in compliance with IFSB standards for risk management. Similarly, BNM has also pointed toward the adoption of IFSB risk

¹ Available at:http://www.bnm.gov.my/guidelines/01_banking/01_capital_adequacy/06_risk_20110106.pdf

(Accessed:05/08/2011)

² Available at:http://www.bnm.gov.my/guidelines/01_banking/01_capital_adequacy/05_cafib_20110726.pdf

(Accessed:05/08/2011)

³ Available at: http://www.bnm.gov.my/guidelines/01_banking/01_capital_adequacy/11_gl_002_22_pillar2.pdf

(Accessed:05/08/2011)

⁴ Available

at:http://www.bnm.gov.my/guidelines/01_banking/01_capital_adequacy/06_psia_20110726.pdf.(Accessed:05/08/2011)

management standards in different type of contract like *Musharakah and Mudharabah*¹. But with increasing complexity of IFI risk profile and constant emergence of new type of risks in financial sector BNM has established a dedicated Special Risk Unit at Supervision Department to oversee the different type of risk especially Credit, Market, Operational and Technological risks (BNM, 2011c).

Shariah Compliance and role of Shariah Supervisory Board

To harmonize the Shariah application on all aspects of IF, SAC has been established since May 1997 at BNM. Over the years SAC has been given a very authoritative status in CBMA 1958, but section 51 of CBMA 2009 have set the SAC as sole authoritative body, whose ruling shall prevail over all Shariah matters of IFIs products, operations, conflicting ruling from Shariah committees at IFI and even Courts and Arbitrators shall comply with rulings of SAC.

To harmonize the role of various internal Shariah Committees at institutional level the BNM have devised a comprehensive framework in *Shariah Governance Framework for Islamic Financial Institutions*². In this framework principles are set to elaborate the roles and responsibilities of Shariah Committee and senior management regarding Shariah matters like Shariah audit, risk management and research etc. This framework also replaced earlier *Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions* issued in 2004. Moreover, SAC is also issuing Shariah Resolutions (*fatwas*) time to time, regarding various issues arising in IF. These resolutions were compiled in *Shariah Summary of National Shariah Advisory Council Decisions for Islamic Banking and Takaful (Summary of NSAC Decisions)* issued in 2002 and the 1st edition of *Shariah Resolutions in Islamic Finance (SRIF)* issued in 2007 by SAC. Later in 2009, these were surpassed by 2nd edition of *SRIF*³, which covered all the Shariah Resolutions issued between 1997-2009. Now all products and operations of IFIs shall comply with 2nd edition of *SRIF*, while products and contracts made under 1st edition of *SRIF* and *Summary of NSAC Decisions* shall complete its maturity.

Corporate Governance

To achieve high standards of corporate governance in Islamic banking, BNM have issued principle based *Guidelines on Corporate Governance for Licensed Islamic Bank*⁴. These principle are in compliance with BIS guidelines on corporate governance and principles set in IFSB and Malaysian Code on Corporate

¹ Guidelines on exposure of IBI under *Musharakah* and *Mudharabah* contracts, Available at: http://www.bnm.gov.my/guidelines/01_banking/04_prudential_stds/15_mnm.pdf (Accessed: 04/08/2011)

² Shariah Governance Framework for Islamic Financial Institutions: Available at: http://www.bnm.gov.my/guidelines/05_shariah/02_Shariah_Governance_Framework_20101026.pdf (Accessed:06/08/2011)

³ Shariah Resolutions in Islamic Finance (Second Edition)
Available at: <http://www.bnm.gov.my/index.php?ch=8&pg=14&ac=2151> (Accessed: 6/08/2011)

⁴ Guidelines on Corporate Governance for Licensed Islamic Banks; Available at: http://www.bnm.gov.my/guidelines/01_banking/04_prudential_stds/17_gp1_i_amended_20110301.pdf (06/08/2011).

Governance (MCCG). These guidelines will apply on people and activities of key areas like BOD, Accountability and audit, Management oversight and Transparency etc. To supplement these guidelines BNM have also issued *Guidelines on Fit and Proper for Key Responsible Persons*¹, which are applied on Director, senior management, members of Shariah Committee and any person who has substantial influence on performance and control functions of a bank.

Information Disclosure and Reporting

For information disclosure the BNM set detail guidelines in *Capital Adequacy framework for Islamic Banks (CAFIB)-Disclosure Requirements Pillar-III*². Well structure appendices were provided in this document which requires detail information pertaining to different types of risks, PSIA, off-balance sheet activities and Shariah governance. Further to give a sound framework on financial reporting *Guidelines on Financial Reporting for Licensed Islamic Banks*³ (GP8-i) were issued by BNM in 2005. In these guidelines IFI are encouraged to disclose information pertaining financial products and its valuation, accounting policies, risk management, performance and overview, corporate governance and Shariah Committees and its activities in a comprehensive but understandable way. Moreover the financial reporting must also be in line with *Malaysian Accounting Standard Board's* (MASB) accounting standards and Companies Act 1965. Recently BNM issued a *Circular on the Application of FRS and Revised Financial Reporting Requirements for Islamic Banks*⁴ which specifically emphasized on compliance with FRS issued by MASB, Accounting Treatment in revised FRS & use of Fair Value Option, and disclosure in annual and interim financial reports.

Supervisory Oversight

With changing banking dynamics and relaxation of prudential standards, direct regulation became gradually problematic, so BNM adopted enhanced risk-based supervisory approach in early 2007 to achieve prudent and safe financial supervision and abandoned CAMELS rating approach (Rajoo, 2008). In new supervisory system BNM comes up with Composite Risk Rating (CRR) of a bank, which is derived after considering the impact of key risk profile on bank's capital and earnings under stress, by evaluating the operational and risk management controls functions in mitigating risks in key business areas and operations. On the basis of CRR Bank Negara allocate required supervisor oversight to a bank, and it is also

¹ Available at:

http://www.bnm.gov.my/guidelines/01_banking/04_prudential_stds/15_gl_fit_proper_for_key_responsible.pdf.(Accessed:06/08/2011)

² Available at:

http://www.bnm.gov.my/guidelines/01_banking/01_capital_adequacy/09_gl_007_18_cafib_pillar3_20101217.pdf.(Accessed:05/08/2011)

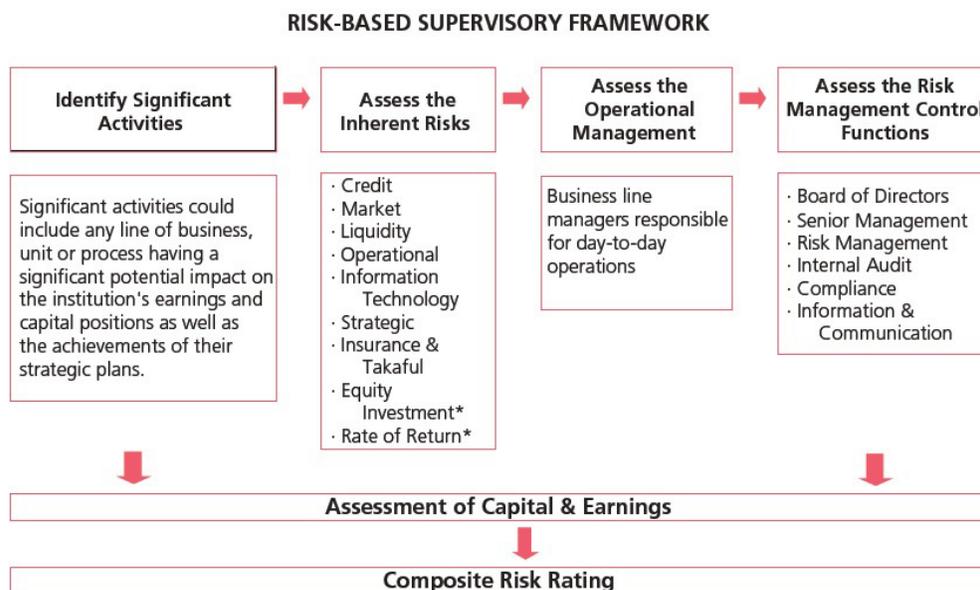
³ Available at:

http://www.bnm.gov.my/guidelines/01_banking/02_financial_reporting/01_gp8_i.pdf (Accessed 06/08/2011)

⁴ Available at:http://www.bnm.gov.my/guidelines/01_banking/02_financial_reporting/03_gp8_20100209.pdf.(Accessed:06/08/2011)

used by Malaysia Deposit Insurance Corporation to charge premium (BNM, 2007b).

Figure 4



* For Islamic banks

Source: Bank Negara Malaysia

Liquidity Management

Realising the needs to manage short term funding requirement for IB, BNM established Islamic Interbank Money Market (IIMM) on January 3, 1994. Moreover to facilitate the operation of IIMM BNM also issued number of guidelines¹ on operations and instruments in money market. At present 12 different types of instruments are available at Malaysian IIMM.

Consumer Safety Net

The Malaysia Deposit Insurance Corporation covers every individual or business account to maximum limit of RM 250,000 in case of bankruptcy of a Bank (BNM, 2011e). It was first deposit insurance system that provides separate protection to Islamic depositor under the same organization (Khniifer, 2010). However, BNM have the sole authority to declare IFI as insolvent and to claim deposit insurance.

Legislative and Legal Framework

We have already covered the development of legislative framework for IB in Malaysia, but here we briefly elaborate the distinctive feature of CBMA 2009. The CBMA 2009 have officially recognized the

¹ Available at: <http://iimm.bnm.gov.my/index.php?ch=20&pg=63> (Accessed:06/08/2011)

duality of Malaysian regulatory and supervisory system, and thus completely separated the Islamic banking and Takaful legislative setup for that of conventional framework (Ibrahim, 2010). This approach has greatly increased the industry confidence to evolve as separate system and decreased the concerns of IF to adjust into conventional law.

In legal front, legal disputes relating Islamic banking will be handled by a dedicated judge at High court in Malaysia under the issued rulings of SAC. According to new law, in settlement of legal dispute relating IBF the SAC decisions will be binding on all Courts and Arbitrators. Moreover, arbitration rules for Islamic banking and financial services have been issued by Kuala Lumpur Regional Centre for Arbitration (2011) to settle various international and local disputes, which can be utilized by concern parties. To further strengthen the legal system, the Law Harmonisation Committee has been established at BNM. This committee will work closely with SAC and SCM, with basic objective to review existing law under the décor of Islamic financial contracts and establish a comprehensive law which helps in development of IF and can be used as a benchmark for international transactions (BNM, 2011d).

4.1 Bahrain – Case 3

Bahrain is one of the fastest growing economies in Middle East. To decrease its dependency on exports of oil Bahrain opened its doors for foreign investment especially in financial sector which is now 27% of its GDP (CBB, 2011). Moreover Bahrain ranks at 10th position among the free economies of the World (The Heritage foundation, 2011). The assets of IFI have enlarged to US\$26.3 billion with market share of 11.1% by 2009 from tiny US\$1.9 billion and 1.8% at the start of millennium (Al-Maraj, 2009). The financial sector is governed by the Central Bank of Bahrain (CBB) established under Central Bank of Bahrain and Financial Institutions Law 2006 (CBB Law) which functioned as the single regulator for the whole financial system. The other laws which govern the financial sector beside CBB Law 2006 are Bahrain Stock Exchange Law 1987, Commercial Company Law 2001, and Financial Trust Law 2006.

4.1.1 Development of Islamic Banking and Finance

In Bahrain IBF started with establishment of Bahrain Islamic Bank (BISB) in 1979 as first in country and third in world to carry out banking and financial trading activities in accordance with the Islamic Shariah principles (Global Research, 2003). The bank started its operation under domestic commercial banking license granted by the Bahrain Monetary Agency (Global Research, 2003). This situation was soon compounded by developments in 1980s where IF started to take off. Initially four new licenses¹ were issued to perform Islamic banking operations, followed by eight new Islamic banks² in 1990s. But the actual momentum started in past one decade and today out of 26 operational IB more than half started its

¹ These banks include Capinvest Bank on 04-Feb-1981; Al Baraka Islamic Bank B.S.C. on 30-Sep-1983; ABC Islamic Bank (E.C.) on 29-Jul-1985 and Arab Islamic Bank (E.C) on 14-Dec-1989.

² These banks include ARCAPITA BANK B.S.C. on 20-Aug-1996; Citi Islamic Investment Bank E.C. on 17-Mar-1996; Investors Bank B.S.C. (c) on 03-Sep-1997; Al Bahrain on 06-Jan-1998; Capinnova Investment Bank B.S.C. on 06-Apr-1999 and Gulf Finance House (B.S.C) E.C. on 02-Aug-1999

operation in past ten years (Al-Maraj, 2009).

One of the most distinguishing features of IBF in Bahrain over past two decades is introduction of new investment banking products and techniques like emerging market equity funds, equipment leasing funds, IPOs and project financing. These trends in IF have never experienced before and it took IF beyond its retail banking boundaries (Khalili, 1997; Hassan and Lewis, 2007). Similarly other creativities in IF include, the introduction of Islamic syndication by Faisal Islamic bank (now Shamil Bank) in 1987 and CBB issuance of Islamic leasing (Ijarah) Sukuk in August 2001, followed by five year maturity Islamic leasing Certificates in September 2001 (Hassan and Lewis, 2007).

4.1.2 Islamic Financial Institution in Operations

In past one decade Bahrain became a global frontrunner with one of most concentrated Shariah compliant FI. At present there are 26 Islamic banks performing retail and whole sales operations and 9 Takaful operating in the Bahrain. Moreover the pre-eminent IFI include 100 Islamic funds, 2 Asset managers and huge Sukuk market with different categories of short term and long term Sukuk (Baker, 2010).

4.1.3 Financial Sector Regulatory Structure

In Bahrain CBB has complete authority to oversee and regulate the whole financial sector broadly under six categories i.e. Banks, Islamic Banks, Insurance, Investment business, specialized licensees and Capital Market. These powers were inherited by CBB from its predecessor BMA which was also responsible to regulate the whole financial sector since 2002. Having all the activities of financial sector under one roof, CBB are in better position to take holistic view of all financial activities, especially in converging and interconnected financial sector activities.

4.1.4 Evolution of Regulatory System

Soon after independence King Shaikh Isa ibn Salman issued decree to establish a regulatory authority to oversee financial and monetary affairs of Bahrain. As a result BMA was established in April 1973 in under Agency Law (Amiri Decree 23 of 1973). Its operational power remained unchanged until 2002, when BMA was given complete authority to regulate and supervisory the whole financial sector, beside management of monetary policy. In 2006 with enactment of new *Central Banking Law*¹ the name of BMA was also changed to Central Bank of Bahrain beside other regulatory expansion of powers mainly in capital market operations and securities dealing. The CBB regulatory and supervisory structure of whole financial system is divided on institutional lines into six categories according to the type of institutions in financial sector. Each of these activities is covered by *CBB Rulebook* which contains six *Volumes*², each pertain to a different activity of financial sector. Further, detail guidelines called *Modules*

¹ Available at:

http://www.cbb.gov.bh/assets/CBBLaw/THE_CENTRAL_BANK_OF_BAHRAIN_AND_FINANCIAL_INSTITUTIONS_LAW_ENGLISH.pdf(Accessed:07/08/2011)

² Volumes-1for Conventional Banks, Volumes-2 for Islamic Banks, Volumes-3 for Insurance, Volumes-4 Investment business, Volumes-5 for Specialized licensees and Volumes-6 for Capital Markets

for each distinctive area are incorporated which covers the whole governance system of this volume or activity.

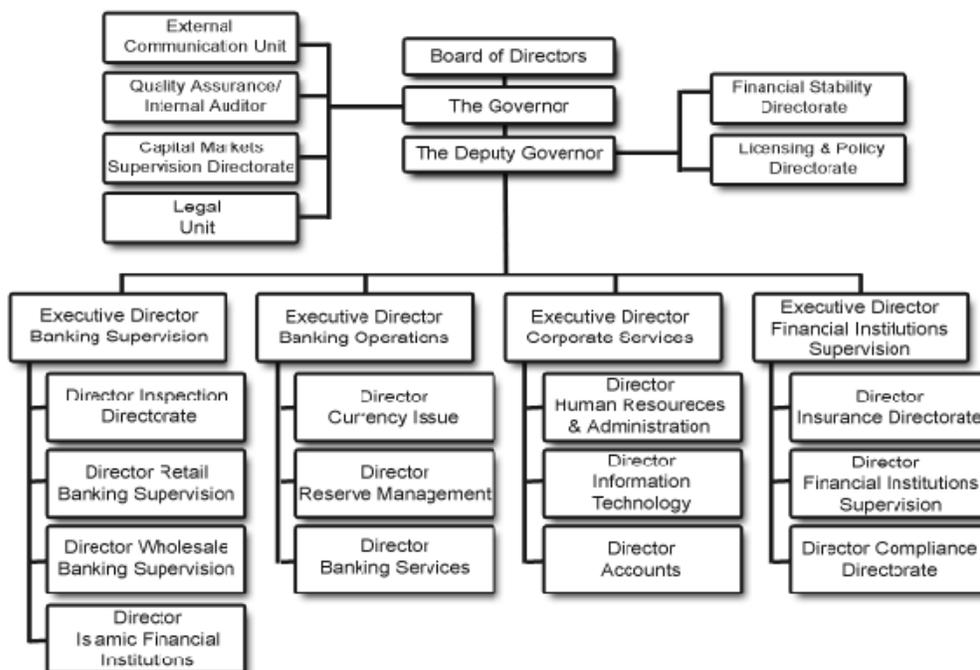
The current regulatory structure of CBB is greatly inspired by the UK principle based regulatory system and it was prudently adjusted to local conditions (Al-Maraj, 2010). But realizing the unique need and requirement of IB, CBB devised a separate regulatory framework for IB under *Volume-2 Islamic Banks* of regulatory and supervisory Rulebook. This framework deals with functions like licensing, conduct of business and enforcement best general regulatory activities. A distinctive feature of different modules in Volume-2 for IB is that, all modules are completely interdependent and can't be applied effectively in isolation.

Management and Accountability of CBB

The Governor at the top is responsible for organizational and operational activities of the bank and accountable to BOD, comprised of seven Directors. Both governor and BOD are appointed by Royal Decree for the time period of 5 years, which can be renewed (CBB Law, 2006, Article 5-10). The CBB is responsible to submit a copy of audited report on annual basis to the Board (Article 36) and Finance Minister who is answerable to parliament for the activities of the Bank (Article 173).

The departmental distribution of CBB is very broad and holistic, with departmentalization is performed according to functions of FI as shown in blew organizational chart of CBB. In addition the internal management of the bank and its activities are insured by different internal committees, whose architect is well documented in bank's polices and procedure.

Figure 5 CBB Organogram



Source: Central Bank of Bahrain

Type of Regulation

The regulatory style of BCC is principle based, which can better serve the purpose of segregated financial sector by different types of FI. All the modules in different categories are very general and set broad prudential standards as well as conduct of business principles in the way it can be adopted by different FI in respective category according to their business size and operations.

4.1.5 Regulatory and Supervisory Framework of Islamic Banks

All the IB will have to maintain reserve¹ deposit with CBB amounting 5% of its nonbanking deposits. These reserves are calculated by CBB on monthly basis on the basis of data submitted by the banks.

Regulatory Capital Requirement

The CBB of have long history to adopt international guidelines, and in 1990 it became first country outside G-10 who adopted BIS's 8% CAR for their banking sector (The Bankers' Society of Bahrain, 2007). To address the specific characteristics of IB CBB have adjusted BCBS guidelines for capital adequacy according to the products and risk profile of IB and issued *Capital Adequacy Module*² for IB. This module is also consistent with IFSB guidelines for capital adequacy. These rules cover different type

¹ Available at: http://www.bma.gov.bh/page.php?p=reserve_requirements(Accessed:07/08/2011).

² Available at: http://cbb.complinet.com/net_file_store/new_rulebooks/v/o/Vol_2_CA_April_2011.pdf(Accessed: 06/08/2011).

of Islamic contracts and its exposure to credit, market and operational risk and treatment of PSIA for capital adequacy.

Risk Management Framework

Before the development of Rule book by CBB, the risk management was performed by issuing different circular covering general guidelines. But for effective risk management in IB, CBB have issued detailed guiding principles for Operational risk in 2004 and for Credit and Liquidity risk in 2005, by tailoring international risk management standards in to local market risk profile. These modules also provide support for certain other modules of the Rulebook. The basic purpose of these modules is to highlight the key elements and characteristics of Islamic banking, which must be taken into consideration by the banks to manage their risk profile and establish control systems to mitigate these risks in business operations.

Shariah Compliance and role of Shariah Supervisory Board

In Bahrain there is no central Shariah Board or Committee at CBB level, infect each Islamic bank have to establish its own independent SSB. The composition of Shariah board should be such that it must have at least three members. Moreover there are no dedicated guidelines on Shariah and Shariah Board activities from CBB. But different modules like *High-Level Controls*, *Public Disclosure Requirements* and *CBB Reporting Requirements* etc. of Islamic banking Rulebook have general guidance on Shariah issues. Whilst, according to High-Level Controls Module all IB have to comply with AAOIFI Shariah standards.

Corporate Governance

To address the issue of corporate governance CBB have recently issued module of *High-Level Controls Module*¹ in October 2010 for IB. This module was revised after changes in *Corporate Governance Code* by the Ministry of Industry and Commerce in March 2010. Moreover it is also in line with international corporate governance standards issued by conventional and Islamic regulatory authorities. These guidelines broadly cover the areas like composition of board and its equitable role, decision making process and role of high management in decision making, composition of committees and disclosure of conflict among committees and board, disclosure of remuneration of high management especially non-executive directors, insurance of shareholders rights and compliance with Shariah principles.

Information disclosure and Reporting

The importance disclosure further increases with chances of moral hazard due to Profit sharing operations of IB. To address these issues CBB issued *Public Disclosure Requirements Module* and *CBB Reporting Requirements Module* in 2005 for IB. These module set detail qualitative and quantitative disclosure requirements covering accounting and financial information, corporate governance and business operations to guard different stakeholders and market disciplines. Further IB were restricted to prepare financial statement according to standards issued by AAOIFI, and if there are no AAOIFI standards available IB can use IFRS (Vinnicombe, 2010). These modules also provide support in implementation of other modules of Rulebook.

Supervisory Oversight

¹ Available at:http://cbb.complinet.com/cbb/display/display.html?rbid=1821&element_id=2509.

The supervisory¹ oversight by CBB for banks is carried in a combination of onsite assessment of system controls and record book of the banks, while off sight supervision is carried out to take a holistic review of financial statements and other business information submitted by the banks. While in the case of irregularities with CBB rules, the details of inconsistency with regulatory requirements are documented in *Enforcement Module* of IB Volume.

Liquidity Management

There is no inter-bank money market for IB in Bahrain, while for liquidity management IB rely heavily on government Sukuk. In this regard CBB and government of Bahrain have issued a range of Sukuk (Sukuk al slam, rolling Sukuk al Ijarah and leasing securities) which provide enough liquidity to IB to manage its liquidity (Alvi, 2009; Aydemir, 2009).

Consumer Safety Net

Consumer safety plays an important role in depositor's confidence building. To this regard, Deposit Protection Scheme was introduced in 1994 after a Prime Ministerial Resolution No.(3) of 1993. According to CBB *Deposit Protection Scheme*², all residents and non-resident of Bahrain are insured for their deposit up to an amount which is smaller of:

- i. 75% of combined total of eligible deposit held by depositor, and
- ii. BD 15000.

Legislative and Legal Framework

According to 1973 constitution the Bahrain have dual court system, comprising Shariah courts and Civil courts with civil law which largely deals with legal contracts and business affairs (Mongabay, 2011). While on other hand, the domain of Shariah courts are mainly limited to daily life affairs like inheritance and other family matters. Matters beyond Shariah courts domain or appeals against its decision will be prosecuted at Supreme Court of Appeal. This duality in legal system bring uncertainty in dispute resolution in IF and there is concerns that these type of legal system may bring complication in operations of IF, as happened in the case of *Beximco Pharmaceuticals Ltd vs - Shamil Bank of Bahrain EC*³ at English court, and it may be repeated at other places(Agha, 2009).

5.1 United Kingdom - Case 4

The UK is one of the first European countries which encouraged the development of IF in its domestic market. To transform its ambition of *Global Gateway*⁴ to IF into reality the government of UK gave a

¹ Available at: <http://www.bma.gov.bh/page.php?p=supervision> (Accessed: 09/08/2011)

² Available at: http://www.cbb.gov.bh/page.php?p=deposit_protection_scheme (Accessed:09/08/2011)

³ Available at: <http://www.ipsufactoj.com/international/2004/Part12/int2004%2812%29-009.htm> (Accessed:11/08/2011)

⁴ Chancellor of the Exchequer Gordon Brown at IF and Trade Conference, London. Available at: http://webarchive.nationalarchives.gov.uk/20100909020839/http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2006/press_41_06.cfm (Accessed: 19/08/2011)

road map. Today IF in UK is the most vibrant financial sectors with assets of £19 billion by 2009 (TheCityUK, 2011). The FSA work as single regulatory body for the whole financial sector under Financial Sector Modernization Act 2000 (FSMA). According HM Treasury (2008) the government of UK have introduced series of tax and regulatory amendments for development IF and to give a level playing field with conventional counterparts. So as a whole, the growth of IF is equally supported by government policy of ‘no obstacles, but no special favours’ and active role of FSA to reduce the regulatory hurdles for IFI (Davies, 2003).

5.1.1 Development of Islamic Banking and Finance

The roots of IF in UK can be traced back to 1980s, where Commodity Murabaha type arrangements were executed on London Metal Exchange to provide liquidity to some IFI (Ainley *et al*, 2007). Similarly on retail side in 1980s, Al- Baraka Bank was the only bank in operation to provide Shariah compliant services under 1987 Banking Act in UK (Wilson, 1999). The Al-Baraka bank was initially authorized and regulated by Bank of England (BoE) under the legislation of UK financial service Act. But due to regulatory issues specifically related to Shariah principles, the bank have to surrender its banking licences in 1993 and started its operations as an Investment bank (Karbhari, Naser, and Shahin, 2004). These developments were followed by HSBC Group, who started Islamic window operation in 1998 by the name of *HSBC Amanah* in UK (WSBI & ESG, 2009).

The real growth of IF in UK started in past one decade which is mainly fuelled by huge surplus in Middle Eastern countries, generated by increasing oil prices. The first major breakthrough was in 2003 to abolish the double stamp duty which was one major hurdle in Islamic mortgages as indicated by high level working group chaired by Lord George in 2001 (Briault, 2007). Further, FSA issued licence to Islamic Bank of Britain plc in August 2004 which started its operation as first full-fledged IB in the country. These developments set a foundation to introduce number of retail and wholesale IB and insurance (Takaful) companies in UK. Moreover, UK government have taken series of measure from 2007 to 2009 in legislative framework to give Sukuk the same level playing field as conventional bonds and reduced the legislative barrier like existing corporation tax, income tax and stamp duty land tax (SDLT) for Sukuk issuance (FSA, 2009).

5.1.2 Islamic Financial Institutions in Operations

All though the IBF have very recent history in UK, but in past one decade a large number of IFI started its operation in UK. Today UK has 5 full-fledge IB and 17 conventional banks offering Shariah compliant products through its Window operations across the country. Moreover, currently there is one Islamic insurance company authorized in May 2008 by FSA. Although there are several hedge fund manager offering Islamic portfolio, but in 2007 FSA authorized Amiri Capital as a first standalone Islamic hedge fund in UK. Further, the LSE have become global avenue for issuance of Sukuk and Exchange Traded Funds (ETFs) and more than \$19.5 billion has been raised through 31 issues, and 7 Shariah-compliant ETFs are working on the LSE (London Stock Exchange, 2011).

5.1.3 Financial Sector Regulatory Structure

At present the whole economic and financial system is under the supervision of tripartite structure of HM Treasury, the BoE and the FSA. Where, FSA have the statutory powers to govern the whole financial system since December 2001. This structure give clear role and responsibility to each authority, and to further this process and to improve coordination a *Memorandum of Understanding between HM Treasury, the BoE and the FSA*¹ have been signed to achieve their common objective of financial stability.

5.1.4 Evolution of Regulatory System

Prior to 2001 UK have a complex regulatory and supervisory system. In order to reform financial sector governance, UK government introduced Financial Services Act in 1986, which separated the regulation and supervisory function of regulated organization by activities and introduced the concept of Self-Regulation. Beside this, the prior legislation like Banking Act and Insurance Companies Act were also active, which authorized BoE and DTI to issue licenses and oversee banking and insurance companies regulation and supervision. Similarly Building societies and Friendly Societies have their own separate regulators. The end result was a complex and inefficient regulatory system, which raised serious concerns for financial stability and legitimacy, especial after the collapse of Baring in late 1980s and BCCI scandal in early 1990s.

To overcome the regulatory challenges and changing market dynamic of institutional consolidation as urged by Cihake and Podpiera (2006), in 1997 Chancellor of Exchequer announced the amalgamation of all regulatory bodies into a single regulator. Then in the same year SIB was renamed to FSA, and eventually it combined all the function of multiple regulators under the umbrella of FSMA 2000 which eventually lead to operationalization of FSA in December 2001. The basic motive was to bring all the regulated financial activities under one roof as unified governance system, which will bring more harmonization and coordination of regulated activities.

The FSMA 2001 have greatly enlarged the scope of FSA by clearly defining the responsibilities of regulated activates, authorization and permission regime. Moreover, clearly defined *Statutory Objectives*² were given to FSA to carry out its wide range of rule-making, investigating and enforcement powers. To cover broad regulatory objectives FSA introduced the 11 general *Principles*³ which set regulatory standards for all authorized persons, which will also supplemented by a single *Handbook*⁴, which contain detail rules and guidance. The Handbook is structured and designed in such a way that it covers all financial activities in integrated way, and at same time it can be easily altered to changing industry dynamics. Thus to summarize the whole transformation process, the regulatory system of UK move from

¹ Available at:

http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/documents/financial_services/regulating_financial_services/fin_rfs_mou.cfm(Accessed: 16/08/2011)

² Available at: <http://www.fsa.gov.uk/pages/About/Aims/Statutory/index.shtml>.

³ The FSA formulated Principles can also be used at abstract situation where rule and guidance are not defined. Available at: <http://fsahandbook.info/FSA/html/handbook/PRIN/2/1>.

⁴ Available at: <http://fsahandbook.info/FSA/html/handbook>.

self-regulation to principle based regulation with enactment of FSMA in 2001.

Management and Accountability of FSA

The FSA is an independent non-governmental organization which is limited by guarantee and funded by institution regulated by FSA, and accountable to Parliament through HM Treasury. The FSA have much flatter organizational structure which is led by Chairman at the top, who also chaired the Board. The Chairman is supported by CEO of FSA who further oversee a chief operating officer of Operations and two managing directors of Prudential Business Unit (PBU) and Conduct Business Unit (CBU). Under these three categories the whole operational activities of FSA is divided into different departments. The overall policy of FSA is set by the Board of FSA whose members are appointed by HM Treasury.

5.1.5 Regulatory and Supervisory Framework for Islamic Banks Operation

In UK all IB are working under the same regulatory and supervisory framework as its conventional counterparts and FSA is not concerned with operation of IB whether it is according to Shariah or otherwise. But all the FI including IB have to comply with the all standards set by FSA.

Regulatory Capital Requirements

For regulatory requirement FSA have to comply with Basel capital risk framework requirements under *EU Capital Requirements Directive*¹ (EUCRD) which has been incorporated in UK regulatory framework since 2007. Under EUCRD all banking institutions have to maintain capital of 8% against its RWA. Although IB has different financial structure and regulators all over the world set separate guidelines to assess capital requirement of IB. But in UK IB have to comply with conventional framework (Ainley et al, 2007). For this purpose detail rules and guidelines have been developed under *FSA Handbook* subsection *General Prudential sourcebook* and *Prudential sourcebook for Banks, Building Societies and Investment Firms*.

Risk Management Framework

The FSA risk based approach for risk management is called ARROW framework which are used to regulate the financial institutions under FSA. For further detail please refer to section *Supervisory Oversight* below.

Shariah Compliance and role of Shariah Supervisory Board

Due to unrestricted and secular policy from FSA, IFI have adopted different structure for Shariah compliance. Some have made their own SSB/Committees and others are relying on the services of Islamic consultancy firms or hired a single Shariah advisor to verify their products and services according to Shariah principles (Ercanbrack, 2011). The lack of standardization and clarity in this area will always create uncertainties among western regulators (Karbhari, Naser & Shahin, 2004). That's why, FSA have shown some concerns over the role of supervisory boards in IFI, particularly in operations of these institution (Ainley et al, 2007). FSA believes that if SSB have executive role, than they must fulfil FSA *fit and proper* criteria for approved persons. Moreover, if they merely act as an advisors, than their multiple presence on different SSB of IFI can also raise serious regulatory concerns and proper attention must be given to its fee structure, reporting line and their terms and condition with different IFI.

¹ Further details of *EUCRD* implementation is Available at:

www.fsa.gov.uk/Pages/About/What/International/basel/index.shtml(Accessed:17/08/2011)

Information Disclosure and Reporting

For information disclosure all FI will have to comply with rules set in *Disclosure Rules and Transparency Rules*¹ of FSA Handbook. In Islamic banking the unique nature of PLS accounts, Zakat and other characteristics of PLS operation must be incorporated in accounting books but the standard set by IAS/IFRS which is adopted by FSA for all FI from 2005, may not reflect these characteristics.

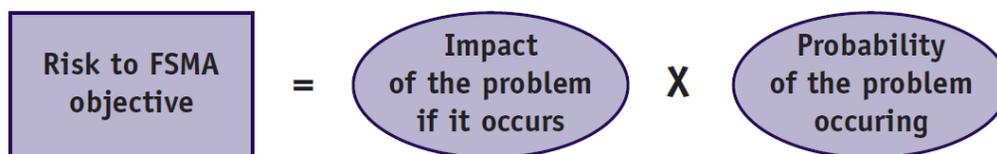
Supervisory Oversight

Currently FSA is using ARROW II framework which as was updated in 2006 to assess the risks possessed by FI or a sector to FSA statutory objectives and to access weather they are complying with regulatory requirements. Within ARROW framework there are two approaches.

1. *ARROW Firms approach* – This approach is used to weigh the risks in single institution also called 'vertical' supervision.
2. *ARROW Themes approach* – This approach is adopted to evaluate a risk in several firms or a complete sector, it is also called as 'horizontal' work.

In simplest form the risk which a firm posed to FSA statutory objectives is assessed by combining the impact of a problem and the probability of its occurrence as show in the figure below.

Figure 6 ARROW Framework



Source: Financial Services Authority

The combination of these two factors gives rating on the basis of low, medium low, medium high and high. On the basis of these rating FSA will apply further supervisory oversight including both onsite supervision by sending their teams to specific firms and off-sight surveillance using ARROW framework (FSA, 2006).

Deposit Insurance

Like other western regulators UK have clearly defined laws that any authorized deposit taking institutions shall guarantee the amount of deposit to their customers in full, unless decided otherwise by customer himself which is common in IB (Amin, 2009). The *Financial Services Compensation Scheme*² (FSCS) is set up under FSMA 2001 to fulfil the claim of retail customers and small businesses if an authorized firm is unable to meet its obligations. All the FI (including IFI) regulated by FSA will be covered under this

¹ Available at: <http://fsahandbook.info/FSA/html/handbook/DTR>(Accessed:17/08/2011)

² Available at: <http://www.fscs.org.uk/what-we-cover/about-us/> (Accessed: 19/08/2011)

scheme. Further, guidelines on compensation to deposit holders in case of insolvency of authorized firm are provided in *Compensation*¹ module of FSA Handbook, which covers the responsibilities of FSCS, qualifying criteria for compensation and as a whole the eligibility and payments procedures for this scheme.

Liquidity Management

Liquidity management is still big problem for IB in UK. Currently there is no specific money market facility available for IB, and most of IB manage their liquidity through commodity Murabaha and by keeping high cash reserve. Although there is availability of Sukuk on LSE, but it is not readily traded and mostly kept as an investment by different investors.

Legislative and Legal Framework

The first major legislative breakthrough was to abolish the double stamp duty for Islamic mortgages in Finance Act 2003. Similarly to give level playing field to other Islamic products likes Ijrah, Mudrabah and Wakala, tax and stamp duties adjustments were introduced in 2005-06 Finance Acts (WSBI & ESG, 2009). In legal front the English law is one of the most widely used law for international financial transactions and at same time compatible enough to Shariah (Amin, 2010). But the past precedence set by cases in English courts like Petroleum Development Ltd v Sheikh of Abu Dhabi in 1951, Ruler of Qatar v International Marine Oil Company Ltd in 1953, Saudi Arabia v Arabian American Oil Co (Aramco) in 1958 and most recently litigation between Beximco Pharmaceuticals Ltd v Shamil Bank of Bahrain in 2004, Halpern and Others v Halpern and Others in 2007, have proven the fact that Islamic law could not 'reasonably' be used as the governing law (Ercanbrack, 2011).

6.1 Conclusion

At moment the global harmonization of prudential standards and guiding principles is not a primary concern among different regulators, which resulted in indigenous regulatory setup. The constant support for development of IBF from regulators and governments were predominantly due to economic rational rather than religious motivation, except in Pakistan where revolutionary actions were taken in past but failed. Historically Islamic banks were under conventional setup but with enlargement of Islamic financial industry each country adopted separate regulatory structure based on its institutional setup and market dynamics. Though the segregation of regulatory framework established the fact that IB need separate governance structure and its social responsible objectives and operational efficiencies cannot be achieved under conventional setup. But various elements of regulatory and supervisory framework mushroomed into its own indigenous way, without any global harmonization. Among these the most prominent and important is Shariah Supervisory Boards/Councils, despite its pivotal role, there is complete divergence among different countries, which is mostly influenced by its institutional framework and sectarian thoughts. Further the regulatory frameworks for capital requirement, corporate governance, risk management and financial reporting exists and partially complying with international standards. As whole the guiding principles for regulatory functions are defined in such a way that it overlaps each other and can't be clearly applied, which further raised the industry concerns. A significant development in regulation of IB is its tendency towards the principle based regulation which will empower greater

¹ Available at: <http://fsahandbook.info/FSA//handbook/COMP.pdf> (Accessed: 19/08/2011)

responsibilities at operational level which is very much needed in IB.

6.2 Policy Recommendations

By critically documenting the regulatory framework of four countries following is the few policy recommendation which need immediate attention.

1. Risk of Shariah Compliance is not addressed by any regulator which needs timely attention considering Shariah variations across the globe.
2. Information disclosure is the prerequisite of operational compliance to sharih principles; well documented policy guidelines will address the gray areas of IBF.
3. Intentional standard setting bodies shell incorporate prominent schools of thought from different geographic region beside western viewpoint while setting standards.
4. The harmonization of institutional framework under clearly defined Islamic laws of business and contract is very core to success of Islamic banks, especially at country level if not global at moment.

6.3 Suggestions for Future Research

This study will serve as starting point to initiate further in-depth discussion of all regulatory functions brought under discussion. But one of the most important and underdeveloped area of Islamic banking is liquidity management, mainly due to lack of Shariah compliant instrument and techniques. The research in this domain can overcome the need of desperately needed liquidity management tools. Similarly due to prohibition of conventional derivatives and hedging techniques IFI become very prone to different types of risks, and apparently risk management is bound to few traditional techniques. Further research and development of new techniques in this field can immensely improve the risk appetite of Islamic banks.

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CHALLENGES AND OPPORTUNITIES OF RURAL MARKETING IN GHANA.

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Abstract

Marketing firms around the world are struggling to turn about four billion people living in poverty into customers.

For the past decade, business visionaries have argued that these people, dubbed the “Base of the Pyramid”, make up an enormous, untapped market. Some of the world’s biggest, savviest corporations have aimed to address their basic needs—by selling them everything from clean water to electricity and from FMCG to consumer durables.

“Improving the lives of billions of people at the bottom of the economic pyramid is a noble endeavor. It can also be a lucrative one.” C.K. Prahalad.

The paper studies the changing scenario of Ghanaian rural markets and implies some suggestions in improving the marketing strategy in rural selling and market promotion. An improved marketing mix is the call of hour, with strategies framed by deeply considering the dynamic rural buying behaviour. This is in context of Ghanaian rural market which stands tall due to its cultural diversity. This throws an open ground challenge to the marketers in a country with multicultural, multi-lingual varsity. This paper is an attempt to provide some mettle solutions to these challenges as it studies and follows some successful rural marketing strategies of modern times. This is particular in context of rural sales strategies rural promotion mix.

Keywords: Base of the pyramid, changing scenario, Ghanaian rural markets, cultural diversity, rural marketing mix, sales strategies, promotion mix.

Introduction:

Rural marketing in a broader sense it’s not a compact form because when rural marketing comes to mind it attaches to only agricultural produce. From time immemorial there has been regular trade between urban & rural produce, as the lifestyle of rural people is changing with the change indispensable

income to adopt consumables & durables & services. Now it is common to get well known brands by branded companies in rural areas. Rural marketing is a marketing process which encompasses inflow of different products in Rural areas for different purpose and outflow of products for urban areas. The two-wheeler industry consists of three segments viz., trucks, motorcycles, and tractors. Products in rural areas are for different purpose & outflow of Products for urban areas. Ghana is among two wheelers market in the world in terms of sales volumes, the two wheelers household penetration level in the country is much lower at around 36% than in some of the other emerging markets such as Brazil, Indonesia, Thailand and Taiwan. The Ghanaian rural market with its vast size and heterogeneous demand base offers great lucrative opportunities to marketers. After all, two thirds of countries consumers live in rural areas and almost half of the national income is generated in the rural hinterland. Ghana is classified into around 261 districts, and about 2,000 villages, which can be segmented in different parameters such as literacy levels, accessibility, distribution networks, income levels, market penetration, distances from nearest towns, etc. Recent developments, which have taken place in the rural areas under year plans of successive governments and other special programs, are phenomenal. The overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities.

Today the rural market offers a vast untapped potential. Development programs in the field of agriculture and related activities such as health education, communication, rural electrification, etc have improved the lifestyles of village population. Rural Ghana, which accounts for more than 63.6 per cent of the country's 12484698 in 2014 population (according to the World Bank Rural population in 2014), is not just witnessing an increase in its income but also in consumption and production. It is in this background that rural marketing has emerged as a special marketing strategy.

As rural markets acquire significance the Ghana growth story spreads itself to Ghana's hinterlands. In other words, The Rural Market has truly arrived. With the growing market and the growing purchasing power it is therefore natural that rural markets form an important part of the total market of Ghana.

Scope of the study.

As rural markets dominate Ghanaian marketing scene and they need special attention for the expansion of marketing activities. Over the past few years rural Ghana has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living. The paper tries to highlight the impact of a host of projects, such as rural enterprises programme (GoG/ IFAD, AfDB), Sub –projects in rural areas by Ministry of local government and rural development, the Ghana WASH project, lofty water, sanitation, and hygiene, development from local NGO's both from the government and the private companies, have changed the rules of the marketing game in rural Ghana. The paper also discusses the profile of the rural Ghana customer and analyses the characteristics of the diverse and scattered rural market. Despite the irregular buying capacity of rural markets, the taboos and traditions it is steeped in, the rural market in Ghana is a highly lucrative one. The paper goes on to explore how some companies have been able to have an impact in the rural segment through effective marketing strategies.

The paper studies the changing paradigm of the Ghanaian rural markets and suggests some ways in

overcoming the roadblocks in rural selling. A new rural marketing mix is suggested with special emphasis on the marketing communication mix. This can also be viewed as part of an organisations corporate social responsibility for providing better life and welfare to the rural people. Rural marketing and urban marketing are very similar with regard to the basic marketing structure and marketing strategy. However, rural markets and rural marketing have special features and dilemmas as compared to urban markets. The rural markets offer a great scope for a concentrated marketing effort because of the recent increase in the rural incomes and the likelihood that such incomes will increase faster because of better production and higher prices for agricultural commodities.

Literature review

In the rural marketing context the dominant literature is on marketing of agricultural products to the urban areas. We also have indigenous rural marketing literature which primarily deals with other side of rural marketing, namely selling to rural areas. Salal Kumar Velayudhan, in his book *Rural Marketing, Targeting the Non urban Consumers*, Sage Publications, gives a detailed profile of the rural consumer. He also propagates the relevance of haats(markets) and melas and highlights their underutilization. He also highlights various emerging channels to access the rural markets. Prof Ramkishen Y. In his book ' *New Perspective in Rural and Agricultural Marketing: Case Studies*' discusses through various case studies, product lifecycle of rural product and how they differ from urban products. He has also discussed standardisation and grading systems their relevance in rural markets. An in-depth analysis on the telecom sector, conducted by Kurian and Tiyama brings out the shift if rural population towards use of technology and modern means of consumers. Researchers have also proposed a number of theoretical frameworks for understanding the reasons for success and failures of rural projects. While researchers have explored in detail the existing marketing strategies and success stories, few discuss and recommend the future course of action. This paper attempts to bridge that gap.

Challenges in Rural Markets

The rural markets are full of challenges because of its characteristics like illiteracy, distances, vast markets potential, communication, rail and road transportation, distribution of products and services, understanding consumer behaviour, socio- cultural factors, languages, lack of infrastructural facilities etc.

The rural market is so wide, distant and vast that it is difficult to cover and reach. One segment is totally different from other segments. Every town, district and region is different from others. The whole Ghana is different in itself and even then it is an ideal example of a country having different cultures. It is incredible Ghana. Knowing Rural Ghana is a very difficult task, its spirit, feelings, warmness, distinctness, shyness, innocence and beyond that. If marketing / sales men try to play tantrums or cheat them, they feel disgusting and try to make distance from these people. Next most important point is that many marketing men still don't know real needs of rural consumers. Designing wrong products, services and poor strategy without knowing rural Ghana where their own consumer in the villages lives. It is also difficult to get skilled sales person conversant with rural culture. Though, marketing heads are educated from abroad and top institutions of the country but poor in knowing their consumer. There is gap in

their knowledge what they know and what is in the reality about rural consumers. That is why many products have witnessed failures in rural markets.

Conclusion:

An income dispersal projection by Ghana statistical service (GSS) based on a 4.2% GDP growth shows that the number of poor households will shrink by more than half, where as the middle income households will double and rich households will treble over the decade in rural Ghana. This upward push, taking rural people from poverty to prosperity, will lead to increasing purchasing power. Today's non-consumers comprising the rural poor will enter the market as the first time buyers in large numbers. Getting a larger share of the growing rural pie, this will call for a radical shift in management thinking, from gross margin to high profit, from high value unit sales to a game of high volumes, capital efficiency and from the one-solution-fits-all mentality to market innovation. Companies are taking specific initiatives to succeed in the dynamic rural market.

The major segmentation of mass population is located in rural area. The market potential is huge in rural areas. It is this market strength in rural area that needs to be tapped. Now days even the educational Institutions are concentrating on rural marketing, have developed special management programs to cater to rural marketing and are doing market research in rural places. Rural markets are rapidly growing in Ghana but have often been ignored by marketers. The following statistics is enough to throw light on the relevance of rural markets: 46 percent of soft drinks are sold in rural markets, 49 percent of motorcycles and 59 of cigarettes are also

Consumed by rural and small town consumers. Apart from this 53 percent of Fast Moving Consumer Goods and 59 percent of consumer durables have market in the rural belts. The are rural haats (markets) in Ghana is very large.

These statistics clearly show a trend where the rural consumers are not only buying to fulfill their bare necessities but are also taking care of higher needs of comfort and socialization. The next big revolution could happen in the rural sector. When it happens the marketers should have already studied the lay of land and thought of the strategies and tactics for victory. The only way for existence is application of Darwin Principal: survival of the fittest. The time to prepare tomorrow is today.

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INFLUENCE OF SELF-EFFICACY TO STUDENT ENTREPRENEURIAL-INTENTION WITH STUDENT BACKGROUND AS A MODERATING VARIABLE: CASE STUDY IN INDONESIA

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ABSTRACT

Research aims are to describe respondent profile and opinions about entrepreneurship, and test whether self-efficacy have positive influence and significant on entrepreneurial intention, and whether student background moderates relationship between self-efficacy and entrepreneurial intention. With survey research design, results showed that From respondent profile analysis results showed that most of the respondents were female, student come from many provinces, and the expenditure per month classified as medium and high, most respondents wanted to work in the company before becoming entrepreneurs, the majority of respondents have parents who have experience managing their own business, or the respondent has had experience performing entrepreneurial activities in advance. From regression analysis results showed that Self Efficacy variable significantly have positive effect on Entrepreneurial Intention variable. But Student Background variable does not moderate the relationship between Self Efficacy variable with Entrepreneurial Intention variable.

Keywords: Self Efficacy, Student Background, Entrepreneurial Intention, Moderating Variable, Regression Methods

INTRODUCTION

Entrepreneurial activity in many countries has been seen as a positive activity, because beside can create many jobs and reduce poverty (Igwe *et.al.*, 2013), these activities also can increase prosperity of the society through value addition and organizing resources efficiently and effectively;Hafer (2013) stated that increase in the level of entrepreneurial activity is robustly associated with an increase in economic growth. In young generation, emphasizing the importance of a fresh graduate to run a business must be intensified, in line with the complexity and dynamics of the Indonesian manpower problems, as well as

macro-economic problems in Indonesia who dwell on two main issues, economic growth and reduction of unemployment. Indonesian government hopes in the following years Indonesian will be transformed from developing country to be a welfare state, a country with high economic growth, better manpower's competencies, and more equitable prosperity.

As a big country in Asiatic region, There is only about 570.339 people or 0.24% of the total population of 270 million people in Indonesia who are actively work as entrepreneurs (source: <http://louisdavidaror.blogspot.com>, accessed in February 2015); while David McClelland declared that to be a prosperous country, a country must have a minimum of two percent of the total population of entrepreneurs. From the data above shows still takes about ten times the number of entrepreneurs in Indonesia so that the minimum percentage of self-employed are met. Other data also show that the public interest to become entrepreneurs is also low; College graduates interested in becoming entrepreneurs is only 6.4%, while for senior high school is only 22.4%. The potential for the younger age groups to become entrepreneurs is relatively large, with a Bachelor graduation rate reaches three hundred thousand people and high school graduates reached two and a half million people per year.

Some of the obstacles in regards to the low interest of young generations in Indonesia to become entrepreneurs. Boediono, Indonesian former Vice President, stated that there were six major investment obstacles in Indonesia: uncertainties macroeconomic condition, law enforcement, bad infrastructure particularly outside the big cities, the regulations have not been in favor of small industrial sectors, lack of access to credit and capital schemes, and low quality of human resources in Indonesia. Another obstacle that has not been widely studied is the efficacy of a person to become an entrepreneur and a person's attitude and orientation to the profession of entrepreneurship.

Numerous studies reveal that in fact many students who want to start a business or interested in becoming an entrepreneur since they were young; they thought that learn and do as entrepreneurs would teach them to organize themselves, preparing to enter working life after graduation, and exercise leadership skills (Task et al, 2014). This is generally in line with the findings of Nguyen and Nguyen (2008) research on the common motive of entrepreneurship, among others, is able to control their financial and work independently, and to maximize their ability to work in a field. At present, entrepreneurial start intensively taught in universities as a place to do research and practice activities of entrepreneurial activity for wealth creation and personal fulfillment (Ayodele, 2013).

From the above background, research aims are to determine whether self-efficacy have positive influence and significant on entrepreneurial intention, and whether student background moderates relationship between self-efficacy and entrepreneurial intention.

REVIEW LITERATURE

Many argue that being an entrepreneur or self-employed is a choice, and there are aspects of the talent in the profession. In practice, the entrepreneur does not have someone who is totally into wirausahaan, called entrepreneurship; Sinha and Srivastava (2013) states that a number of employees who work in an organization and indirectly also to the principles of entrepreneurship, called intrapreneurship. Some others argued that the profession of entrepreneurship can be taught and educational activities to become

entrepreneurs as a means of achieving it. Another opinion states that an entrepreneur's success factors determined by internal factors and external factors (source: <http://ekonomi.kompasiana.com>, accessed February 2015). Internal factors are factors that exist in a person who encourages a willingness and motivation of achievement; These factors are thought (mind), heart (heart), soul (soul), and behavior (behavior). While external factors is the support of family (family), the community (society), which supports the business environment (environment), and government regulation (government) as capital assistance, technical support, and more. In class, entrepreneurship education varies in method and requirements; for example, Boykes (2012) suggest that for run a small business, a fresh graduate must have sufficient skills in complex problem solving, team work and collaboration, planning and executing, self-direction, and communication skills.

Research on the behavior of entrepreneurship be interesting for researchers in various countries in Asia and Europe. Research on entrepreneurial behavior can be seen from various perspectives: economics, psychology and sociology. Economic perspective view of entrepreneurship behavior based on the readiness of entrepreneurship through economic instruments such as economic conditions, capital, government regulation and other economic factors. Entrepreneurial behavior is seen from the perspective of sociology to explain human relationships, lifestyle and culture of the community and societal norms that shape the behavior of entrepreneurs. Entrepreneurship behavioral psychology perspective review visits of efforts to acquire and achieve certain goals in life (Abaho et.al., 2013). Research from Ishfaq et.al. (2011) showed that economic condition or structural factor didn't influence entrepreneurial intention significantly, but social factor influence positive and significantly.

Self Efficacy Variable

In general, self-efficacy is a condition where people believe that a behavior is easy or difficult to do. This includes past experience in addition to the existing obstacles, which is considered by the individual (Wijaya, 2008). Another opinion suggests that self-efficacy is a person's belief in the ability of her self-efficacy is a person's belief on her ability to complete a job. Or in other words, the condition of one's motivation is more based on what they believe rather than what is objectively true. Such personal perception plays an important role in the development of a person's interest.

Wilson et.al. (2007) states in common with the confidence of self-efficacy (self-confidence); In his research on the influence of self-efficacy to see the gender factor, they expressed a strong correlation between a person's confidence and self-confidence that he can do his job with their intention to open entrepreneurship. Self-efficacy is composed of four dimensions, namely the capability of a person to be able to take a business opportunity, being able to see market opportunities, optimize human resources and capital available to grasp. The second dimension is the calm, which is defined as a person's ability to control his emotions and feelings, which is typically used when facing situations and issues in the business world. The third dimension is the persistence or ability to work under pressure and able to perform the priority scale. Meanwhile, the fourth dimension is to focus on tasks related to the details of the task and the time and schedule to achieve them.

Self-efficacy to be important in research on entrepreneurship because of the nature of those variables; self-efficacy related to the ability-oriented tasks from one to assess the barriers and opportunities that

exist on the internal side (personality) and the ability to observe the external business environment (Drnovsek et.al., 2010). Someone who has a low level of self-efficacy tend not to believe that he has the capability to effectively undertake specific tasks (Aviram, 2006). Wilson et. al. (2007) and Ayodele (2013) says there are six dimensions of self-efficacy, the ability to solve problems, make decisions, manage finances, creative, persuasion skills, and the ability to lead. While Sarwoko (2011) measure the three-dimensional self-efficacy: self-confidence, leadership, and mental maturity. Alanya (2015) states that a person's capabilities, the ability to take and manage the initiative, and perseverance someone influential in the formation of an entrepreneurial character. Similarly, research from Izquierdo and Buelens (2011) reported a positive relationship between self-efficacy with entrepreneurial intention. Research Ayodele (2013) on the influence of gender, age, socioeconomic status, level of control, and self efficacy against the interest in entrepreneurship in Nigeria also have the same conclusion, namely the existence of positive and significant influence efficacy variables themselves against interest in entrepreneurship, although the variables gender and age no effect. While the research of Peng et al (2012) about the influence of the properties of entrepreneurship, subjective norms someone, and self efficacy against the interest in entrepreneurship among students in China expressed their positive relationship tersbut three independent variables on the interest in entrepreneurship. However, the research model of Wijaya (2008) concluded the opposite result, which is partially self-efficacy has no effect on a person's interest in entrepreneurship, while simultaneously model of research on the influence of attitudes to entrepreneurship, self-efficacy and subjective norms on interest in entrepreneurship and behavioral entrepreneurship meet eligibility models.

Student Background Variable

Student background variable related to entrepreneurial activity, either because he had been self-employed before, or because he come from a family of entrepreneurs. Pruett et.al. (2009) mentions that student who have experience in entrepreneurship because he grows in a family of entrepreneurs will feel the importance of family support, but also will bear the risk of feel embarrassed if there is a failure in business. However, the support and attention of a family will be an important part in their decision to be entrepreneur. In his research on the number of students coming from a family of entrepreneurs, it was found that family support have significant positive effect on student interest in entrepreneurship (Pruett et al, 2009). However, there is also the potential for conflict in the family because of differences in decision making style among family member. Pruett (2012) defined student background as 'the hope of getting the support of the family', which is hypothesized to relate significant and positive impact on entrepreneurial intention; the results of his research show that the background of a person who has the support of the family in entrepreneurship, or come from families with employment entrepreneurship, showed no significant association with a person's desire to actually become entrepreneurs. Similarly, research from Goksel and Aydintan (2011) about the influence of a number of internal factors of a person such as proactive nature, gender, achievement motivation, entrepreneurial activities of families, and their business education in entrepreneurial activity in Turkey stated that there was no significant relationship between entrepreneurial intention with student background of a person who comes from a family of entrepreneurs. However, Yang (2013) in his research on the prediction of interest in entrepreneurship among students in

China precisely stating the influence of student background and entrepreneurial experience of parents on entrepreneurial intention. Similarly, research from Zahariah et.al. (2010) about interest in entrepreneurship a number of Malaysian students stated that the interest of students to immediately run a business is significantly influenced among others by their family members. Research by Ramayah et.al. (2012) in entrepreneurship education in Malaysia and to examine whether prior entrepreneurial experience has an effect on the development of entrepreneurial characteristics, behaviour and intention, found that there are significant difference between groups that have prior experience compared to those who do not have prior entrepreneur experience in terms of entrepreneurial characteristics, behaviour and intention.

Entrepreneurial Intention Variable

Entrepreneurial Intention is the desire, interest, and willingness to work hard to make one's way or trying to meet their needs without being afraid to risk it, and to learn from failure. In general, intention can be defined as the tendency of a relatively settled on someone to get interested in a particular field and were delighted involved in various activities related to the field; therefore individuals interested in becoming entrepreneurs in general tend to feel interested and pleased with the entrepreneurial profession. Because conscious individuals to be interested in something, then interest itself was built by three basic things, ie, think and understand the thing (cognitive), feeling happy (affective) and the desire to act (conative); individuals interested in becoming entrepreneurs cognitively has a sufficient understanding of the benefits, challenges, and risks to be faced, was happy with his choice, and will act as believed.

From review literature above, below is research model:

INSERT RESEARCH MODEL

And from research model, there are two hypotheses:

H1: Self-Efficacy influence Entrepreneurial Intention

H2: Student Background moderate relationship between Self-Efficacy and Entrepreneurial Intention

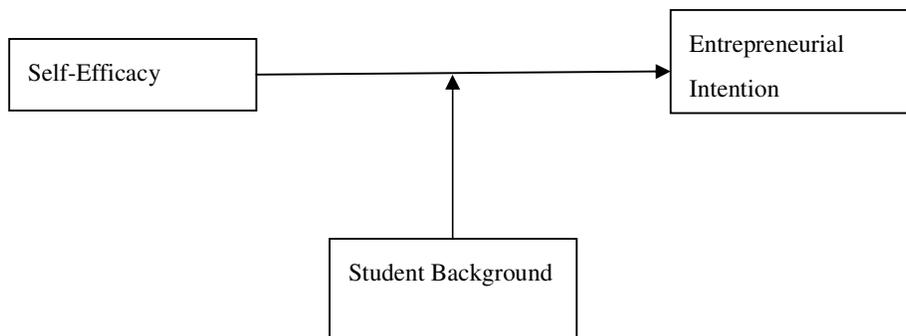


Figure 1. Research Model

METHODS

Research Design

Research design is survey with questionnaire; one hundred student will fill questionnaire which divide in two main parts. First part is about respondent profile, which consists of gender, age, spend per month, respondent provinces, and perceptions about entrepreneurship and probability to become an entrepreneur in the future. The second part are variables in research, self-efficacy, enterpreneurial intention, and student background.

Self-Efficacy Measurement

Self-efficacy will be measured with indicators such as capability to run a business, great personality, and managerial skills.

Student Background Measurement

Yang (2013) give answer options ‘yes or no’ to respondent; they will be asked whether their family has run business or not.

Entrepreneurial Intention Measurement

Entrepreneurial intention will be measured with indicators such as respondent’s expectation after graduation and external factors which inspired them to be an entrepreneur.

Data Analysis

In this research, we use regression method with moderating variable, with equation as follows:

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1 * X_2$$

$$Y = \textit{Entrepreneurial Intention}$$

$$X_1 = \textit{Self Efficacy}$$

$$X_2 = \textit{Student Background}$$

$$\beta_{1, 2, 3} = \textit{Regression Coefficient}$$

DATA ANALYSIS

First step in this analysis is run validity and reliability test; with thirty respondent’s sample and data is analysed with SPSS statistical software program, here is result of reliability test with Cronbach’s Alpha value:

Table 1. Reliability Result

Cronbach's Alpha	N of Items
.903	17

With Cronbach’s Alpha value exceed of 0,6, we can conclude that questionnaire items is reliable. For validity test, here is result of validity test:

Table 2. Validity Result

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Self_Efficacy_1	65.43	49.840	.424	.902
Self_Efficacy_2	65.70	49.321	.469	.900
Self_Efficacy_3	65.87	47.154	.535	.899
Self_Efficacy_4	65.87	47.982	.730	.894
Self_Efficacy_5	65.97	49.275	.415	.902
Self_Efficacy_6	66.17	45.799	.590	.897
Self_Efficacy_7	66.03	46.723	.616	.896
Self_Efficacy_8	66.03	45.482	.657	.894
Self_Efficacy_9	65.93	47.168	.576	.897
Entrepreneurial_Intention_1	65.60	48.662	.422	.902
Entrepreneurial_Intention_2	65.43	48.461	.692	.895
Entrepreneurial_Intention_3	65.73	48.133	.644	.896
Entrepreneurial_Intention_4	65.60	46.869	.657	.895
Entrepreneurial_Intention_5	65.67	48.092	.603	.897
Entrepreneurial_Intention_6	65.57	48.392	.657	.896
Entrepreneurial_Intention_7	65.67	47.126	.465	.903
Entrepreneurial_Intention_8	65.60	47.076	.693	.894

At the table above, all correlation in Cronbach's Alpha if Item Deleted column above 0,6, which indicated all of items are valid. After validity and reliability tests, analysis continues with data analysis for one-hundred data to test two hypotheses

Respondent Profiles

Tables for gender, student provinces background, student expenditures:

Table 3. Gender Composition

Gender percentages	
Male	37
Female	63
Total	100

Table 4. Student Provinces Background

Student's Region	Jumlah
Yogyakarta Special Region	20
Central Java	22
East Java, West Java, Capital Special Region	6
Kalimantan	9
Sumatera	17
Others (Sulawesi, Maluku, Papua dll)	26
Total	100

Note: Indonesia have 33 provinces; in this research we divide in six regions based on students composition study in Yogyakarta Special Region.

Table 5. Student Expenditure per Month

Student Expenditure per Month	percentages
< Rp. 500.000,- / month	8
> Rp. 500.000,- /month - Rp. 1.000.000,- / month	26
> Rp. 1.000.000,- /month - Rp. 1.500.000,- / month	31
> Rp. 1.500.000,- / month	35
Total	100

Note: Indonesian Currency is Rupiah (Rp.), with 1 US\$ equals Rp. 13.000,-.

From these tables, most respondent (students) are woman, with come from various provinces background, and with middle expenditure per month (Rp. 1.000.000,- to Rp. 1.500.000,- per month to high expenditure per month (above Rp. 1.500.000,- per month).

Next table are respondent opinions about their interest to be entrepreneur

Table 6. Entrepreneurship Opinions

Entrepreneurship Opinions	Percentages
Run Bussines Directly after Graduation	11
Work as a Professional, and then become Entrepreneur	72
Work as a Professional, and never become Entrepreneur	11
Don't know in the future become an Entrepreneur or not	4

Others	2
Total	100

From table 6 above, most student (72%) give opinions that after graduation they will work in the company as a professional, but in the next few years they think to run a business. And only 11% respondent will run their new business or continuing their parent’s business. This findings is typical Indonesian worker work pattern; high business competition in Indonesia and uncertainty macro economics make most of fresh graduates don’t have enough entrepreneurship experience and encouragement to run their own business. But working expericene pattern also show that after many years working as a professional, they will think to beb an enterpreneur. Low income, uncertainty career development plan, and big opportunities in Indonesia recent day’s business environment.

Next two tables are about family entrepreneurship experiences background and student’s previous entrepreneurship experience background:

Table 7. Family Entrepreneurshp background:

Family Entrepreneurshp Expereince background	percentages
Yes	63
No	37
Total	100

Table 8. Student Previous Entrepreneurshp Expereince background:

Student Previous Entrepreneurshp Experience background	Percentages
Yes	60
No	40
Total	100

Two tables above show that most students (63%) have a parent or family who run their own business, and most students also have a business experience in past (60%). There is a logical explanation, because usually in Indonesia parent’s job and profession will be followed with their descents. But although someone grew in family-business background, there is no guarantee that younger generation will follow their parent’s job immedately; as mentoned above, usually someone working as a professional before decide to run his own business. Lack of risk taking mentality and want to get money through safer and stable job are the main reason to do that.

From regression results, to test influence of self-efficacy variable to entrepreneurial intention variable, there are two main tables:

Table 9. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	178.262	1	178.262	13.232	.001 ^b
Residual	485.001	36	13.472		
Total	663.263	37			

Table 10. Coefficient Regression t test result

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	16.138	4.831		3.340	.002
efikasi_diri	.492	.135	.518	3.638	.001

From table 9, there is p-value significance lower than 0,05, indicate there is a statistically significant relationship between self-efficacy variable and entrepreneurial intention variable; with positive sign between two variables, we can say that student who have more self-efficacy, he or she will have more intention to be entrepreneur. So we cannot reject H1 statement.

To test wheter moderating variable (student previous background in entrepreneurship) influence relationship between self-efficacy variable and entrepreneurial intention variable, we use regression model with coefficient of determination change; results as follow:

Table 11. Coefficient of Determination (R-Square) Change

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.535 ^a	.287	.246	3.677	.287	7.034	2	35	.003
2	.540 ^b	.292	.230	3.716	.005	.259	1	34	.614

R-Square change in second row at R-Square Change column indicate that R-Square change in model 2 (after use moderating variable) and model 1 (before use moderating variable) is $0,292 - 0,287 = 0,005$. Its change number is not statistically significant, with p-value is 0,614, or more than 0,05. That means student previous background in entrepreneurship don't moderate relationship between self-efficacy variable and entrepreneurial intention variable; so the second hypothesis (H2) cannot be accepted. A person with entrepreneurial intention is not because he had previous entrepreneurial experience, or he grew up in a family that did entrepreneurial activity. Entrepreneurship intention is more affected by his belief that

he has the ability and have sufficient self-efficacy to be an entrepreneur, such as his ability to solve problems, ability to work under pressure, and have managerial and leadership ability to manage business effectively.

The finding that self-efficacy have positive effect on entrepreneurial intention corroborate many research findings, such as research Wilson et. al. et. al. (2007), Sarwoko (2011), Izquierdo and Buelens (2011), Peng et al (2012), Ayodele (2013), and Konakli (2015). Because student entrepreneurship background did not moderate the relationship between the two variables, this finding reinforces the importance of entrepreneurship education on students, because good entrepreneurship education in university will guide student to have good character, and self-efficacy of the students will be well established, as is also suggested by Konakli (2015). Students without experience in entrepreneurship or come not from a family of entrepreneurs can be a formidable entrepreneur. Ayodele (2013) also suggested that some of the basic profile of respondents, such as age and gender, was also no effect on entrepreneurial intention; but the desire to success and have confidence to control himself and his fate in the future are precisely affect entrepreneurial intention (Zahariah 2010 and Ayodele, 2013). Because of self-efficacy is proven effect on entrepreneurial intention, the entrepreneurship courses should be given more intensive, with an emphasis on managerial capabilities in managing a business; in addition, a number of soft skills and character building should be given early. A number of prerequisite subjects of entrepreneurship, such as marketing management, financial management, operation management, and human resources management, should emphasize on practical experience in day-to-day business activities.

In addition, the profile of the analysis showed that most students (72%) are interested in being an entrepreneur, even if they choose to work after graduation to become a professional in advance; Also seen most of them have a family background of entrepreneurs (63%) and has been self-employed (60%). Despite this background did not moderate the relationship of self-efficacy with entrepreneurial intention, but high percentage of student profile results above must follow with giving attention to encourage students still have the desire to become entrepreneurs in the future. While the background variables did not moderate the relationship of self-efficacy with entrepreneurial intention, it may indicate the presence of a number of other factors that do not exist in the research model. These factors such as students' perceptions of Indonesia's current economic situation, which deter them to run a business immediately; Another possibility factors is parents' perceptions of their economic and social situation currently affecting the student views. Also the possibility of the risk factors of business that are not included in this study.

CONCLUSION

From respondent profile analysis results showed that most of the respondents were female, as long as the area (provinces) are varied, and the expenditure per month classified as medium (Rp. 1-1.5 million / month) and high (above Rp. 1.5 million / month). For the possibility of entrepreneurship after graduation, most respondents wanted to work in the company before becoming entrepreneurs. For previous entrepreneurial experience, the majority of respondents have parents who have experience managing their own business, or the respondent has had experience performing entrepreneurial activities in advance.

From regression analysis results showed that Self Efficacy variable significantly have positive effect on

Entrepreneurial Intention variable. But Student Background variable does not moderate the relationship between Self Efficacy variable with Entrepreneurial Intention variable.

SUGGESTIONS

Since self-efficacy influence on entrepreneurship intention, we recommend students or young people are given a number of soft skills training and character development in university or other places, so they are ready to run their own business in the future.

Because student background does not moderate the relationship self-efficacy with entrepreneurship intentions, someone who is not experienced as an entrepreneur, or do not come from a family of entrepreneurs, but have a great interest to be an entrepreneur, can be encouraged to realize these intentions, with increased their self efficacy. Kuckertz (2013) suggest to narrow the scope of entrepreneurship education and to deliver entrepreneurial knowledge to specialized business audiences and b) the opposing tendency to widen the scope of traditional entrepreneurship education by introducing entrepreneurial concepts to audiences that could be considered unusual from a purely business perspective.

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EMOTIONAL INTELLIGENCE: A COMPARISON OF CHINESE AND AMERICAN ACCOUNTING MAJORS

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Abstract

This study investigates the differences and similarities among the factors associated with achievement on a test of Emotional Intelligence (EI) between college-level Chinese and American accounting students. Results of the study differ from previous findings in that few if any significant differences were identified between the two groups with regard to a number of demographic variables as well as achievement on an assessment of the EI levels of the students. The authors recommend that future research efforts focus on factors associated with such similarities in outcomes.

Introduction

Among international students, Chinese students continue to lead the growth in enrollment at

American colleges and universities, accounting for 1 of every 3 international students currently studying in the U.S. (Fischer, 2014). Further, academic fields such as accounting seem to be a popular choice of major for many of these students. While such enrollment trends certainly do not represent a new phenomenon, given this continued/accelerated growth in enrollment, it would seem appropriate to continue to study the characteristics of this group of students, especially with regard to such important attributes as leadership skills vis-a-vis Emotional Intelligence (EI). With many similar studies admittedly having been completed in the past, this study attempts to make a more contemporary assessment of those EI attributes among students in an effort to differentiate what, if anything, may have changed over the years since such studies were first begun.

Related Literature

Some 20 years ago, Goleman defined Emotional Intelligence (EI) as consisting of 5 elements: (1) self-awareness; (2) self-regulation; (3) motivation; (4) social skills and (5) empathy (1995; 1998, p. 95). These attributes extend beyond those traditionally associated with other previously established measures of “intelligence” and according to Goleman’s theories, are critical components of effective leadership skills.

Emotional Intelligence in Accounting

Since Goleman’s initial work in the study of Emotional Intelligence was launched, many subsequent studies across a wide-variety of disciplines have been completed. More recently (and more relevant to the current study) EI studies have been completed in the field of accounting and specifically focused on international students in accounting. In accounting, for example, Jones and Abraham (2009) found that EI skills were and should be an important component in the education of accounting students. These authors believe, and the results of their study seems to support the idea, that EI skills can be enhanced and as a result rates of success in the accounting studies can be improved.

Cook, Bay, Visser, Myburgh and Njoroge (2011) analyzed individual components of accounting work experience and their relationship to Emotional Intelligence and reported that relevant work experience is a significant factor in the development of EI skills/attributes. Their recommendations include the development of accounting education programs that include such professional development opportunities

in order to better insure that accounting program graduates might possess appropriate leadership skills.

Inclusion of EI skills development/instruction is also supported by Daff, de Lange and Jackling (2012) who propose and support the idea through their research that EI skill development should be considered an important part of accounting instruction. While “generic” skills such as communication and teamwork have for some time been included as a part of accounting education, these authors conclude that development of EI skills are an equally important aspect of a complete accounting education/development program.

In an effort to resolve the question of emotional versus rational decision-making among accounting professionals, McPhail (2004) makes the argument that both types of decision-making play an important role in the success of accounting managers. As a result, the author makes the successful argument that emotional intelligence is a critical area of development for programs charged with educating or developing successful accounting managers.

Durgut, Gerekan and Pehlivan (2013) were able to reinforce the value of developing EI skills among accounting students in a study that focused on the relationship of EI and achievement in accounting. Their study results indicate a significant relationship between a number of components associated with Emotional Intelligence and achievement in accounting.

Finally, in a study that attempted to assess the basic level of EI among accounting students, Bay and McKeage (2006) discovered that accounting students may, in fact, not possess the EI skills or attributes necessary to allow them to become successful leaders in their respective field, further supporting the need for inclusion of EI development efforts in programs designed to educate accounting professionals.

Emotional Intelligence among Chinese Students

While studies focusing specifically on Chinese students and factors associated with Emotional Intelligence (EI) have been completed previously (Margavio, Margavio, Hignite, Moses, 2011; Margavio, et al, 2012), an effort by Humphreys, Jiao, and Sadler (2008) found that for this particular group of students, EI was associated with transformational leadership preferences. Further, differences in some aspects of EI were found between the two groups of U.S. and Chinese students, with the Chinese students indicating a preference for a more passive style of leadership.

In a study by Chan (2006) results indicate that EI levels of Chinese students who were the subject of his study could be enhanced or transformed to a certain extent via the use of various development strategies. These findings do support the idea that EI is not static but is something that can be strengthened over time through various means.

Links between levels of Emotional Intelligence and other aspects of personality and behavior were found by Chan (2005). Students' perceptions of their levels of creativity were believed to be higher among Chinese students who also possessed high levels of Emotional Intelligence.

While Accounting majors and Chinese students have, separately, been the focus of previous research studies, this current study is designed to investigate elements of Emotional Intelligence among Chinese accounting majors. Results of that analysis will then be compared with data gleaned from their U.S. student counterparts.

Study Methodology

This study was designed to assess the relationship between a number of demographic factors/characteristics of American and Chinese accounting students and achievement on a standardized test of Emotional Intelligence (EI) designed to assess the various components of EI. Further, this current research was specifically focused on how the two groups of students might differ with regard to their attributes' associated with those EI scores.

The study was conducted at a U.S. university with an enrollment of more than 20,000 full-time students located in a metropolitan area of approximately 250,000 residents.

The Test

The instrument used to assess Emotional Intelligence (EI) levels among the students is a 33-item test developed by Schutte, Malouff, Hall, Haggerty, Cooper, Golden, and Dornheim (1998). A test-retest reliability score of .78 and an internal consistency score of .87 is reported by the instrument's developers (Schutte, et al, 1998, p. 173).

In addition to capturing students' responses on the EI scale, additional data related to students' characteristics were collected for use in the analysis of the relationships between these factors and students'

achievement on the EI assessment.

Test Subjects

Students enrolled in an upper-division accounting class (designed for accounting majors) were selected to participate in the study. As can be seen from Table 1 53% of the students were U.S. citizens with 47% being Chinese citizens.

Table 1: Demographics (Independent Variables)

Nationality	# of students	Percent
American	55	52.9
Chinese	49	47.1
Total	104	100.00
Age of Students	# of students	Percent
Traditional (ages 17 – 22)	32	30.8
Nontraditional (ages 23 and older)	72	69.2
Total	104	100.00
Gender of Students	# of students	Percent
Female	61	58.7
Male	43	41.3
Total	104	100.00
Overall GPA	# of students	Percent
Less than 3.0	28	26.9
3.0 to 3.49	40	38.5
3.5 to 4.0	36	34.6
Total	104	100.00
Socially Involved	# of students	Percent
Heavily Involved	12	11.5
Moderately Involved	44	42.3
Not Involved	48	46.2
Total	104	100.00
Traveled Internationally	# of students	Percent
Not at all	29	27.9
Once	28	26.9
More than once	47	45.2
Total	104	100.00
Completed Coursework in International Subjects	# of students	Percent

Yes	46	44.2
No	58	55.8
Total	104	100.00

Table 1: Demographics (Independent Variables) (continued)

Completed Coursework in a Foreign Language	# of students	Percent
Yes	65	62.5
No	39	37.5
Total	104	100.00
Working Internationally	# of students	Percent
Yes	60	57.7
No	44	42.3
Total	104	100.00
City Size	# of students	Percent
< 100,000 residents	47	45.2
> 100,000 residents	57	54.8
Total	104	100.00
# of Siblings	# of students	Percent
None	39	37.5
One	35	33.7
Two or more	30	28.8
Total	104	100.00
Cultural Experience	# of students	Percent
Little or None	36	34.6
High or Moderate	68	65.4
Total	104	100.00
Family's Income level	# of students	Percent
Low	88	84.6
High	16	15.4
Total	104	100.00

Results of the Demographic Variable Analyses

Given the demographic data collected and the goal of comparing American and Chinese students' on both demographic and Emotional Intelligence factors, a number of analyses were conducted on the two group's attributes/characteristics. In that effort a number of χ^2 tests for independence of EI attribute and

nationality were conducted. Using a p-value of .05 to draw conclusions, our analyses provided some interesting and unexpected results. Full results are found in the tables that follow. Actual values are listed and the Expected Values are in parenthesis with one decimal place.

Table 2: Age * Nationality

		Nationality		Total
		American	Chinese	
Age	Nontraditional	27 (16.9)	5 (15.1)	32
	Traditional	28 (38.1)	44 (33.9)	72
Total		55	49	104

χ^2 test for independence = 18.396 with a two sided p-value of 0.000

We reject the independence hypothesis (p-value < 0.05) and conclude that the age of the accounting student depends on the nationality of the accounting student. There are more nontraditional American students than one would expect, and more traditional Chinese students than expected.

Table 3: Gender * Nationality

		Nationality		Total
		American	Chinese	
Gender	Female	24 (32.3)	37 (28.7)	61
	Male	31 (22.7)	12 (20.3)	43
Total		55	49	104

χ^2 test for independence = 10.856 with a two sided p-value of 0.001

The Gender of the accounting student is not independent of the nationality. There are more female Chinese accounting students and more male American students than expected.

Table 4: Overall GPA * Nationality

		Nationality		Total
		American	Chinese	
Overall GPA	Less than 3.0	18 (14.8)	10 (13.2)	28
	3.0 to 3.4	17 (21.1)	23 (18.9)	40
	3.5 or better	20 (19.0)	16 (17.0)	36
Total		55	49	104

χ^2 test for independence = 3.295 with a two sided p-value of 0.193

There is no significant evidence to indicate that the Overall self-reported GPA of the accounting student is dependent on nationality.

Table 5: Socially Involved * Nationality

		Nationality		Total
		American	Chinese	
Socially Involved	Heavily	9 (6.3)	3 (5.7)	12
	Moderately	14 (23.3)	30 (20.7)	44
	Not Involved	32 (25.4)	16 (22.6)	48
Total		55	49	104

χ^2 test for independence = 13.851 with a two sided p-value of 0.001

Social involvement of the accounting student depends on the nationality. Fewer American accounting students were moderately social and far more Chinese students are moderately social.

The following three tables (Table 6-8) all relate to international exposure of the students.

Table 6: Travelled Internationally * Nationality

		Nationality		Total
		American	Chinese	
Travelled Internationally	Not at All	28 (15.3)	1 (13.7)	29
	Once	11 (14.8)	17 (13.2)	28
	Yes >1	16 (24.9)	31 (22.1)	47
Total		55	49	104

χ^2 test for independence = 30.968 with a two sided p-value of 0.000

Table 7: International Coursework * Nationality

		Nationality		Total
		American	Chinese	
Coursework	No	40 (30.7)	18 (27.3)	58
	Yes	15 (24.3)	31 (21.7)	46
Total		55	49	104

χ^2 test for independence = 13.609 with a two sided p-value of 0.000

Table 8: Working Internationally * Nationality

		Nationality		Total
		American	Chinese	
Working	No	41 (23.3)	3 (20.7)	44
Internationally	Yes	14 (31.7)	46 (28.3)	60
Total		55	49	104

χ^2 test for independence = 49.704 with a two sided p-value of 0.000

Overall conclusions from the three previous tables indicate that Chinese students, more so than American Accounting students, have travelled internationally. This result may not be surprising in that the Chinese students had all travelled to the U.S. for their education. Furthermore, many more Chinese students intend to work internationally, and are preparing themselves by choosing international coursework. Surprisingly, however, foreign language study results were opposite. In table 9, we conclude that foreign language coursework of the Accounting student depends on nationality, with more American students taking foreign languages than Chinese students. This may be because the Chinese students have had their foreign language training before arriving in the U.S.

Table 9: Foreign Language * Nationality

		Nationality		Total
		American	Chinese	
Foreign Language	No	33 (20.6)	6 (18.4)	39
	Yes	22 (34.4)	43 (30.6)	65
Total		55	49	104

χ^2 test for independence = 25.215 with a two sided p-value of 0.000

Student responses indicated no significant difference in exposure to cultural experiences (Table 10).

Table 10: Cultural Experience * Nationality

		Nationality		Total
		American	Chinese	
Cultural Experience	Little or None	22 (19.0)	14 (17.0)	36
	Moderate or More	33 (36.0)	35 (32.0)	68
Total		55	49	104

χ^2 test for independence = 1.495 with a two sided p-value of 0.221

Other attributes studied include living conditions: size of city where student lived before college, income level of the family, and number of siblings in the household. Students came from similarly sized cities (Table 11), and had no differences in family income (Table 12). The number of siblings, however, is dependent on nationality (Table 13). More Chinese students had no siblings, and very few had two or more siblings.

Table 11: City Size * Nationality

		Nationality		Total
		American	Chinese	
City Size	Less than 100,000	28 (24.9)	19 (22.1)	47
	More than 100,000	27 (30.1)	30 (26.9)	57
Total		55	49	104

χ^2 test for independence = 1.540 with a two sided p-value of 0.215

Table 12: Income Level * Nationality

		Nationality		Total
		American	Chinese	
Income Level	Less	47 (46.5)	41 (41.5)	88
	More	8 (8.5)	8 (7.5)	16
Total		55	49	104

χ^2 test for independence = 0.063 with a two sided p-value of 0.802

Table 13: Number of Siblings * Nationality

		Nationality		Total
		American	Chinese	
# of Siblings	None	3 (20.6)	36 (18.4)	39
	One	25 (18.5)	10 (16.5)	35
	Two or More	27 (15.9)	3 (14.1)	30
Total		55	49	104

χ^2 test for independence = 53.383 with a two sided p-value of 0.0000

Results of The Dependent Variable Analysis

The combined and individual group results associated with the dependent variable are displayed in Table 14. With a total of 104 students completing the assessment, the mean for the emotional intelligence score was 119.71. The minimum score was 47 and the maximum was 157. The standard deviation for the emotional intelligence score was 15.961.

Table 14: Descriptive Statistics for EI Score (Dependent Variable)

Nationality	Mean	Median	Minimum	Maximum	Std. Deviation	N
American	121.891	122.000	100.0	143.0	9.7424	55
Chinese	117.265	122.000	47.0	157.0	20.6960	49
Total	119.712	122.000	47.0	157.0	15.9609	104

Table 14 presents the mean scores for the two groups of student. Table 15 shows results of ANOVA testing. Results show no significant difference in the EI score of American and Chinese students. Thus,

the two nationalities are indistinguishable in EI.

Table 15: American verses Chinese Accounting Students

Source	Type III Sum of Squares	df	Mean Square	F	Sig
Nationality	554.450	1	554.450	2.203	0.141
Error	25684.896	102	251.813		
Corrected Total	26239.346	103			

Conclusions and Recommendations

The results of this study yielded surprisingly limited differences in a number of demographic attributes of the American and Chinese Accounting students and limited differences in EI scores between the two groups. Previous research by Chan (2006) found that EI scores could be enhanced or transformed via the use of various development strategies. Cook, Bay, Visser, Myburgh and Njoroge (2011) report that relevant work experience is a significant factor in the development of EI skill/attributes. Since previous research seems to indicate that EI scores can be transformed and that relevant work experience can influence EI scores it's possible that other factors might impact EI scores as well.

The Chinese students in our study may have altered/enhanced their EI scores simply by being exposed to new and different educational environments, i.e. the American higher education system. Younger Chinese students EI scores may have changed by exposure to different leadership strategies and ideas through business classes and exposure to American business practices. Possibly even being exposed to and immersed into a new language and cultural style changed their EI scores. Additionally, it might be, as Hsu (2011) describes that with China's imposed more open door policy, younger Chinese are becoming more westernized. Moreover with the more open policies in China many younger Chinese students have had access to more open Internet access and therefore, exposure to global ideas and ideals. Some of these factors or a combination of these factors, could explain why our research results reveal that our two groups of students, American and Chinese Accounting students vary little with regard to differences in EI scores.

With regard to recommendations for future research, the authors of this study would encourage future efforts be devoted to investigating factors that might influence achievement in the area of leadership and emotional intelligence. In this way, a broader understanding of whether experience and exposure to differing cultures, over time, could impact or improve emotional intelligence scores.

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EVALUATING ADVERTISEMENT: THE ROLE OF CUSTOMER'S DECISION-MAKING STYLE, INNOVATIVENESS, AND IDEOLOGY

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Abstract

Advertisement is one of the most important ways of attracting consumers and informing them of new products and services as well as changing their attitudes. Most suppliers try to apply various advertisements to lead consumers toward their products. By doing so, they also try to create positive attitudes among the consumers of their products. Moreover, a great number of consumers with intense interest in innovation provide the profits of the companies which produce new products. In other words, the life of these suppliers depends on such consumers. Therefore, being aware of the behavioral characteristics of such consumers helps the managers of the companies which tend to produce new products, and significant investment is made to attract such consumers. The current study presents new definitions and models based on evaluation of advertisement: customers' decision-making style, innovativeness and ideology.

Keywords: decision-making style, innovativeness, ideology

Introduction

To the companies, survival within the very competitive environment of today's world is not possible unless through acquiring competitive privilege which means the market power of the companies [1]. Competitive privilege is the additional attractiveness of the offers made by the company in comparison with other competitors in customers' eyes. This includes a set of abilities and capabilities which allow the organization to show a better performance than competitors. Therefore to achieve this privilege, an organization

must notice both its external situation and its internal capabilities [2]. Regarding what already mentioned, investors and stockholders in capital market need information which helps them with making decisions in terms of evaluating the quality of companies' profits and determining companies' survival capabilities and strength within the competitive market. Determining the effects of product market competition and industry structure on the quality of companies' profits can help with accurate assessment of future survival capabilities of organizations and the effect of competition on earnings, and leads to conscious decision making [1]. In this respect, using advertisement results in changes in the knowledge, attitude and behavior of the audience. Informing, encouraging, reminding, strengthening the relationships, and accelerating the correspondence are among the functions of advertisement, and evaluating the effects of advertisement on each of these is a necessity for the organizations who consider advertisement as a requirement for development and growth. Furthermore, one of the criteria for measuring successfulness in organizations is the degree to which the organization has managed to realize its goals. Here the successfulness of every organization is determined according to the goals of the organization. This has been addressed in the literature of management as efficacy. Efficacy is, indeed, the degree to which an organization meets its goal. To measure the efficacy in a given organization, some goals must be considered in advance. Then, the programs designed to achieve these goals are compared [3].

With regards to the fact that consumers are divided into various groups, there exist different tastes within the market, which are frequently subjected to change. Considerable expenses are spent on advertisement. To achieve a proper position in the market and to realize success, certain factors are required to come together [3]. This refers that what content must be conveyed to the audience at what time, through what media, and in what manner, so that maximum effectiveness is achieved [4]. Therefore in this paper, decision-making style, innovativeness, and ideology are considered, which are among the

most effective individual factors in evaluating advertisement and attracting customers. Furthermore the new model is presented based on a comprehensive review of the research background.

Review of Related Literature

Within the present competitive market environment, where solely products and services are not sufficient to attract a new market or even to retain the current market and customers, it is believed that the emotional aspect of the products is the key distinction in the ultimate selection of the product and the price that the customers will readily afford; also that the main emphasis is on promotion and improvement of the products with trademarks which meet the emotional needs of the consumers [5]. Therefore advertisement is regarded as one of the main tools of communication with the audience of the organizations and the organizations are trying to leave the most effects on the customers by affording the least possible expenses. Any professional marketing will lack efficiency without advertisement. This is why advertisement is regarded as investment rather than expenditure despite its fairly high costs. This effective tool is no more for buying and sale only; rather it is an important tool for conveying a message or introducing a goal. One of the most important steps in any advertisement plan is evaluation of the effects of advertisement. By studying the effects of advertisement and its relation with the goals of the organization, one can make changes in advertisement budget, form and content of the messages, type of media and communicative channels, and even the time and conditions of implementing the advertisement so that it will be more efficient than before [3]. In this respect, only the advertisement will be successful which can attract the audience, leave and evocative effect, stimulate buying reaction of the audience, and awaken their sensory perception. Therefore, it is required to apply a set of factors in order to affect the audience's perception and sensation and to realize the anticipated goals of advertisement.

Hence only the factors should be applied which objectively convey the message to the audience, involve their trained mind, and contain effective components [6].

Advertisement Evaluation

Generally, display advertisement is divided into three main categories. The first category includes the commercials which are usually displayed between TV programs. The second category is called subliminal advertisement, and finally the third category is considered as intangible advertisement. Due to its key role in determining the goals and measuring the results, efficacy has a long history in promotion, advertisement in particular. For the first time, Levis (1989) the author of the book “Propaganda”, proposed his well-known four-word manner (notice, interest, desire, and attempt) to make the advertisement more efficient. Since then, the criterion became one of the most important issues in advertisement discussions. Therefore, awareness of the factors which are effective in assessment of commercial advertisement helps the marketers and advertisement designers in designing high-quality and efficient advertisements. The most important of these factors include:

Attitude towards the brand: attitude towards the products and services can affect assessment of advertisement because consumers are responding to the advertisement affected by their own attitudes towards the products. Attitude towards the advertisement affects the consumers’ buying intentions and mental backgrounds regarding the brand. A customer with a positive attitude toward a brand gradually moves toward commitment. This issue is so critical and can be regarded as the most important achievement of an advertisement. When a brand which has created a positive image in customers’ mind is re-advertised or other products and services of the same brand are advertised, customers pay considerable attention to the advertisement of that brand. This is a great step in establishing a group of loyal customers [7].

Self-efficacy in remembering: remembering the brand is the second stage of brand awareness and is tied to the consumer's ability to recover a brand from his memory when a relevant sign is presented. According to Keller, remembering the brand depends on the customers' ability in recovering data from their memory [7].

Brand buying intention: buying intention is a concept particularly considered in marketing. Buying intention of a given product is depended to the attitudes towards that product. Today, buying intention reflects the consumer's predictable behavior in future shopping decisions, which significantly contributes to the formation of the consumers' attitudes. In fact, buying intention is a pattern of conveying attitudes regarding a future purchase [7].

Attitude toward advertisement: attitude toward advertisement is defined as the background to respond to a particular advertising stimulant, desirably or undesirably, through a given display context. Attitudes formed toward advertisement affect the consumers' attitudes toward the brand and their buying targets. If the ultimate goal of advertisement is to create a positive attitude toward advertisement and the brand, increasing the likelihood of buying through a positive emotional response to the advertisement can be the best measure for evaluating advertisement effectiveness. Various research show that a positive emotional response to advertisement has a correlation with brand recognition and positive attitude towards the brand as well as the consumers' buying intentions [6].

Decision-making style: consumer's decision-making style refers to the mental orientation indicating how a consumer selects. Consumer's decision-making profile is very critical to marketers and advertisers [8]. Sproles and Kendall (1986) define consumer's decision-making style as a tendency or mental inclination which describes the consumer's orientation toward selecting [9]. The eight decision-making styles proposed by Sproles and Kendall are as follows: 1) perfectionist and sensitive to premium quality; these individuals are systematically seeking for the premium quality of a product and do not suffice to the

products in “good enough” category. 2) Sensitive to brand; individuals who buy more expensive products with a well-known brand. They prefer to buy expensive and famous brands and believe that products of higher quality are more expensive. They usually select advertised brands. 3) Stylish and innovative; the privilege of these individuals is that they prefer products of new style to old-fashioned ones [8]. 4) Sensitive to price; these consumers value money and generally include individuals with considerable awareness of prices, low prices in particular, who are seriously seeking for the best value for the money they pay [10]. 5) Looking for entertainment; the most important characteristic in this category is enjoyable shopping. Previous studies showed certain factors inhibiting the joy of shopping including worrying about time. However, certain efforts have been made to add joy to the act of shopping [11]. 6) Careless and impulsive; these are individuals who do not have any plan for their shopping. It seems that they do not notice the amount of money they spend and usually regret for their decisions. These individuals tend to buy in the moment (impulsive buying) [10]. 7) Confused due to so many alternatives; this style of decision-making examines the factors confusing the consumers due to the variety of products. Data from these factors analyze the problems related to the variety of products and brands. Furthermore, experimental data can also help with better perception of this factor [11]. 8) Habit-oriented and committed to brand; these are individuals who usually buy from the same brand and supermarket [10].

Thought: human is regarded as sophisticated when compared with other creatures. Psychologists try to attribute the same behavioral characteristics to different individuals. Individuals’ personality reflects their traits and behavioral preferences, and includes instructions, emotions and intuitive behaviors. Individuals’ reactions in different situations are led by their personality, and conscious selection can prevent response to various stimuli from being accidental. Due to personality differences, individuals use their mental abilities differently. Hence, perception of the surrounding environment and others and the

related decision making will also be different. Meyers and Briggs have managed to determine four opposing preferences based on Young’s studies. These include energetic preferences, data collecting, decision making, and lifestyle [12].

Extroverts/Introverts: extroverts act upon taking energy from other individuals and objects while introverts use their internal energy and their own ideas and concepts. Extroverts focus on the surrounding world, individuals, things, and tasks and explicitly express their feelings. They enjoy communicating with other individuals. They like dynamicity and are hopeful to the future and success. They first act and then think about what they have already done. On the contrary, introverts avoid expressing their feelings. Sometimes they get tired of communicating with too many individuals. They also think well before they act [13].

Table 1: Key features of introverts vs. extroverts [13]

<ul style="list-style-type: none"> • They have calm and well-considered behavior. • They talk less. • They are usually self-contained. • They think before they talk. • They speak more slowly and gently. • They can focus their concentration. • They work on one project at once. • They tend to spend their time alone. • They avoid being the center of attention. • They are rather cautious and hesitant. 	<ul style="list-style-type: none"> • They have warm and friendly behavior. • They talk more. • They are more dynamic. • They speak fast and loudly. • They are easily distracted. • They easily shift the topic. • They prefer to be with others. • They tend to be the focus of attention. • They first act, and then think about it.
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Contemplative/emotional: a logic individual in Meyers-Briggs theory makes rational decisions. He observes the shortages and criticizes. He gives value to the reality and is motivated by his tendency to succeed. An emotional individual, on the contrary, does not make rational decisions. He considers value for sympathy and harmony. To an emotional individual, politeness is more important than reality. He is motivated by the tendency to be appreciated [14].

Table 2: Key features of emotional vs. logical [13]

<ul style="list-style-type: none"> • They are friendlier while treating others. • They feel sensitive about their emotions regarding others. • They are usually moderate and considerate. • They meet the ceremonies and traditions of social life. • They avoid conflict and confrontation. • They start conversation with greetings. • They might seem excited and thrilled. • They may lack venture and self-confidence. • They usually call people with first name. • They are usually engaged in service jobs. 	<ul style="list-style-type: none"> • They are less friendly in their treatments. • They may seem as lacking emotions. • They might be inconsiderate and relentless. • They usually seem serious and hardworking. • They may argue for fun. • They are usually impassive. • They go directly to the heart of the matter. • They seem conservative and realistic. • They are usually assured and insistent. • They seldom call people with first name.
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Intuitive/Sensual: according to Meyers-Brigs, an intuitive person is an individual with strong sixth sense. He pays attention to meanings, relations, likeliness, and deduction. He notices the future and does not carefully consider the details. Sensual individuals, on the contrary, have strong five senses. They trust at their own experiences. They live in the moment, regard common sense, and use their skills. While learning, they consider practice and application [14].

Table 3: key features of sensual vs. intuitive [13]

<ul style="list-style-type: none"> • They have simple and clear verbal patterns. • They have continuous and chain thoughts. • They are more accurate; they use facts and real instances. • They use language as a tool. • They are well aware of their body. • They are attracted to jobs requiring realism and practice. • They are less likely to get a university 	<ul style="list-style-type: none"> • They have sophisticated verbal patterns abundantly using compound sentences. • They have deviant thoughts; they jump from one to another. • They are more imaginative; they frequently use simile and metaphor. • They use language for themselves. • They are rather adrift in their mind. • They are usually attracted to jobs requiring
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<p>degree.</p> <ul style="list-style-type: none"> • They prefer non-fictional contents for study. • They speak with short and explicit words. • They consider the details. • They clearly remember the past. • They listen as far as others explain all their thoughts. 	<p>creativity.</p> <ul style="list-style-type: none"> • They are more likely to get university degrees. • They prefer fictional contents for study. • They repeat and restate their word. • They speak about world issues and general images. • They predict the future. • They usually complete others' words.
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Judgmental/Observer: according to Meyers-Brigs, a judgmental person likes to work with planning and order. He considers work ethics and believes in “first work, then play”. An observer individual, on the contrary, loves freedom. He does not like planning and organizing. He is flexible and believes in “first enjoy, then work”. His goals can easily be changed. He adapts to new situations. Finishing the job is not important to him; rather, he considers the way of performing it. He does not judge people, things, and phenomena; rather, he observes them the way they are and obtains data from them [14].

Table 4: key features of observer vs. judgmental [13]

<ul style="list-style-type: none"> • They are more friendly and less conventional • They are more playful. • They can adapt to the environment very well. • They may delay things. • They might be hesitant and confused. • They prefer slower rhythms. • They usually have messy appearance. • They usually dress casually. • They are likely to change their goals. • They prefer to start projects. 	<ul style="list-style-type: none"> • They are more conventional and formal. • They are more serious. • They like to take the responsibility. • They tend to decide quickly. • They are certain and their opinions are often strong. • They prefer fast rhythm (hurry). • They have tidy appearance. • They usually dress formally. • They like to set some goals and to achieve them.
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Innovativeness

Innovativeness is a personality trait often reflecting tendency to change. Innovative consumers are an important part of the market to marketers. Earnings from the new

products admitted by innovative consumers play a key role to many organizations. Appropriate perception of decision-making styles of innovative consumers is too critical in marketing. Consumer's decision making style is the mental way in which the consumer experiences shopping and consumption. These styles can help the researchers of consumers' behavior obtain a deeper understanding of consumers' behavior. With regards to the gap observed in research background, innovativeness is solely described as a personality trait in consumers' innovative behavior [15]. As Inkles and Smith state, the main feature of innovative individual has two aspects; the internal corresponding to the opinions, values and feelings; and the external corresponding to the environment [16].

A review of previous research on the effective factors in advertisement evaluation

Table 5 presents a summary of previous research regarding advertisement evaluation selected as the theoretical base of this study, upon which the conceptual model is designed.

Table 5: a summary of previous research on advertisement evaluation

Ref.	Researcher(s)	Year	Population	Variables under study	findings
1	Shariat	2007	People of Isfahan	Advertisement effectiveness, people's attitudes, advertisement characteristics	TV channels, animated structure, attractive packaging, informing about the quality, background, and price on TV.
2.	Samady	2009	Customers of Refah Chain Supermarkets in Tehran	Evidence of brand, customers' satisfaction, customers' attitudes, relations of brand, intentions of re-buying	Brand evidence and relations have positive effects on satisfaction, attitude, and behavioral intentions.
3.	Kheiry	2010	Customers of Shahrvand Chain Supermarkets& Grand Mall in Tehran	Buyer's marital state, size of family, level of education, income, age, having children below 6 years old	Buyers of generic products are characterized with demographic features such as being married and being young.
4.	Javadin	2010	Zones of Tehran	Commitment, satisfaction, value, resistance to change, emotions, brand trust	Brand specific value and trust are the most effective factors in consumers' behavioral patterns and attitudes of commitment.

5.	Shah Mohammadi	2011	Inhabitants of zones 1,2,3,4 in Mashhad	Proper pictorial manners, audience's notice, message structure, display methods, amount of trust	TV commercials between hot programs attract the audience's attention; the attractiveness of a program is important in attracting the customer and his notice to the commercial. This can make the audience trust at the advertisement and follow it.
6.	Amirshahi et al.	2011	Students of Islamic Azad University, branch of Science and Research, Tehran	Innovativeness and buying decision-making styles	Cognitive innovativeness is correlated with "perfectionist and sensitive to premium quality"; emotional innovativeness is correlated with "sensitive to brand", "stylish and fashion-oriented", and "looking for entertainment".
7.	Heidarzadeh et al.	2011	The following four observer variables: Speed of remembering, attitude toward the brand, brand position, buying intention	Advertisement, intangible representation of the brand, audience involvement, advertisement promotion, demographic factors	Intangible advertisement of the brand affect the consumer's unconscious in short-term.
8.	Kafash pour et al.	2011	Students of higher educations in Firdausi University of Mashhad	Attitude toward online advertisement, gender, entertainment, informing	Users' perceived value of entertainment and informing has a significant correlation with attitude toward online advertisement. Furthermore, gender has modifier effect on the relationship between perceived value of entertainment and informing and attitude.
9.	Moradi et al.	2012	University staff	Personal decision-making style, responsibility, group	Corporative decision-making style of the managers is the best predictor of the employees'

				decision-making style, consulting decision-making style, corporative decision-making style, managerial decision-making style	responsibility
10	Amiri et al.	2013	Employees of Sepah Bank, Branch 18, Ardabil	Commercial advertisement, attracting customers, sales promotion, public relations, normal data distribution	Sales promotion has the greatest impact in attracting new customers.
11	Kheiry et al.	2013	Students of Islamic Azad University, Science and Research, Tehran	Brand attachment, brand experience, brand satisfaction, brand attitude, knowledge of brand, brand commitment, consumers' tendency to afford additional costs, promotion of word of mouth regarding the brand	Consumers' experience and attitude affect the formation of brand attachment. No significant relationship was observed between consumers' knowledge and satisfaction with brand attachment. Consumers with brand attachment show higher levels of brand commitment, promote word of mouth regarding the brand, and tend to afford additional costs of the brand.
12	Tabatabayi Nasab & Arjmand	2014		Buying decision-making styles, aspects of innate innovativeness, aspects of consumers' personality	No significant relationship was observed between the three identified clusters in aspects of innate innovativeness and the three aspects of neo-personality. However, there is a difference between the clusters in two aspects of neo-personality. Findings indicate a correlation between Neurosis personality and emotional innovativeness. However, no significant relationship was observed between other aspects of

					neo-personality with cognitive and emotional innovativeness.
13	Shahbandar Zadeh and Khosravi Laghab	2015	413 students of Khalij Fars University, Bushehr	Economic beliefs, social beliefs, moral beliefs, legal beliefs, advertisement usefulness, advertisement attitudes	Economic beliefs in advertisement, moral beliefs in advertisement, legal beliefs in advertisement, and advertisement usefulness affect individuals' attitudes towards advertisement.
14	Wesley	2006	Shopping centers in the U.S Market	SES/Demographic learning styles, main reason for visiting, the intention of visiting the center etc.	Complexity of the history and the consequences of consumer's decision making style
15	Sara Sapuletea Et al.	2009	B.S students in Netherland	High price, low price, consultant, decision making	Managers and official employees benefit from the effects of consulting in decision making, which can result in exploration of better solutions to decision making.
16	Park et al.	2010	Young consumers in a particular area of the country	Cognitive innovativeness, quality, price awareness, confused due to variety of choices, brand awareness, stylish and fashion-oriented, looking for entertainment, impulsive and careless, habit-oriented, committed to brand, emotional innovativeness	Cognitive and emotional innovativeness can lead to various buying styles.
17	Dianoux et al.	2010	Students of the first or second year of Management	Advertisement, higher attention, better memory, attitude	Nationality (in given parts of Europe) is not significantly affected by attitude toward nudeness in advertisement because different inclinations were observed in Czech Republic,

					Spain and France.
18	Liu et al.	2011	University students in Australia	Brand personality congruity, brand attitude, commitment, brand user, brand tendency	Both brand users and congruity have considerable effects on brand attitude and brand commitment. However, no significant BPC effect was observed in brand attitude or brand commitment for the two examined brands.
19	Liu et al.	2012	Employees of 5 Spanish organizations	Employees' relations, tendency to innovation, employees' knowledge, innovation-orientation, temporary employees, foreigner employees	When relationships exist, employees' tendency to innovation is greater, making the attitudes positive. Different findings confirm foreigner employees as the moderating variable.
20	Burmester et al.	2014	3336 products of the market of video games	Public thoughts, advertisement, sales attraction, advertisement attraction, advertisement in sales	Public thoughts are more important than advertisement. The reverse is true after the establishment of the product.
21	Rezai	2014	Malaysian University of Technology	Brand awareness, informed price, entertainment, informed fashion, price, advertisement impulsivity, perfectionism, product, retailer	Effective factors in selection of products include informed price, brand, advertisement, and retailing throughout the channel
22	Drossos et al.	2014	Greece	Buying intention, advertisement, product involvement, buying interest	Our perception is aided by text advertisements on cell phone. Moreover, the findings show that advertisement is important for all products, particularly where a high level of intervention in relations is not required, and increases buying intention.
23	Robin Bell et al.	2015	Students in Worcester	Learning, trading	Simulation is an effective technique for active interactions

					between students in learning how to bridge the gap between theory and practice. It also can improve students' criticizing skills.
24	Uribe	2015	M.S Students in Santiago University, Chile	Brand awareness, brand attitude, buying intention, advertisement	Synergistic in common use of advertisement was not confirmed in the three studied variables.
25	Shao et al.	2015	Online poll	Consumer's behavior, advertisement, demand for advertisement, self-regulation theory	Consumers can adopt different combinations of data processing styles and target orientation.

Conceptual Model

As the literature review shoed, various studies have been conducted on the effective factors in advertisement evaluation. Having reviewed the previous works, the research conceptual model was designed, in which the effects of decision-making styles, ideology, and innovativeness on advertisement evaluation will be examined. To implement this model, the following hypotheses can be examined.

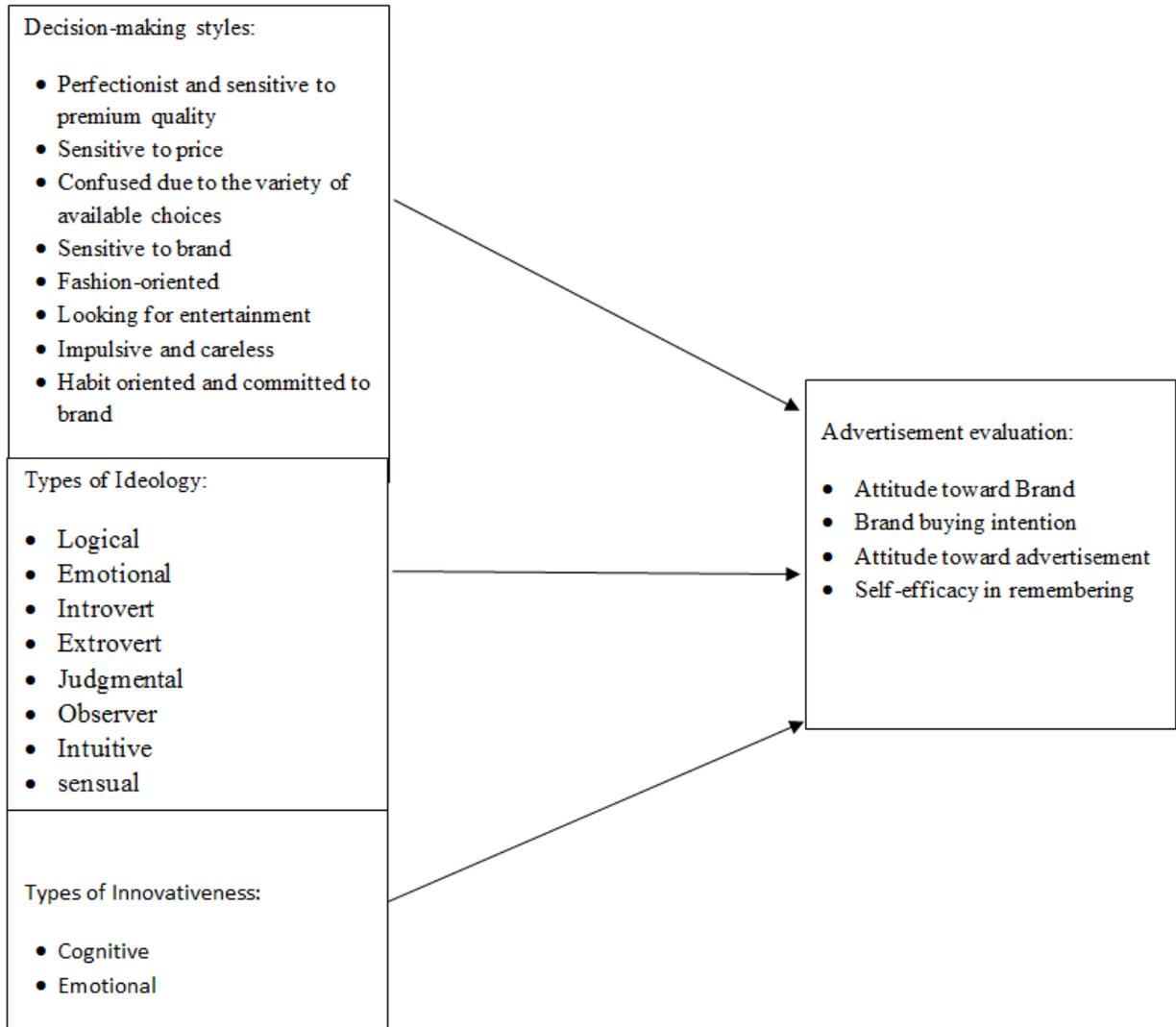


Figure1: Research Conceptual Model

Source: Park & Zhou (2010), Lun (2014), Olsson & Romero (2014)

- Suggestion (1):* examining the effect of ideology on attitudes towards radio advertisement
- Suggestion (2):* examining the effect of ideology on attitudes towards TV commercials
- Suggestion (3):* examining the effect of ideology on brand buying intention
- Suggestion (4):* examining the effect of ideology on self-efficacy in remembering
- Suggestion (5):* examining the effect of ideology on attitudes towards the brand
- Suggestion (6):* examining the effect of decision-making styles on attitudes towards radio advertisement
- Suggestion (7):* examining the effect of decision-making styles on attitudes towards TV commercials
- Suggestion (8):* examining the effect of decision-making styles on brand buying intention
- Suggestion (9):* examining the effect of decision-making styles on self-efficacy in

remembering

Suggestion (10): examining the effect of decision-making styles on attitudes towards the brand

Suggestion (11): examining the effect of innovativeness on attitudes towards radio advertisement

Suggestion (12): examining the effect of innovativeness on attitudes towards TV commercials

Suggestion (13): examining the effect of innovativeness on brand buying intention

Suggestion (14): examining the effect of innovativeness on self-efficacy in remembering

Suggestion (15): examining the effect of innovativeness on attitudes towards the brand

Results and Discussion

In today's world, where advertisement plays a significant role in promoting the goals of the companies, all investors are trying to attract the profits through making consumers buy their products, which is possible through advertisement. They can change the position of their products. To do so, they must design an appropriate and unique advertisement plan. Every day, consumers are subjected to hundreds of commercial advertisements relating to various mechanisms; hence, the results of advertisement do not seem to appear via introspection. A question here is why some advertisements are more lasting than others. Most advertisement companies and customers are seeking for the answer to this question. To find the answer, one must consider the way of involvement. In this respect, repetition and the way of presenting the advertisement are the factors which can involve the customer and audience. Another important factor is perception of the advertisement [7]. Biometric studies have shown that the effects of advertisement depend not only on information and emotions but also on environmental factors [17].

Individuals increasingly distinguish between the advertisements through the perceived quality, features and images. Brand commitment is not realized at once; rather, it takes long time to be fulfilled. Therefore, advertisement should be designed in a way to give a specific vision to the marketer because the marketer is required to consider the sales and is most concerned with customer satisfaction. Today, marketing is not solely for products;

rather it includes brands. Indeed, customers are identified with their brands rather than products. Therefore an advertisement needs to be effective to transform a product into a brand in customer's mind. Moreover, advertisement must be able to improve the customers' attitudes because attitude is composed of customers' experiences of the product or brand. Advertisement affects attitude because people respond to advertisement individually. Finally, advertisement should be able to revive the experiences in customer's mind as clear and complete.

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A NEWLY DEVELOPED EGYPTIAN QUESTIONNAIRE OF NURSING WORKPLACE DEVIANCE: CONSTRUCT VALIDITY AND RELIABILITY

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Abstract:

Valid and reliable questionnaires are needed for evaluating nurses' opinions on the extent of occurrence of deviant behavior in Egyptian health care organizations. Previously developed questionnaires were used in the non-health care system and had discriminative validity and internal consistency. The study aimed to develop the Egyptian nursing work deviant questionnaire with testing of construct validity and reliability. The study adopted cross-sectional descriptive survey and was carried out in 14 critical care and toxicology units in Alexandria University Hospitals. A total of 250 nurses were included. The questionnaire was tested for construct validity by performing factor analysis, for internal consistency using Cronbach's alpha coefficient, for test-retest by a Pearson correlation coefficient and inter-rater reliability by Kendall's coefficient. 38 items remained in five dimensions from factor analysis and were explained by 71.017% of the total variance. All items revealed loadings above 0.5. The internal consistency of the questionnaire was good. The present study revealed that the Egyptian Nursing Work Deviant questionnaire has achieved good levels of construct validity and reliability. This indicates that the questionnaire may be suitable to use in health care organizations for measuring work deviance among nurses and other health care providers.

Keywords: Egyptian, Questionnaire, Nursing, Workplace Deviance.

Introduction:

Workplace deviance is a voluntary behavior that violates significant organizational norms and threatens the well-being of the organization or its members. It is caused by provocations arising from perceived disparities between a current state and some ideal state, need, and desire. It can lead to frustration. This frustration motivates deviant behavior that is either instrumental or expressive in nature (Lawrence and Robinson, 2007). Nowadays news media have trumped the presence of a substantial body of evidence in

the hospitals pointing to health care practitioners engaged in deviance behavior such as refusing to cooperate, lateness, and spreading rumors or gossip (Robinson and Bennet, 2000; Abdul Rahim et al, 2012; Fagbohunge et al ,2012; Samuel et al, 2013; Yeşilaydin and Bayan , 2014). According to Robinson and Bennett (1995), up to 75 percent of employees have engaged in one form or another of deviant behaviors and the estimated cost to companies was around 6 to 200 billions of dollars annually (Robinson and Bennett,1995 ; Robinson and Bennett, 2000).

Deviance behavior has a tremendous negative impact on health care organizations in term of lost work time, absenteeism, increased turnover, low productivity, bad quality of care and thus, it poses a serious economic threat to the hospital (Keashly et al, 199 4; Robinson and Bennet, 1995; Robinson and Bennett, 2000; Leblanc and Kelloway, 2002; Appelbaum et al, 2007; Lawrence and Robinson, 2007; Fagbohunge et al, 2012). To reduce negative consequences of work behavior deviance on nurses, the nursing managers should examine the behavior of nurses to identify negative or deviant behavior and to make their effort to eliminating this behavior in the workplace. Therefore, it is necessary that the nursing managers understand their roles in reducing the negative consequences of workplace deviance. These roles include critical issues as building ethical and trust environment, financially rewarding for the worker, enhancing working condition, provide fairness among employees and supportive management practices (Muaf, 2011; Onuoha and Ezeribe, 2011; Ahmad and Omar, 2014).

Worldwide, several questionnaires have been developed to measure deviance behavior among employees. According to several studies, the questionnaires were applied to non-health care organizations and were used to investigate the deviant behavior among employees in their work (Robinson and Bennett, 1995; Robinson and Bennett, 2000; Spector and Fox S, 2005; Spector et al, 2006). These questionnaires had certain limitations regarding generalization, validation, and reliability. First, they did not include all possible types of deviant behavior and could not be generalized to differently employed populations (Spector and Fox S, 2005; Spector et al, 2006). Secondly, these questionnaires had low inter-item correlation and low variance which would affect the reliability of the questionnaires (Robinson and Bennett, 1995; Robinson and Bennett, 2000). Thirdly, the coefficient of internal reliabilities and discriminant validity of questionnaires were measured for these questionnaires, but construct validity of these questionnaires was not measured to ensure local usage of the questionnaire (Robinson and Bennett, 1995; Robinson and Bennett, 2000 ; Spector and Fox S, 2005; Spector et al, 2006).

Therefore, the current study tried to fill this gap by developing a new questionnaire for evaluating nurses' opinions on the extent of occurrence of deviant behavior in the Egyptian health care system. This questionnaire will focus on nursing and health care issues in Egyptian health care organizations and will be tested for construct validity and reliability.

Material and Methods

Study design and setting: A cross-sectional descriptive survey adopted in 14 Critical Care and Toxicology units of Alexandria University Hospitals.

Sample size: 250 nurses were willing to participate in the study. Inclusion criteria consisted of nurses who were in direct patient care and employed at the hospital for at least 6 months.

Data collection: Informed consent was obtained from all nurses before participation. All nurses were assured that the questionnaires would be handled by anonymity and confidentiality. A work deviance questionnaire was developed based on literature review (Robinson and Bennett,1995 ; Robinson and Bennett , 2000; Kelloway et al, 2002; Warren, 2003; Spector and Fox S, 2005; Spector et al , 2006) and used for the collection of data. It was divided into three sections

1. **Section A:** This section contains information on nurses' demographic characteristics. This includes age, job title and years of experience in Critical Care and Toxicology Units

2. **Section B:** This section contains a developed Egyptian nursing work deviant scale, which seeks information on work deviant behavior from the nurses' point of view.

- **Scale development:** The Egyptian work deviant scale was developed by the researchers and was based on previous studies (Robinson and Bennett, 1995; Robinson and Bennett, 2000 ; Kelloway et al , 2002; Warren , 2003; Spector and Fox S, 2005; Spector et al, 2006). The researchers included new statements and eliminated poorly worded, duplicated items or those statements which seemed inconsistent with the nursing work climate in Egyptian Hospitals. Finally, sixty -seven questionnaire items were included in the development stage.

- **Content validity:** The Egyptian nursing work deviant behavior scale was validated by five experts in health and nursing care. They examined sixty- seven questionnaire items regarding the relevance of each item, clarity, and redundancy. They identified omissions and suggested revisions. The relevant scale uses 4 point Likert -type scale (scored from 1 strongly irrelevant to 4 = very relevant). The consensus of experts on importance, appropriateness, clarity of questionnaire was analyzed by Kendall test. The questionnaire was specifically modified based on experts' comments and feedback. According to the experts' evaluation, ten items were deleted from sixty- seven items. These items had less clarity in semantic meaning, less importance to the research purpose and poor appropriateness to the Egyptian health care system. Finally, fifty - seven items of Egyptian work deviant behavior were used in this study. The questionnaire was translated into Arabic and back- translated into English to ensure translation fidelity. Nurses were asked about their opinions regarding the extent of different workplace deviant behaviors in the health care units. A five-point Likert -type scale was used (scored from 1= strongly disagree and 5 = strongly agree).

- **Construct validity:** The researchers distributed 350 questionnaires. 298 questionnaires were returned, giving a return rate of 85.1 %. However, 48 questionnaires were incompletely filled and were discarded. Only 250 questionnaires were properly filled and included in the study. After discarding unsuitable questionnaires, the response rate was 71.4 %. The construct validity was demonstrated by using factor analysis. Fifty - seven questionnaire items were subjected to factor analysis and loading factors, according to the loading factor criterion (Rietveld and Van Hout, 1993;Field, 2013). Loading factor criteria were: (a) loading factors using Principal Component Analysis and Varimax Rotation Method; (b) Eigen values greater than 1.0; (c) factors loading less than 0.5 were deleted while factors loadings larger than or approximating 0.5 were retained; (d) the factors with account 70-80% of the

variance were kept; and (e) the curve of a Scree-plot (**Figure1**) began to flatten. According to the loading factor criteria, thirty- eight items from fifty -seven items were evenly loaded on five factors. Five factors were labeled as follows: **(1)** nurses’ behavior deviant (9 items); **(2)** nurses’ attitude deviant (6 items); **(3)** nurses’ ethics deviant (8 items); **(4)** nurse manager deviant (5 items) and **(5)** nurses’ performance deviant (10 items). The internal consistency reliability of this scale was measured by Cronbach's alpha.

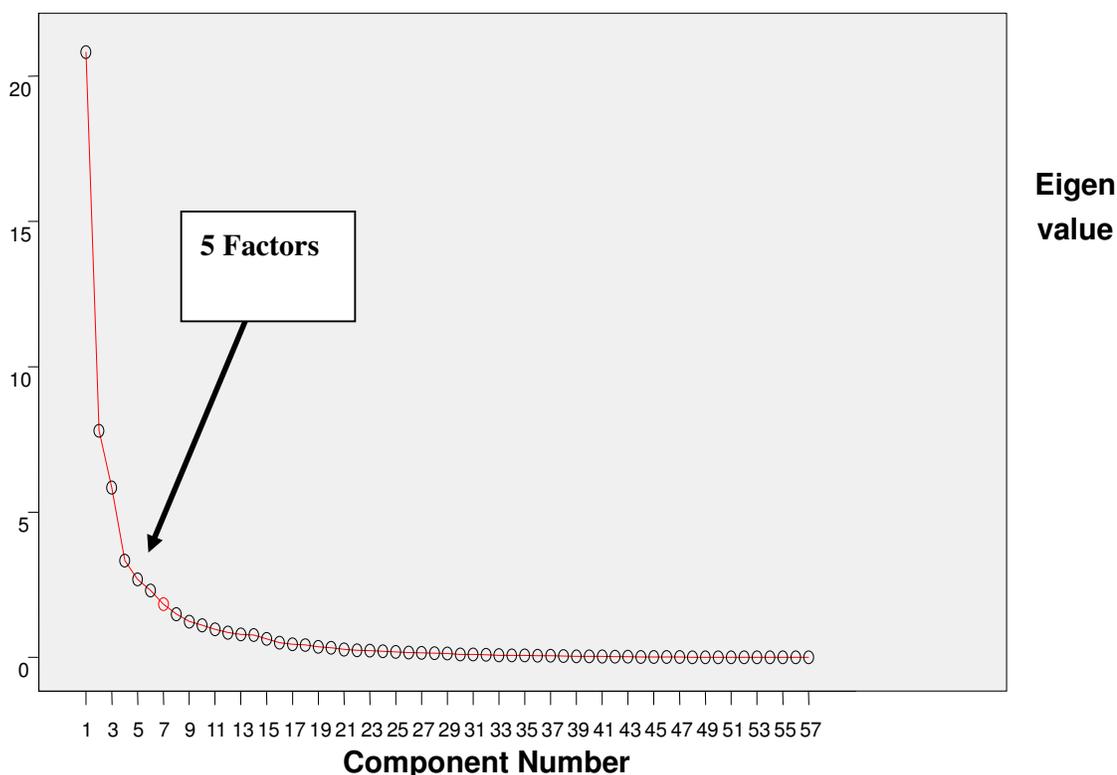


Figure 1: Scree Plot

- **Pilot test:** pilot testing of the questionnaire comprised twenty- five nurses. The questionnaire was distributed to twenty -five nurses to identify how much time was needed to complete the questionnaire and what problems were encountered during the study. After 2 weeks, the questionnaires were administered to the same twenty -five nurses again to examine test –retest reliability using Pearson’s product moment correlations

Statistical analysis: Data was analyzed through SPSS version 18 as the following: 1) Percentages were

applied to describe demographic characteristics of nurses; 2) Construct validity was established by factor analysis based on Principal Component Analysis and Varimax Rotation Method; and 3) Reliability was tested by Cronbach's alpha coefficient for internal consistency reliability, Pearson correlation coefficient for test-retest reliability and Kendall's coefficient for inter-rater reliability.

Results

Table 1 summarizes the characteristics of 250 nurses who participated in the study. Their job title corresponded to head nurses, professional, technical and staff nurses. More than a half of the participants were staff nurses (51.6 %). The age group varied from 20 to more than 50 years. 41.6 % of nurses had age ranged from 30-39. Nurses who had experience from 10 to 19 years constituted half of the nurses in the study (50 %).

Table 2 reveals inter-rater reliability and test-retest reliability of Egyptian nursing deviance workplace Scale. It was shown that test-retest reliability was 0.798, while inter-rater reliability was 0.718.

Table 3 illustrates the results of factor analysis of the Egyptian nursing work deviant behavior based on Principal Component Analysis and Varimax rotation method. It was clear that the remaining 38 items yielded five factors. Factor 1 contained 9 items and factor 2 involved 6 items while factor 3 comprised 8 statements. Whereas, factor 4 consisted of 5 items and factor 5 enclosed 10 items.

Table 4 shows construct validity and reliability analysis of the Egyptian nursing work deviant behavior. It was noticed that five factors emerged accounting 71.017 of variance, explaining the high KMO value (0.903) with a statistical significance of Bartlett Test and representing high Cronbach alpha coefficients of internal consistency (0.960). Internal consistency of three factors was more than 0.90 while the first factor was 0.73 and the second factor was 0.87.

Table (1): Critical Care and Toxicology nurses, according to demographic characteristics

Demographic characteristics	Critical care & Toxicology Nurses n=250	
	No.	%
Job title		
Head nurses	14	5.6
Professional nurse	72	28.8
Technical nurse	35	14.0
Staff nurse	129	51.6
Age		
20-	86	34.4
30-	104	41.6
40-	46	18.4
50+	14	5.6
Years of experiences in critical care		
< 10	87	34.8
10-	125	50.0
20+	38	15.2

Table 2: Inter -rater and test –retest reliability of Egyptian nursing deviance workplace scale.

Reliability tests	Coefficient (r)
Inter-rater reliability: Kendall's test	0.718
Test – retest reliability : Pearson's correlation coefficient	0.798

Table 3: Results of factor analysis of Egyptian nursing work deviant behavior based on Principal Component Analysis and Varimax rotation method

Nurses' opinions regarding the extent of deviant behaviors	Component				
	1	2	3	4	5
(25) Not following nurse managers decisions or instructions	.722				
(26) Competing with colleagues in non beneficial way	.711				
(22) Talking with colleagues instead of working	.760				
(55) Putting little effort into professional work	.629				
(12) Endangering themselves by not following safety procedures	.864				

(44) Losing temper while at work	.659				
(10) Slow at work	.818				
(58) Ignoring colleagues at work	.864				
(59) Refusing to help colleagues at work	.715				
(8) Covering up mistakes		.573			
(24) Blaming colleagues for mistakes		.704			
(7) Making errors / mistakes		.891			
(35) Saying something hurtful to someone at work		.860			
(60) Receiving gifts from patients and their families without permission		.507			
(61) Taking supplies (cotton, gauze, alcohol) or drugs without permission		.715			
(9) Gossiping about colleagues			.641		
(5) Repeating negative rumors about the workplace			.880		
(43) Criticizing the workplace and nursing career			.797		
(47) Discussing confidential hospital information with an unauthorized person			.853		
(51) Negative reactions towards colleagues in front of patients and their families			.507		
(62) Gossiping about nurse manager			.743		
(63) Doing something to make colleagues at work look bad			.846		
(64) Failing to report a patient's problem thus it would get worse			.836		
(1) Verbally abusing other nurses				.623	
(20) Favoring certain nurses				.743	
(21) Gossiping about nurses				.761	
(29) Asking nurses to work beyond the job description				.706	
(27) Blaming nurses for any mistakes even if they were not involved				.775	
(42) Pretending sickness					.715
(3) Overestimating work hours					.585
(14) Taking breaks in improper time					.741
(23) Wasting unit materials and supplies such as drying hands by cotton and gauze					.594
(28) Making personal long distance calls, E-mailing or exploring electronic sites at work					.774
(36) Taking longer breaks than acceptable					.861
(39) Coming to work late without permission					.918
(48) Attending work late early without permission					.836
(50) Leaving work to unauthorized person					.512
(65) Trying to escape from work duties					.839

Note: Factor loading > 0.50-Eigenvalue > 1.

Table 4: Construct validity and reliability analysis of Egyptian nursing work deviant Behavior questionnaire

Component	Eigen values			KMO	Bartlett's sphericity test	KMO value (Bartlett's sphericity test) for all items	Internal reliability	
	Total	% of Variance	Cumulative %				Cronbach's Alpha	Cronbach's Alpha for all items
1. Nurses' behavior deviant	20.826	36.538	36.538	0.666	0.000	0.903(0.000)	0.73	0.96
2. Nurses' attitude deviant	7.802	13.688	50.226	0.810	0.000		0.87	
3. Nurses' ethics deviant	5.840	10.245	60.471	0.866	0.000		0.94	
4. Nurse manager deviant	3.329	5.841	66.312	0.861	0.000		0.96	
5. Nurses' performance deviant	2.682	4.705	71.017	0.889	0.000		0.93	

P < 0.001 (significant)

Discussion

A deviant behavior is each type of behavior that does not comply with the legal regulations, rules, values, norms, social culture, customs, and traditions. Deviant workplace behavior is becoming a prevalent and a very serious problem in any organization. Recently, policy makers, manager, academics, and practitioners are interested in reducing deviant work behavior among employees because it can be a very disruptive and costly issue in terms of both the financial toll it takes in the organization and the emotional toll it takes in employees (Appelbaum et al, 2007; Muafi, 2011; Fagbohunge et al, 2012; Yeşilaydin and Bayan, 2014) .

To our knowledge, there was a lack of studies concerning measuring work deviance in health care organizations nevertheless, there were a few questionnaires used in non-health care organizations (Robinson and Bennett, 1995; Robinson and Bennett, 2000; Warren, 2003; Spector et al, 2006). Although, the original questionnaires which were developed by Robinson and Bennett (2000) and Spector et al (2006) could not measure construct validity of their questionnaires, measured construct validity of Robinson and Bennett (2000) version for ensuring that the questionnaire conformed to local usage. .

Therefore, the current study aimed to develop a new questionnaire for Egyptian Nursing Deviant Behavior. An Egyptian Nursing Deviant Behavior Questionnaire (ENDB) is a measuring tool that is specifically developed to assess nurses' opinions on the extent of occurrence of deviant behavior in Egyptian health care organizations. This study provided preliminary evidence for homogeneity, stability

and construct validity of the deviant behavior questionnaire. Stability and homogeneity of the tool were demonstrated by reliability ,whereas construct validity was confirmed by using exploratory factor analyzes.

Validation was examined by an exploratory factor analysis using a principal component analysis with Varimax rotation and a factor loading criterion of 0.50 or greater (**Table 3**). According to Hair et al (1998), factor loadings of 0.40 and above were considered as practically significant. The correlation between the five dimensions ranged from 0.507 to 0.918 (**Table 3**).The findings of the present study proved that the Egyptian questionnaire was conformed with factors analysis criteria which were described by Field (2013) and Rietveld and Van Hout (1993). The results of the Varimax rotation analysis also indicated the existence of 38 items and 71.017% of the total variance can be explained by five significant dimensions with Eigen values greater than one (**Table 3 and 4**).

The findings of the present study also revealed that the five dimensions obtained through this questionnaire were not identical to those found in other questionnaires (Robinson and Bennett, 1995; Robinson and Bennett, 2000; Spector and Fox 2005; Spector et al 2006; Abdul Rahim et al, 2012; Fagbohunge, 2012). The dimensions of previous questionnaires focused on deviance behavior directed to organizational and individuals within the organizations and did not focus on the interpersonal form of work deviance in the form of attitudes, ethics and performance (Robinson and Bennett, 1995; Robinson and Bennett, 2000; Spector and Fox 2005; Spector et al 2006). The dimensions of the current questionnaire in this study focused on interpersonal deviance that may occur in the health care system and among health care providers, whether nurses, physicians, technicians or other health care personnel (**Table 3 and 4**).

Additionally, the majority of questionnaire items found in the factor analysis of Egyptian Nursing Deviant Scale were consistent with other researches focusing on the assessment of work deviance among employees (Robinson and Bennett, 1995; Robinson and Bennett, 2000; Spector and Fox 2005; Spector et al 2006; Abdul Rahim et al, 2012; Fagbohunge, 2012). These items included numerous deviance behaviors as verbal abuse, violation of organizational norms, poor co-worker relationships, poor physical work condition, interpersonal conflicts, and taking unnecessary sick leaves or leaving work early (**Table 3 and 4**).

According to the five dimensions in the present study, some items in each dimension were different from dimensions in previous studies (Robinson and Bennett, 1995; Robinson and Bennett, 2000; Spector and Fox, 2005; Spector et al, 2006). In acting behaviors for instance: (1) acts related to nurses' behavior including not following instructions and safety measures , performing unnecessary work and refuse to help other nurses; (2) acts related to nurses' attitude involving making mistakes , covering mistakes and blaming others for mistakes and take gifts from patients and hospital supplies without permission; (3) acts related to nurses' ethics comprising rumors and gossiping about their hospital and disclosing confidential information to others ; (4) acts related to behavior of nursing managers towards nurses consisting of verbal abuse and blaming nurses for his or her mistakes ; (5) acts related to nurses' performance in their units including working hours , wasting supplies , breaking time , escaping from their work ,not committing to time of attendance in their work , assigning personal responsibility to

unauthorized persons (Table 3 and 4).

The results of the present study also showed that the construct validity of the Egyptian tool was higher than construct validity of Abdul Rahim et al 2012 which formed three significant factors with Eigen value greater than one that explained 65.54 % of the total variance. In the same time, it was less than construct validity of Fagbohunge et al in 2012 who produced four factors with the total variance explained of 80.35 %. These differences can be contributed to the number of items subjected to factors analysis in each study. 57 items were exposed to factor analysis in this study while in two studies of Fagbohunge et al , and Abdul Rahim et al in 2012 , they were 28 items (Abdul Rahim et al 2012; Fagbohunge et al in 2012). In addition, sample size can play a definite role in these differences. The sample size of the present study was 250 and less than the sample size of Fagbohunge et al study in 2012 which was carried out on 696 workers and Abdul Rahim et al study in 2012 which included 355 employees (Table 1 and 4).

According to the results of Bartlett's test of sphericity and Kaiser-Meyer-Olkin (KMO) tests, there were significant inter-item correlations and a sufficient sample size related to the number of items in each research questionnaire (Table 1 and 4). A sample size of 200–300 should be considered to be adequate for a proper analysis (Polit and Beck, 2012). The KMO value of the studied Egyptian version (0.90) with statistically significant Bartlett's test of sphericity ($p < 0.001$) was higher than the KMO value of questionnaire of Fagbohunge et al and Abdul Rahim et al in 2012 which were 0.856 and 0.862 respectively. The findings of the present study showed that questionnaire items were interrelated and there was a significant correlation matrix, thus proving the appropriateness of the factor analysis of questionnaire.

Regarding the homogeneity of the studied Egyptian version of the Nursing Deviant Behavior Questionnaire, the internal consistency of the Egyptian version of the Nursing Deviant Behavior Questionnaire in the present study, which was in the highest value (0.96) recommended by researchers (Nunnally and Bernstein,1994; Bums and Grove,2001). According to Nunnally and Bernstein (1994) and Bums and Grove (2001), a reliability coefficient of Cronbach's alpha of 0.96 was considered to be the highest value for a newly developed questionnaire. On the other hand, the current study indicated a reliability coefficient of Cronbach's alpha above 0.90 for three dimensions; while that of the first dimension was 0.73 and for the second dimension, it was 0.87 (Table 4). In general, the findings of the present study revealed that the internal consistency reliability of the studied Egyptian version of the Nursing Deviant Behavior Questionnaire was higher compared to the Robinson and Bennett (2000) version of the deviance behavior questionnaire (Cronbach's alpha of 0.81) and that of Spector et al (2006) (Cronbach's alpha of 0.85).

The Egyptian Nursing Deviant Behavior Scale had an acceptable stability with a correlation coefficient (r) being 0.798 which was measured after 2 weeks for examining test– retest reliability. An acceptable inter –rater reliability was measured by Kendall's coefficient being 0.718 (Table 2). Reliability Coefficients of at least 0.70 or 70% are typically considered acceptable reliability estimates (Polit and Beck, 2003 ; Fawcett and Garity , 2009 ; Maltby et al , 2010) . The findings of the present study

represented that there was a consensus of experts on the questionnaire scale and the stability of the tested Egyptian questionnaire over the time period.

Conclusion and Recommendations:

It was evident from this study that content validity, construct validity, and reliability of the 38-item Egyptian version of the Nursing Deviant Behavior Questionnaire was acceptable and good. Five subscales of the Egyptian version had a sufficient internal consistency reliability. This newly developed Egyptian tool can be a useful questionnaire for measuring work deviance among nurses.

- It can also be used to measure work deviance among physicians and other health care personnel.
- However, further research is needed to test the utility of this questionnaire in achieving different purposes before application.
- The results of measuring deviance by this questionnaire can be first used by hospital managers and nursing managers to reduce negative outcomes of work deviance and improve the quality of care in the hospital.

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INVESTIGATING THE RELATIONSHIP BETWEEN GENDER AND JOB SATISFACTION AMONG THE EMPLOYEES OF MELLI, MELLAT, AND SADERAT BANKS IN YAZD TOWNSHIP

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Abstract

The present paper aims at investigating the relationship between gender and job satisfaction among the employees of Melli, Mellat, and Saderat Banks in Yazd Township. In terms of objectives, this research is an applied study and since the simultaneous relationship between several variables is examined, the method is regarded as correlation. Data was collected using a job satisfaction questionnaire (JDI) through survey method. Research population consists of 30 employees from one of the branches of Melli, Mellat, and Saderat Banks selected via cluster random sampling. Data analyses were carried out using Excel and SPSS. Findings indicate no significant relationship between gender and job satisfaction. Furthermore, no significant relationship was confirmed between gender and supervisor satisfaction. However, there was a significant relationship between gender and colleague satisfaction among the employees of Melli, Mellat, and Saderat Banks. Finally there was no significant relationship between gender and promotion satisfaction among these employees.

Keywords: gender, job satisfaction, employees of Melli, Melaat, and Saderat Banks

Introduction

Job plays a significant role in life quality, welfare, and happiness. Since the 1960s, consideration of job has become even more critical, and although job is an exciting challenge to individuals, it can also serve as a main source of stress in people's lives (Ansari et al., 2010). Understanding job satisfaction is critical to the organization because

experimental rules leave positive effects on employees' commitment and negative effects on the organization turnover (Rutherford et al., 2014). Job satisfaction refers to the attitudes regarding an individual's reaction, who is supposed to do a job fully or partially. Job satisfaction is an important factor in the organization and is related with factors such as job performance (Huang et al., 2015).

According to recent studies, today, organizations and companies focus on gender differences in their sales forces. These studies show that gender may establish a relationship between various backgrounds and job satisfaction. Organizations develop a better perception of relationships, which allows them achieve better strategies to increase the level of job satisfaction upon the mixture of sales force (Rutherford et al., 2014). Hence, gender seems to be one of the most effective factors in job satisfaction. Regarding the significance of this subject, the present research studies job satisfaction and its relationship with gender. Although many studies have been conducted concerning job satisfaction, the relationship between gender and job satisfaction among the employees of Melli, Mellat, and Saderat Banks of Yazd has not yet been the focus of any study, which shows that the research is utterly novel. The main objective of this study is to examine the relationship between gender and job satisfaction among the employees of Melli, Mellat, and Saderat Banks of Yazd.

Theoretical Framework

Gender: Gender refers to a set of social roles, personality traits, attitudes, behaviors, values, relative power, and influence on the society based on the two opposite sexes. Although gender is a biologic concept and is defined by genetic and exponential characteristics, it undergoes considerable changes over time, which may vary in different cultures (Esplen and Jolly, 2006). As Narssysians states, gender consists of behaviors, social roles, and social thoughts imposed by the dominant culture in each community on men and women. In respect with gender roles, certain stereotypes are observed concerning

either of the two genders in the community determining the expectation of the two genders. Furthermore, the term gender is a social concept and is different from sex which conveys the same meaning but from the viewpoint of biology (Narssysians, 2011).

It seems that most people think that sex and gender are integrated; indeed they suppose that women mean female human and men mean male human¹; however, sociologists consider a significant distinction between gender and sex. Sex refers to biological and physical differences between men and women while gender denotes personality traits, psychological characteristics, and acquisitive cultural, social, and psychological differences between men and women determined by the society (Bastani and Salehi Hikoouyi, 2007). Gender differences have been observed since long ago in various areas including economy, psychology, and trading also in different aspects of consumers such as consumption, social preferences, attitude, electronic business, and investment (Hou and Elliot, 2016).

In their Study under the title of “Job Satisfaction, Expectations and Gender: Beyond the European Union”, Linz and Semykina (2013) studied a population of 9400 employees in five former socialist economies in economic and cultural terms in order to examine gender differences in receiving rewards and to investigate whether gender has an impact on the relationship between job satisfaction and anticipated rewards. Their findings show that for women, job satisfaction is positively related with both innate and external rewards while for men, job satisfaction tends to be positively related with external rewards. Furthermore, for men the relationship is even stronger if the reward is anticipated. The same holds true for women in respect with job security rather than job satisfaction. Besides, Burgard and Gorlits (2014) in their research under the title of “Continuous Education, Job Satisfaction, and Gender” realized that there is a different between men and women in respect with education and job satisfaction. The relationship is positive for men but insignificant for

¹ <http://plato.stanford.edu/entries/feminism-gender/>

women. They also implied that financial and professional supports are sufficient for men to perceive job satisfaction while for women, these are not sufficient.

Job Satisfaction

Lak (1969) states that job satisfaction is a form of joy which can be obtained by the individual's implementation of value in his job. According to a general definition, job satisfaction is a joyful or positive emotional state resulted from a work or job experiences (Hua and Omar, 2016). Despite various, and sometimes sophisticated, definitions and concepts, job satisfaction is the intersection between many scientific fields such as psychology, management, sociology, and even economics and politics. Because of this, various concepts and viewpoints have been formed and developed concerning this concept. It must be noted that job satisfaction is one of the factors which should be considered in economic development because it is one of the most important factors in job successfulness and increases efficacy and happiness (Khodayari Fard, 2009). Furthermore, job satisfaction makes the employees work as automated and establish good relationships with colleagues (Shmailan, 2016).

In other words, job satisfaction implies individuals' various assessments and expectations of their jobs. Lak regards job satisfaction as a good mental feeling resulted from an individual's assessment of his job or job experiences. Spector (1997) considers job satisfaction as individuals' feelings toward their job. He proposes six components for job satisfaction; organization satisfaction (commitment), work satisfaction, supervisor satisfaction, colleague satisfaction, salary and rewards satisfaction, and promotion satisfaction (Seyed Javadin, 2008).

In a study under the title of "Jobs and Organizations; Explanations on the Difference in Group Level in Job Satisfaction in Banking Sector", Camber et al. (2012) studied 2733 employees from six particular banking jobs in four organizations in Belgium, and found that there is a considerable difference between group and trustworthiness in job

satisfaction in banking sector. These effects are partially made by job characteristics in personal level.

In another study under the title of “Men’s Sexual Orientation and Job Satisfaction”, Drydex (2012) examined a population of employees from a Greek university and revealed that homosexual employees feel less satisfaction with their jobs.

Organization Satisfaction (Commitment)

Organization commitment is defined as the degree of individuals’ involvement with their organizations. Organization commitment increases loyalty so that the employees will work hard to realize organizational goals. Organization commitment is a strong relationship developed between the organization and the employees (Hassan, 2016).

Marchiori and Henkin (2003) acknowledge organization commitment and state that as a result of organization commitment, employees establish relationships with the personnel and respect the goals, values, norms, and beliefs of their organization (Shaukat and Farid, 2016). Organization commitment can also be defined as the ability to identify individuals through their participation in organizational practices. Organization commitment is considered as mental and emotional attachment to the organization, based on which a highly-committed individual identifies himself by the organization, participates and gets involved with it, and enjoys being a member of the organization. Studies have shown that organization commitment affects employees’ performance and organization outputs such as sales, profitability, tendency to leave the organization, and employees’ absences. Indeed, it increases profitability and decreases the tendency to leave the organization. It also results in an increase in productivity and the quality of services through its impacts on employees’ performance (Bazvand et al., 2013).

In his study under the title of “The Effect of Organizational Behavior and Commitment; a Comparative Study”, Chong (2014) investigates the effect of three influential strategies (11 downward techniques) on organization commitment and the effect of moderating national culture in a population of 204 Japanese managers. His findings show that all the logical techniques have had inspirational pressure on organization commitment.

Furthermore, Yahaya and Ibrahim (2016) conducted a study under the title of “Leading Style and Organization Commitment; A Literature Review” in which they studied the relationship between aspects of leadership, management, and the effects of certain variables (employee’s overwork, employees’ satisfaction of the manager, leader’s efficiency) and organization commitment.

Satisfaction of Work: satisfaction of work is something beyond the boundaries of organization and company; indeed, it affects the individual’s personal life outside the organization (Gholampour et al., 2010). Generally, satisfaction of work is an individual’s feeling toward himself. Numerous studies have demonstrated that satisfaction of work is a multidimensional phenomenon affected by several internal and external factors including personal values, principles, personality, expectations and opportunity for presentation (Belias et al., 2016). This is why employees seem to seek something beyond financial rewards in their jobs wherever they work. They seek for a meaningful and promising job and try to balance their lives (Senobar and Rahimi Aghdam, 2014).

In a study under the title of “Personality Traits and Simultaneous Interactions between Job Performance and Job Satisfaction”, Yang and Hwang (2014) have investigated three important variables in management of Chinese workers; personality traits, job performance, and job satisfaction. Their findings revealed that there is a correlation between job performance and job satisfaction, also that five personality traits are considerably affected by job performance.

George and Zakkariya (2015) conducted a study under the title of “The Relationship between Stress and Job Satisfaction: a Comparative Study among Bank Employees” on a population consisting of 337 employees of banks of state and private sector and new generation. Their findings revealed that state banks have less job stress and higher job satisfaction in comparison with banks of new generation.

Supervisor Satisfaction: employees’ satisfaction of their supervisor is so important that it is one of the most important aspects of job satisfaction (Azizi, 2009). Employees’ commitment to and satisfaction of supervisors are incorporated in strategic planning as an institutional priority, and is a factor of success for four objectives; development of services,

improving employees' knowledge, skill, and interaction (2015 Employee Engagement and Satisfaction Survey).

Colleague Satisfaction: according to most employees, work environment should meet social needs of the individuals; therefore, there is no doubt that having intimate and sympathetic colleagues can increase job satisfaction. Furthermore, studies have shown that if, from the employees' viewpoint, the manager of an organization is friendly, understands the employees, and reward their good working, job satisfaction will be increased¹.

Mayer (1998) conducted a study on technical workers of a technological complex in Kansas, U.S, and found that high performance will increase job satisfaction, improve cooperative spirit, promote discipline, prevent unjustified leaving of job, and reduce occupational accidents.

Rewards Satisfaction: rewards may be the most important component job satisfaction. Income increases individuals' motivations in work situations. Furthermore, job satisfaction is realized only when rewards and payments are fair, just and indicative of employees' values (Odunlade, 2012). Akram (2012) stated that financial aspects, rewards and salary in particular, are the most important factor of job satisfaction because individual employees need to make their living. Furthermore, Kabir and Parvin (2011) argued that various variables can affect job satisfaction, including payments and rewards, promotion system, leadership, job functions, and social role (Tahir Akbar, 2013).

In a study under the title of "Perceiving Neutrality and Satisfaction with components of payment", conducted on a population of 151 employees of an international advising company, Javaher and Stone (2011) found that distribution justice is related to the level of payment satisfaction, face justice increases satisfaction of profits, and that payment structure and management of information justice improves the level and structure of management.

Promotion Satisfaction: promotion is regarded as an encouraging strategy which coordinates organizational goals with personal ones (Naveed et al., 2011). Malik et al. (2012) state that promotion is a job movement toward a position with higher importance

¹ <http://www.snn.ir/detail/News/338583/8984>

and responsibility. An employee's upward movement is usually accompanied with increased payment, position and responsibility. In another definition, promotion is regarded as "leading an employee to a higher rank". According to many researchers, promotion has a positive relationship with job satisfaction (Malik et al., 2012).

Using survey method, Pors (2003) conducted a study under the title of "Job Satisfaction among Library Managers in Denmark" found that managers in higher ranks are more satisfied than managers in lower ranks, also that the least satisfaction is corresponding to managers in middle rank. He found no significant difference in satisfaction between men and women. In another study under the title of "Gender and the Relationship between Perceived Justice in Payments, Advertisement and Job Satisfaction in the Economy of Sub-Saharan Africa", Okpara (2006) examined a population of 512 bank managers and members of the Institute of Banking Experts in Nigeria. He revealed a difference in payments and rewards between male and female bank managers in Nigeria. Due to their higher payments, male managers were more satisfied than their female counterparts. Findings also showed that gender differences were determining in promotion. Male managers were more satisfied with the promotion strategies of their organization when compared with female managers.

Methodology

The present research is an applied study in terms of objectives, and is descriptive-correlative regarding the control over variables. Having reviewed research background and existing literature on job satisfaction, gender and related concepts, research goals and hypotheses were composed as in the following:

Basic Hypothesis:

There is a significant relationship between gender and job satisfaction among the employees of Melli, Mellat, and Saderat banks.

Secondary hypotheses:

1. There is a significant relationship between gender and work satisfaction among the employees of Melli, Mellat, and Saderat banks of Yazd Township.

2. There is a significant relationship between gender and supervisor satisfaction among the employees of Melli, Mellat, and Saderat banks of Yazd Township.
3. There is a significant relationship between gender and colleague satisfaction among the employees of Melli, Mellat, and Saderat banks of Yazd Township.
4. There is a significant relationship between gender and promotion satisfaction among the employees of Melli, Mellat, and Saderat banks of Yazd Township.
5. There is a significant relationship between gender and rewards (payments) satisfaction among the employees of Melli, Mellat, and Saderat banks of Yazd Township.

One branch of Melli, Mellat, and Saderat banks were selected as the research population via random clustering. Sample size was 30 with 10 employees from each of the three banks. JDI job satisfaction questionnaire was applied for the purpose of data collection. The questionnaire is composed of 39 items examining five components; work, supervisor, colleague, promotion, and rewards (payment) with 10 items corresponding to work, 8 items corresponding to supervisor, 10 items corresponding to colleague, 5 items corresponding to promotion, and 6 items corresponding to payments. Questionnaire reliability was examined by Cronbach’s alpha and was calculated to be 0.890 for the 39 items, which is greater than 0.7 indicating acceptable reliability for the questionnaire. Furthermore, to make sure of the face validity of the questionnaire, its first edition was given to a number of experts.

Data Analyses and Findings

Descriptive Statistics

Research findings are presented in form of descriptive and inferential statistics. First, we study the distribution of variables such as age, job experience and education within the sample. Table 1 presents the results of descriptive statistics.

Table1: Demographic characteristics of the population

Variable	Class	Frequency		Percentage	
		women	men	women	men
Job Experience	Below five years	13/3	4	26/7	2

	6 to 15 years	46/7	5	33/3	7
	More than 16 years	40	6	40	6
Age	Below 30 years old	1	6	6/7	40
	31-45 years old	9	5	60	33/3
	Above 46 years	5	4	33/3	26/7
Education	Diploma	1	2	6/7	13/3
	Upper diploma	2	5	13/3	33/3
	Bachelor’s degree and higher	12	8	80	53/3
Total		30		100	

Table 2 summarizes the statistical indicators of the variables of job satisfaction among men and women.

Table2: statistical indicators of the values of variables of job satisfaction among men and women

Variables Indicators		Mean	Standard Deviation	Standard Error	Variance	skewness	Strain
Men	Work satisfaction	35.73	1.21	4.69	22.06	-0.446	-0.789
	Supervisor satisfaction	31.60	1.42	5.52	30.54	-0.569	-0.027
	Colleague satisfaction	34.86	1.37	5.31	28.26	-1	0.635
	Promotion satisfaction	14.86	1.05	4.08	16.69	-0.005	0.479
Women	Payment satisfaction	16.13	1.008	3.90	15.26	-0.207	-0.682
	Work satisfaction	37.46	1.53	5.92	35.12	-0.674	0.714
	Supervisor satisfaction	34.46	1.36	5.28	27.98	-0.602	0.047
	Colleague satisfaction	39.53	1.84	7.13	50.83	0.249	-0.336
	Promotion satisfaction	16.13	1.44	5.60	31.41	-0.430	-0.340
	Payment satisfaction	16.60	1.73	6.70	44.97	0.235	-0.017

According to table 2, the mean amount of work satisfaction was 35.73 for men and 37.46 for women, which shows that women were slightly more satisfied with their work than men.

In respect with supervisor satisfaction, the mean was 31.60 for men and 34.46 for women, which again shows that women were slightly more satisfied with their supervisors in comparison with men.

In respect with colleague satisfaction, the mean was 34.86 for men and 39.53 for men, which shows that women were more satisfied with their colleagues than men.

In respect with promotion satisfaction, the mean was 14.86 for men and 16.13 for women,

which shows higher satisfaction for women.

Finally in respect payments (rewards) satisfaction, the mean was 16.13 for men and 16.60 for women, which does not show a significant difference in payment satisfaction between men and women.

Furthermore, since the value of skewness and strain was within the range (-2 and 2) for all variables, it can be said that the data were normally distributed.

Inferential Statistics

Here, we examine the relationships between the variables. In this research, hypotheses were tested and analyzed using SPSS.

Tble3: T-test for the two independent groups of men and women

Variable		Mean	SD	T	Degree of freedom	significance
Work satisfaction	men	35.73	4.69	-0.888	28	0,03
	women	37.46	5.92			
Supervisor satisfaction	men	31.60	5.52	-1.451	28	0.1
	women	34.46	5.28			
Colleague satisfaction	men	34.86	5.31	-2.032	28	0.05
	women	39.53	7.13			
Promotion satisfaction	men	14.86	4.08	-0.707	28	0.4
	women	16.13	5.60			
Payment satisfaction	men	16.13	3.90	-0.233	28	0.8
	women	16.60	6.70			

According to table 3, the level of significance for work satisfaction was 0,03. Since this value is smaller than 0.05, the first hypothesis is rejected and hence, there is no significant relationship between gender and work satisfaction among the employees of Melli, Mellat, and Saderat banks. The level of significance for supervisor satisfaction was 0.1, which is greater than 0.05. Therefore, there is no significant relationship between gender and upervisor satisfaction among the employees of Melli, Mellat, and Saderat banks; hence, the second hypothesis is also rejected. Furthermore, the level of significance for colleague satisfaction was 0.05; therefore, the third hypothesis is confirmed, hence, there is a

significant relationship between gender and colleague satisfaction among the employees of Melli, Mellat, and Saderat banks. The level of significance for promotion satisfaction and payment satisfaction was 0.4 and 0.8, respectively. Therefore the fourth and fifth hypotheses were also rejected. Indeed, no significant relationship was observed between gender and promotion satisfaction among the employees of Melli, Mellat, and Saderat banks, or between gender and payment satisfaction.

Conclusion and recommendations

The current study was conducted to determine the relationship between gender and job satisfaction among the employees of Melli, Mellat, and Saderat banks. The findings are in agreement with those of study conducted by Pors (2003) while are contradictory to those of the studies conducted by Zare Shah Abadi et al. (2012), Kaldi and Samvatian (2008), Norouzi and Chamrlou (2013) and Kim et al. (2009).

Using survey method, Pors (2003) conducted a study under the title of “Job Satisfaction among Library Managers in Denmark” found that managers in higher ranks are more satisfied than managers in lower ranks, also that the least satisfaction is corresponding to managers in middle rank. He found no significant difference in satisfaction between men and women.

Zare Shah Abade et al. (2012) investigated the relationship between job satisfaction and social happiness in high schools of Jiroft. Their findings showed that job satisfaction and social happiness vary significantly with gender but do not vary significantly with marital status, major, and level of education.

Kaldi and Samvatian (2008) investigated the effective factors in job satisfaction among male and female employees of Social Security Organization of Tehran. Their findings revealed that 84 percent of the employees of Social Security Organization of Tehran are satisfied with their jobs. The amount of satisfaction of management was 81 percent, and the amount of satisfaction of payments was 61 percent; however, this amount was different between men and women. Indeed, men were more satisfied than women. In other hypotheses of their study including age, job experience, education, type of employment, and marital status, no significant relationship was confirmed. Furthermore, Norouzi and

Chamrlou (2013) investigated the relationship between gender, job satisfaction, and innovation of librarians in public libraries of Markazi. They showed that there is a correlation between gender and job satisfaction among the librarians in public libraries of Markazi. Furthermore, Kim et al. (2009) investigated the moderating effects of gender and organizational level in the relationship between role stress and job satisfaction among hotel employees. Findings confirmed a significant relationship between gender and job satisfaction of hotel employees.

According to the results of the present research, there is no significant relationship between gender and supervisor satisfaction among the employees of Melli, Mellat and Saderat banks; therefore, the second hypothesis is rejected. Supervisors should ignore gender when treating or rewarding the employees and should treat both men and women equally. However, there is a significant relationship between gender and colleague satisfaction among the employees of Melli, Mellat and Saderat banks; therefore, the third hypothesis is confirmed. This finding is in agreement with those of Zare Shah Abadi et al. furthermore, the results show that there is no significant relationship between gender and promotion satisfaction among the employees of Melli, Mellat and Saderat banks; therefore, the fourth hypothesis is rejected. This finding is contradictory to those of Zare Shah Abadi et al. (2012) and Fallah Mahnah and Asadian (2005). Fallah Mahnah and Asadian (2005) investigated the effective factors in job satisfaction of teachers. They reported a significant relationship between social status and job satisfaction.

Furthermore, the findings reject the fifth hypothesis. This finding is also contradictory to those of Zare Shah Abadi et al. (2012) and Fallah Mahnah and Asadian (2005). Rewards and payments should be regardless of the employees' gender on the part of the managers and employers.

Since the present research show the relationship between gender and job satisfaction among the employees of Melli, Mellat, and Saderat banks of Yazd Township, the findings can be useful to the centers providing psychological services to employees and clients. With regards to the theoretical background, foreigner studies, and the findings of this study, it can be concluded that increasing employees' job satisfaction can guarantee their

successfulness.

NURSES' ORGANIZATIONAL TRUST: ITS IMPACTS ON NURSES' ATTITUDES TOWARDS CHANGE IN CRITICAL CARE AND TOXICOLOGY UNITS

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Abstract:

Trust as an organizing principle is uniquely suited to absorb uncertainty and complexity during organizational change. Therefore, trust improves an organization ability to change. The study aimed to investigate the impact of nurses' organizational trust on nurses' attitudes towards change. A cross-sectional descriptive correlation study was conducted amongst 236 nurses working in critical care and toxicology units at Alexandria University Hospitals. Organizational trust and organizational change questionnaires were tested for reliability and construct validity before applying them. There were moderate trust and positive attitudes toward change amongst nurses. Nurses' organizational trust showed a highly significant relationship with nurses' attitudes toward change. Additionally, trust in the healthcare organization was lesser than trust in nurses' colleagues and trust in managers and was represented by a weak correlation with attitude to change among nurses. The study concluded that nurses, who possess a high degree of trust, are most likely to drive the change initiative successfully. On the other hand, nurses who were less trusting in the hospital were less likely to contribute towards organizational change.

Keywords: trust, organizational, nurses, attitude, change

Introduction:

Increasing competition, both in public and private healthcare sectors raises the interest in improving the quality of health care services. Trust is a common phenomenon within health care organizations that plays a major role in the quality of nursing care, and health care relationships, as it forms the basis of engagements between nurses and their patients, as well as other healthcare professionals (Peter and Morgan, 2001; Halliday, 2004; Mechanic, 2004). Trust is an important concern in many types of relationships, including relationships between co-workers, between an employee and his or her supervisor, and between employees and top management (Trussell, 2015). According to Nyhan and Marlowe (1997) and Nyhan (2000), trust can be defined as the level of confidence that one individual has in another's

competence and his or her willingness to act in a fair, ethical, and predictable manner.

Organizational trust is the way by which an employee perceives the support offered by the organization and his/her confidence in leaders or associates that they are honest and true to their word (Demircan and Ceylan, 2003). It also includes interpersonal trust and institutional trust (Mayer et al, 1995). Interpersonal trust is divided into lateral trust and vertical trust. Lateral trust has been defined as the trust of employees with each other and vertical trust is the trust between the employees and managers in the organization (Ellonen et al, 2008). Institutional trust refers to one's belief regarding the ability of institutional structures to enhance the successful attitude and future of a person (McKnight et al, 1998).

Organizational trust is an important issue as it can have great advantages for a successful organizational change (Kiffen-Peterson and Cordery, 2003; Moye and Henkin, 2006; Vakola et al, 2011). It is an important variable in organizational change for the stability of the cooperative atmosphere (Korsgaard et al, 1995; Nikandrou et al, 2000). Organizations undergoing change face uncertainty and an increased need for coordination and communication associated with the transfer and learning of new skills (Mishra, 1996; Bruckner et al, 1997). People need a minimum amount of trust in their leaders and co-workers in order to provide and receive vital information and comfortably absorb the uncertainty created by organizational change (Bradach and Eccles, 1989). Therefore, trust in management is essential in order to achieve major organizational change, involving extensive structural, philosophical and value changes within the health care organizations (Moye and Henkin, 2006; Kiffen-Peterson and Cordery, 2006).

Many health care organizations concentrated their efforts on designing and implementing an adequate plan for change to manage and improve the quality of health care (Goetsch and Davis, 2006). Change is concerned with solving the problems and challenges of an organization. Change has been defined as breaking down existing structures and creating new ones (Chonko, 2004). Eventually, change might be small or large, but its effects on employees' attitude and behavior might be huge (Shah and Shah, 2010). Attitudes towards change are the internal state that influences the individual's choices of personal action or a response tendency towards the change (Bianey et al, 2004). There are three types of attitudes towards change; *affective, cognitive and behavioral*. **The affective component** consists of the feelings a person has toward an attitude object, which involves evaluation and emotion, and is often expressed as like or dislike for the attitude object. **The cognitive component** of an attitude consists of the information a person possesses about a person or thing which is based on what a person believes to be true. **The behavioral tendency** concerns the way a person intends to behave toward an attitude object (Dunham et al, 1989).

Globally, there are many studies investigating the relationship of organizational trust with job satisfaction, empowerment, organizational commitment, justice and citizenship behavior among nurses (McCabe, 2000; Altuntas and Baykal, 2010; Oyer, 2011 ;Ahmed et al , 2014; Su-Yueh Chen et al , 2015; Fard and Fariba, 2015; Hsu et al, 2015). Although few Studies describe the relationship between organizational trust and organizational change among employees (Hay, 2002; Mino ,2002; Brittle , 2006; Golisyvanani ,2015) , there is still a need to study the link between nurses' organizational trust and nurses' attitude to change. Therefore, the present study was conducted to fill this gap and try to describe

trust level among nurses and their attitudes towards change as well as to investigate the impact of nurses' organizational trust on nurses' attitudes towards change.

Material and Methods:

Study Setting: the study setting included 14 Critical Care and Toxicology Units within the Alexandria University Hospitals.

Study design: Cross-sectional descriptive correlation study

Sample size: 236 nurses who were willing to participate in the study after obtaining informed consent and explaining the purpose of the study to them.

Data collection: the data were collected by the studied questionnaire. It consisted of

(1) **Demographic characteristics:** as the nurses' age, job title, the length of their experience in hospital and their experience after transfer to critical care and toxicology units.

(2) **Nurses' organizational trust scale:** this scale was developed by Boe (2002) and contained thirty-four items, that were further adapted to Egyptian nurses by Ahmed et al (2014). The adopted scale among Egyptian nurses was only tested by Ahmed et al, (2014) for internal consistency reliability but was not tested for validity. In the present study, both the reliability and validity were measured.

Internal consistency reliability was tested by Cronbach's alpha value. Factor analysis was used to ensure validity and adequacy of the sampling study. The principal component analysis with varimax rotation was applied. The factor analysis for 34 adapted items produced 30 items that were distributed into three factors with the total variance explained by 70.036%. Keiser-Meyer Olkin (KMO) measure of sampling adequacy was considered acceptable at 0.736. Factor loadings of 0.50 and above were considered. The first factor was named "trust in nurses' colleagues" and involved 8 items with estimated Cronbach's alpha of 0.761. The second factor was expressed as "trust in the first line nurse manager" and included 8 items with Cronbach's alpha of 0.742. The head nurse is the first line manager in health care organization (McConnel, 1993). The third factor was labeled "trust in healthcare organization" and contained 14 items with Cronbach's alpha of 0.689. The Cronbach's alpha value of the scale as a whole was 0.895 (**Table 1**). These values indicated that the questionnaire was reliable and valid. The 30 item-scale was answered via a five -point Likert scale ranging from "1=strongly disagree" to "5=strongly agree."

Table (1): Factor analysis results of organizational trust questionnaire and Cronbach's Alpha values

Nurses' organizational trust statements	Trust in nurses' colleagues	Trust in first line nurse manager	Trust in health care organization
(1) If I have a problem at work, I know my coworkers will try to help me out	.976		
(2) The people I work with pull together to get the job done	.982		
(5)I feel that my coworkers and I will cooperate fairly	.978		
(7)I have confidence in the abilities of my coworkers	.789		
(8)Most of my coworkers would get the job done even if the boss was not around.	.966		
(25)I feel competent in my ability to do this job well in the unit	.775		
(31)The workers here resent someone who works hard	.974		
(33)The workers in this organization are supportive of each other	.653		
(12) My supervisor is competent		.925	
(13) The managers in this organization work together to get the job done		.976	
(14) The managers of this organization help everyone to understand what needs to be done		.982	
(19) My supervisor is a person of integrity		.679	
(26)The managers in this organization appreciate and acknowledge a job well done		.982	
(27)On this job, I often learn new things and improve my skills		.957	
(29)The managers in this organization reward personal loyalty first, then performance		.531	
(34) The managers set a good example for others through their work habits		.672	
(4)The management of this organization tries to understand the workers' point of view.			.812
(6)The management of this organization would be willing to deceive employees if they thought it would give them an advantage			.557
(11)management of this organization makes decisions that will be good for the future			.747
(15)This organization shows its concern for its "customers" by giving them high- quality products and/or service.			.564
(16) This organization is helping us to attain new nursing practices			.786
(17)This organization acts in a socially responsible manner and takes steps to be a good citizen of the community.			.638
(18)This organization is honest in its business dealings			.554

(20)People in this organization are more concerned with looking good in the eyes of the boss instead of being concerned with doing good work			.523
(21)If they have an opportunity, workers in this organization will cause trouble for other workers			.840
(22)I feel as if my ideas are valued by this organization			.620
(23)This type of work offers its own rewards: I like to do it			.754
(24)The people in this organization work to the best of their ability			.587
(28)This organization values employee input when resolving problems			.754
(32) My job is frustrating and/or routine, I work here because I get a paycheck			.743
Eigen values	15.791	4.779	3.106
% Variance Explained	46.443	14.056	9.137
Total % Variance Explained	46.443	60.499	70.036
KMO & Bartlett's Test of Sphericity for all items	.736(.000)		
KMO & Bartlett's Test of Sphericity	.748(.000)	.814(.000)	.717 (.000)
Cronbach's Alpha of total scale	.895		
Cronbach's Alpha	.761	.742	.689

(3) **Nurses' organizational change scale:** the organizational change scale was adopted for measuring nurses' attitudes toward organizational change. The nurses were asked to indicate their level of agreement with statements on the organizational change by using a 5 point Likert -type scale ranging from 1 strongly disagree to 5 strongly agrees. This questionnaire was developed by Dunham, et al (1989). It was used to measure nurses' attitude toward change in an Egyptian Hospitals by Nafei (2013). Reliability of adopted questionnaire among Egyptian nurses was tested in Nafei study (2013).

In this study, in order to make sure that the questionnaire was applicable in Egyptian Hospitals, the construct validity of the items was established through the application of factor analysis.

- The factor analysis for 18 adapted items excluded two items and produced 16 items into three dimensions with Eigenvalue above one.
- The Eigen values were 9.481, 3.556, and 2.896 for dimensions one, two and three, respectively.
- The three significant dimensions could account for 81.967 % of the total variance and the variances explained of the test were 55.773 %, 15.037 %, and 11.156 % for the three dimensions.
- Factor loadings of 0.50 and above were considered in this study.
- KMO value was in the acceptable range for the whole questionnaire (0.769) and three dimensions (the first dimension was 0.677, the second dimension was 0.761 and the third dimension was 0.704).
- Bartlett's test of sphericity was established to be significant for the questionnaire and the three dimensions.

The valid organizational change questionnaire contained 16 items in three dimensions (**Table 2**): (a) cognitive included 7 items; (b) behavioral consisted of 4 items; and (c) affective involved 5 items. The

cognitive dimension expressed nurses' views on the advantages and disadvantages, benefits, requirements, and knowledge needed to manage change. The behavioral dimension is the action taken or to be taken in the future to support or resist change. The affective dimension refers to feelings associated with satisfaction or dissatisfaction and in making the changes. The reliability test was subsequently carried out after factor analysis. Cronbach alpha coefficients of internal consistency for three dimensions were as the following: 0.88 for the cognitive, 0.97 for the behavioral, 0.94 for the affective, and 0.96 for the total scale (Table 2).

Table 2: Factor analysis results of nurses' organizational change questionnaire and Cronbach's Alpha values

Nurses' attitudes towards change	Cognitive attitude to change	Behavioral attitude to change	Affective attitude to change
(1) I would look forward to such changes at my hospital	.895		
(2) The changes would benefit my hospital	.824		
(5) Most hospital members would benefit from the changes.	.898		
(11) Other people would think that I support the changes	.824		
(10) The changes tend to stimulate me.	.858		
(14) The changes would help improve unsatisfactorily situations at my hospital	.757		
(16) I would find going through these changes to be pleasing	.898		
(6) I would be willing to try the changes.		.891	
(9) I would support the changes.		.909	
(8) The changes would help me perform better at work.		.895	
(15) I would do whatever possible to support the changes		.898	
(4) I don't like the changes.			.798
(12) I would suggest these changes for my hospital			.802
(13) Most of the changes are irritating.			.816
(18) I would hesitate to press for such changes			.798
(17) I would benefit from the changes			.788
Eigen values	9.481	3.556	2.897
% Variance Explained	55.773	15.037	11.156
Total % Variance Explained	55.773	70.811	81.967
KMO & Bartlett's Test of Sphericity for all items	.769(.000)		
KMO & Bartlett's Test of Sphericity	.677(.000)	.761 (.000)	.704(.000)
Cronbach's Alpha of total scale	0.96		
Cronbach's Alpha	0.88	0.97	0.94

Pilot study: Adopted questionnaires were translated from English into Arabic. A pilot study was conducted to verify understanding and clarity of questionnaires before distributing them to the study population. A total of 25 questionnaires were distributed to 25 nurses. After three weeks, the same questionnaires were distributed to the same 25 nurses. Then the returned 25 pilot questionnaires were tested and re-tested for reliability among nursing staff. Test-retest reliability demonstrated stability at $r=0.845$.

The researchers interviewed nurses to describe the study, answer any inquiries and clarify questionnaire items. The researchers asked nurses to describe their agreement or disagreement on questionnaire statements. Filling the questionnaires was by a self-administered technique which took about 30 minutes. All nurses' responses were handled by confidentiality and were anonymous. The total nurses' responses were scored and estimated. The mean scores were calculated. The mean scores of each questionnaire were classified as the following: Fair = < 3 ; moderate = $3 - 3.9$; high = ≥ 4 .

Statistical analysis: entry and analysis of data were performed by using SPSS version 18. Data were presented using descriptive statistics in the form of frequencies, percentages, means and standard deviations for quantitative variables. Reliability analysis was tested by Pearson's product moment correlation and Cronbach's alpha while construct validity was assessed by factor analysis. Correlation and regression analysis was used for identifying the relationship between nurses' organizational trust and nurses' attitudes towards change.

Results

Table 3 illustrates the distribution of critical care and toxicology nurses who participated in the study according to personal characteristics. It was revealed from the table that 5.5% of the study sample were head nurses and more than half were staff nurses, while 28.9 % were professional nurses and 14.0 % had technical nursing diploma. Nurses aged from 30 to 39 years constituted 41.5 % of the total number of nurses and 5.5% were 50 years old and above. Nearly a third of the nurses had less than 10 years of experience in hospital against 27.1 % having 20 or more years of experience in the hospital. 34.7% were employed in their units about less than 10 years and 15.3% have spent 20 years and more in their critical care and toxicology units.

Table 4 present mean scores of nurses' organizational trust and nurses' attitudes toward change from nurses' perspectives. It was clear that overall mean scores of nurses' organizational trust were 3.38 ± 0.592 . The highest mean scores of nurses' organizational trust were "trust in nurses' colleagues" (3.87 ± 0.608) and "trust in the first line nurse manager" (3.55 ± 0.577) while the lowest mean scores were "trust in the healthcare organization" (2.73 ± 0.490). Concerning the nurses' attitude to change, the highest mean scores were the affective dimension (3.34 ± 0.795) and cognitive dimension (3.09 ± 0.929) while the lowest

mean scores were in the behavioral dimension (3.01 ± 0.870). The overall nurses' attitudes toward change were 3.14 ± 0.517 .

Table 5 describes the relationship between nurses' organizational trust and nurses' attitude towards change. It was shown that trust in nurses' colleagues and trust in the first line nurse manager had a highly significant positive correlation with nurses' attitude to change ($r = 0.833$, $P < 0.01$ and $r = 0.813$, $P < 0.01$ respectively). Trust in the healthcare organization has a weak statistical positive correlation with nurses' attitude to change ($r = 0.194$, $P < 0.01$). The overall nurses' organization trust had a strong statistical positive correlation with nurses' attitude to change ($r = 0.827$, $P < 0.01$).

Table 6 illustrates regression results of nurses' organizational trust and nurses' attitude towards change. It was demonstrated that trust among nurses in the study units had a positive and significant impact on nurses' attitudes towards change (Beta = 0.827 , $P < 0.01$). B value indicated that as the trust among nurses increased, their attitude toward change also increased (1.029). Total variance (R^2) of nurses' attitudes to change was adequately affected trust among nurses (0.683 i.e. 68.3%). The F-test was 674.583 with statistically significant ($P < 0.01$) relationship between trust among nurses and nurses' attitudes toward change.

Table (3): Distribution of critical care and toxicology nurses who participated in the study according to personal characteristics

Personal characteristics	Critical care & Toxicology Nurses n=236	
	No.	%
Job title		
Head nurses	13	5.5
Professional nurse	68	28.9
Technical nurse	33	14.0
Staff nurse	122	51.6
Age		
20-	81	34.4
30-	98	41.5
40-	44	18.6
50+	13	5.5
Years of experience in hospital		
< 10	75	31.8
10-	97	41.1
20+	64	27.1
Years of experiences in critical care & toxicology units		
< 10	82	34.7
10-	118	50.0
20+	36	15.3

Table (4): Mean scores of nurses' organizational trust and nurses' attitudes towards change from nurses' perspectives

	Mean	SD
Nurse' organizational trust		
Trust in nurses' colleagues	3.87	0.608
Trust in nurses' manager	3.55	0.677
Trust in healthcare organization	2.73	0.490
Overall nurses' organizational trust	3.38	0.592
Nurses' attitudes toward change		
Cognitive	3.09	0.924
Behavioral	3.01	0.870
Affective	3.34	0.795
Overall nurses' attitudes toward change	3.14	0.517

Table (5): Relationship between nurses' organizational trust and nurses' attitudes towards change

Nurses' attitudes towards change	Trust in nurses' colleagues	Trust in Nurses' managers	Trust in health care organization	Overall nurses' organizational trust
Cognitive	.817(**)	.774(**)	.596(**)	.800(**)
Behavioral	.813(**)	.819(**)	.616(**)	.823(**)
Affective	.428(**)	.426(**)	.298(**)	.423(**)
Nurses' attitudes toward change	.833(**)	.813(**)	.194(**)	.827(**)

** Pearson's Correlation (r) is significant at the 0.01 level (2-tailed).

Table (6): Regression results of nurses’ organizational trust and nurses’ attitudes towards change.

Nurses’ attitudes toward change	Nurses’ organizational trust								
	B	Beta	T	Sig.	F	Sig.	R2	Adjusted R2	Std. Error of Estimates
Cognitive	1.607	.800	23.520	.000	553.184	.000	.639	.638	.66192
Behavioral	1.199	.823	25.563	.000	653.490	.000	.677	.676	0.45430
Affective	.282	.423	8.246	.000	67.994	.000	.177	.176	.33176
Nurses’ attitudes toward change	1.029	.827	25.973	.000	674.583	.000	.684	.683	.38396

P < 0.01 (significant)

Discussion:

Trust is a vital asset of high functioning organizations (Fard and Fariba, 2015). Trust is created as an important structure in the wide range of management, leading to collaboration among people, groups, and organizations. All organizational relations are established based on trust. So, it is important that organization managers and employees consider the importance of trust, promotion and their role in building trust (Fard and Fariba, 2015; Hsu et al, 2015). The concepts of trust have been the primary factor in determining the success of any change effort, and thus, the success of the organization itself. Internal changes have included some sort of large-scale change with the purpose of improving the organization’s effectiveness and quality (Mino, 2002). The purposes of the current study described the level of trust among nurses and their attitudes towards change as well as to investigate the impact of nurses’ organizational trust on nurses’ attitudes towards the change.

The findings of the present study revealed that the level of nurses’ attitude towards change amongst nursing staff was moderate; in relation to cognitive, behavioral and affective dimensions. The results also showed that there was a moderate level of trust amongst nurses in the study units (**Table 4**). The level of trust among nurses in the present study was lesser than that found in a Turkey study in 2010 where nurses had a higher than average level (>4) of trust (Altuntas and Baykal,2010) . The results of the current study evident that trust level among nurses had a significant impact on nurses’ attitude towards changes (**Table 5 and 6**). Similar findings were reported by several studies conducted in other countries as in Iran, UK, and the USA. These studies indicated that organizational trust had a significant effect on the organizational change (Hay,2002; Mino,2002; Brittle,2006; Golisyvanani,2015).

The findings of the present study point that nurses had a higher level of trust in their colleagues and first-line nurse managers than in their health care organization (**Table 4**). These results are in accordance with

a study in Turkey in 2010 where nurses trusted more in their managers and coworkers than in their institutions (Altuntas and Baykal, 2010). Trust of nurses in their colleagues and first-line managers can significantly influence the general level of trust among nurses (**Table 4**). Also, the trust of nurses in their colleagues and first-line nurse managers can significantly influence the whole nurses' attitude to change (**Table 4 and 5**).

The present study highlights presence of a discrepancy between nurses trust in their colleagues and first-line nurse manager against trust in health care organization (**Table 4**). These results were surprising because the nurses trust in their colleagues and first-line nurse managers; normally would result in their health care organization (**Table 4**). These findings were also contradictory to the normal pattern of trust.

Trustworthy relationships between nurses themselves, colleagues and first-line nurse managers can be attributed to three reasons; the first reason was Egyptian culture. The Egyptian personality tends to help others, build close friendly and social relationships and respect these relations. In Egyptian hospitals, these relations refer to the informal relationships which are characterized by friendship and sharing their social life as take tea, breakfast together, visiting each other during vacations, helping each other during times of difficulties and sharing social ceremonies which result in increasing personal satisfaction and nurses' trustworthiness in peers and managers. Moreover, the findings of the present study were similar to those reported in the study of Turkey in 2014 which was found that trust was influenced by the dynamics of interpersonal relationships (Erdem and Özen-Aytemur, 2014).

The second reason for increased trust in colleagues was that the nurses felt that they had an equal power of authority and the same competencies among each other (**Table 3**). Consequently, they would be able to guide and influence their colleagues to accepting or refusing newly plans of organizational change. These findings are generally in line with Erdem and Özen-Aytemur study in 2014.

The third reason for high trust in colleagues and managers was restricted transfer and promotion of nurses. The nurses in the study units were transferred to another unit only in case of liability or disciplinary action or when were needed to cover the shortage of nursing staff in any hospital unit. They were also promoted to higher hierarchy management positions in their units and rarely promoted in other units. As a result of restricted transfer and promotion of nurses and managers from a unit to another, they were working for a long time and for many years in the same units until they reached to retirement. Thereby, they built close friendly and social relationships with their colleagues and managers which had a positive impact on increasing nurses' attitude to change. The present study proved that there was a strong positive correlation between the trust in nurses' colleagues and their managers and nurses' attitude to change (**Table 5**). Kramer (1999) mentioned that trust leads to greater levels of cooperation, more effective deployment of organizational resources and ensures the fulfillment of an organizational goal and change. These findings were congruent with those two studies in Turkey in 2010 and 2014 (Altuntas and Baykal, 2010 ; Erdem and Özen-Aytemur, 2014).

Young (2009) has suggested that when employees feel trusted in top management, they will experience positive attitudes and deliver better performance. The findings of the current study showed that nurses

were giving fewer amounts of trust in their health care organization (**Table 4**). These findings of the present study can be explained by the fact that nurses considered the hospital as a part of regimen which they felt its injustice to them. They also felt of inequity in performance appraisal, rewards, incentives and recognition. Halbesleben et al (2004) argued that unidirectional trust may be explained by inequity theories. Many nurses also felt that middle and senior management did not provide them with the necessary financial or moral support to do their work.

Poor management involved organizational bureaucracy and autocratic managerial structure resulting in slower decision making. The nurses in the present study units were generally dissatisfied with the top management of hospital regarding attitudes and decisions in solving nursing staff problems such as heavier workloads, longer hours of work, understaffing, over time, unfilled vacancies, and work stress due to an inadequate number of nurses working in the hospital. Allisey et al, (2014) suggested that organizations that monitor work stress levels should monitor trust levels among their employees. Also, improper delegation of work and under-funding of nursing staff training and development were ways to shut the door on nurses' trust. These feelings resulted in nurses building a defense mechanism toward the whole hospital and its representatives. These findings were generally similar to those of several studies conducted in many countries such as Taiwan, Turkey, USA and the UK from 2000 to 2015 (McCabe, 2000; Altuntas and Baykal, 2010; Hsu et al, 2015; Trussell, 2015).

Additionally, there was a low level of direct personal contact and poor communication between nurses and hospital administrators. Poor communication was identified as one of the main barriers to the development of trust. The nurses said that, organizational change had been poorly managed, with little meaningful staff communication. The top manager should communicate the purpose of changes to nurses and provide assurances regarding possible negative consequences of the change. These actions are taken in order to ensure the nurses' support to the change (McCabe, 2000; Mino, 2002). These results are agreement with other studies conducted in Turkey in 2010, in the USA in 2006, and in the UK in 2000 and similar to those found in two studies conducted in Egypt in El- shatby Pediatric University Hospital in 2009 and in Alexandria University Students' Hospital in 2005 (McCabe, 2000; Mostafa , 2005; Owen and Powell,2006; Altuntas and Baykal,2010; Aly ,2009).

Less trust in the hospital would be also associated with an increasing conflict in the work environment between nurses, physicians, and top administrators, which would decrease the confidence, morale and job satisfaction of many nurses, and increase frustration. Low trust of nurses in the healthcare organization was resulting in increasing levels of nurses' resistance to change, reduced nurses' attitude to change, and hence low quality of care (Skinner et al, 2004; Halliday, 2004; Tallman, 2007).

Trust has a significant role in increasing people's participation in the organizational change and improves the quality of nursing care. Trust in management is necessary if health service organizations aim to maintain the quality of care and manage organizational change successfully (Skinner et al, 2004). Nurses were less likely to contribute towards organizational change when there was a low level of trust in

their hospitals. Less trust in the organizational environment can lead to a weak positive correlation between nurses' perceptions of trust in hospital and nurses' attitude to change as detected by the current study (**Table 5**). The results of the present study were in vein with the Canada study in 2007 and three studies in the UK from 2000 to 2004 (McCabe, 2000; Skinner et al, 2004; Halliday, 2004; Tallman, 2007).

Moreover, the lower trust in the hospital can be related to inadequate working conditions, an insecure job as lack of periodic employment examination, insufficient safety and infection control measures in the working environment, lack of immunization and lack of policies and procedures. Also, nurses did not feel they were respected from top administrators and medical staff. Whitener et al (1998) suggested that organizational factors such as structure, human resource policies, procedures, and organizational culture would affect employees' perceptions of trust. These results of the present study confirmed those of Egyptian studies in different settings from 2002 to 2013 (Aly, 2002; Mabrouk, 2006; Aly, 200 ; EL Sayed and Sleem, 2011; Sayed and Ibrahim, 2012; Ismaiel et al, 2013) as well as the findings of other studies in China and in several European countries as Germany, Switzerland, and Austria in 2005 (Kiefer, 2005; Wong et al, 2005).

The lowest trust in the hospital can be also attributed to a lack of autonomy given to perform the job and involvement in the decision. Trust in top management will depend on how and to what extent the management gives subordinate freedom to decide how to act (McCabe, 2000). Procter and Mueller (2000) published that team working requires a high trust management style allowing workers the necessary autonomy to carry out their jobs. Similar findings were found in two Egyptian studies in 2009 and 2005 (Mostafa, 2000;Aly, 2009).

Conclusion

The current study indicated that trust of nurses in their colleagues and first -line nurse managers were stronger than in their hospitals. The whole nurses' attitudes toward changes were moderate and were related to cognitive, behavioral and affective dimensions. These results can be attributed to many reasons as a culture, interpersonal, management and organizational factors. The major finding of this study is that the nurses' organizational trust had a significant positive association with their attitudes towards change. However, the organizational change was more strongly related to trust in nurses' colleagues and first line managers than in the hospital.

Finally, establishing a trusting environment is an important issue for hospitals. It is necessary that nurses trust their colleagues, managers, and hospital to provide effective and efficient nursing care to patients. Furth more, it is essential to build trustworthy relationships among nurses for developing nurses' cooperation, participation in the change process, decreasing nurses' resistance to change and increasing nurses' attitude to change. These will be resulted in fostering organizational change, enhancing the efficiency of the organization, improving the quality of care and enhancing the competitive position of the hospital in health care markets. Therefore, nursing managers should pay their attention to determining reasons that hinder trustworthy environment and eliminate these reasons.

Further research: further studies are needed to focus on demonstrating the effect of nurses' organizational trust on nurses' performance, implementation of quality efforts and nurses' compliance with managers' decisions in the hospitals. In addition, studies are needed to describe the effect of leadership style and behavior in establishing a successful trustworthy atmosphere in the hospitals.

Recommendations: To build trusting relationships in the hospital among nurses and increase trustworthy environment for enhancing nurses' attitude towards change, the nurse managers should focus on the following:

1. Rewarding system: building a fair and attractive reward system.
2. Fairness among nurses: Fairness in allocation of resources, nurses' rights and benefits.
3. Supporting the nursing staff: providing sufficient and fair support to nursing staff and avoid nursing staff felt that they did not respect.
4. Nurses involvement in decision making:
 - Providing equal opportunities for nursing staff to participate in the decision- making process.
 - Moving towards decentralization and putting their nurses in the process of decision making and assigned to them the authority necessary to carry out these duties.
5. Solving problems: when nursing staff face difficulties, the nursing managers should try to solve their problems.
6. Communication and relationship:
 - Encourage nurses to improve the professional working relationship and communication between nursing staff and the representatives of the hospital.
 - Promote positive workplace interaction, through open communication with nurses.
7. Working environment :
 - Provide more flexible working hours and less stressful work environments.
 - Create a familiar environment for nurses as sharing knowledge and experience, group training events, lunches or group tours.
 - Redesigning tasks and offer a pleasant working environment for nurses.
8. Management style and practices: Managers should be
 - Consistent and flexible.
 - Accessible, approachable, and involved.
 - Objective', 'fair' and 'respectful' to all nurses working in their units.
 - Able to find which factors are essential for establishing trust environment.
 - Fairness in performance appraisal

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BUSINESS RESOURCES AND CAPABILITIES AS DRIVERS OF ENVIRONMENTAL STRATEGY: A CASE STUDY OF THE NIGERIAN TOURISM DEVELOPMENT CORPORATION (NTDC)

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Abstract

This study investigates the activities of the NTDC in relation to the environmental marketing strategies of hotels in the Nigerian hospitality industry. Specifically, it studies the relationship between resources and capabilities as drivers of the environmental marketing strategy of hotels. Building on the resources-base view, this study explains the drivers and outcomes of environmentally friendly marketing strategies in the Nigeria hotel services. Data collected from 152 hotels personnel reveals that possessing sufficient physical and financial resources is an instrument towards achieving effective green marketing strategies. Furthermore, the study confirms that there is a significant effect of environmental marketing strategy on the competitive advantage level in the hospitality industry

KEYWORDS: NTDC, Environmental Marketing, Capabilities, Resources-Base View, Hotel, Ecology

1.0 INTRODUCTION

The *Nigerian Tourism Development Corporation* (NTDC) is one of the agencies in the Federal Ministry of Culture and Tourism in Nigeria. The agency is largely in charge of coordinating and regulating the activities of the hospitality industry in which hotels are a major focus of the agency among others. Over time, the tourism sector has become a source of environmental concerns due to the over – utilization of

natural resources, excessive energy consumption and destruction of the biophysical environment (Rodriguez and Cruz 2007)

Several tourist centres in Nigeria may have been a source of environmental pollution through their poor disposal attitudes. Recently, there has been a paradigm shift in the tourism-environment terrain. People are now moving from Recreational opportunities and natural resources management to some unorthodox forms in the tourism sector like sustainable tourism and ecotourism. As such, the scope of the tourism-environment interface has experienced a serious shift from emphasizing more traditional concerns about natural resources management and recreational opportunities towards introducing more unorthodox forms of tourism, such as sustainable tourism and ecotourism (Knowles, Macmillan, Palmer, Grabowski, and Hashimoto, 1999). Africa has witnessed a uniqueness that characterises a symbiotic relationship that exists between natural environment and the hotel, however the issues of environmental marketing have not been delved into (Hudson and Miller, 2005). NTDC however has distinguished itself as a revenue generating unit of the ministry as it was able to generate 26 percent of total revenue accrued to the Ministry outside budgetary allocation (Ibru, 2004).

2.0 LITERATURE REVIEW

2.1 History and Background of the Tourism Industry in Nigeria

Nigeria's first international tourist attraction could be traced back to the 1472, when a set of Portuguese merchants visited Lagos to look for trade. The tourism industry since then can be said to have continued to develop progressively. Organized Tourism in Nigeria actually dates back to 1962 to showcase the country's tourism potentials and give support to international and domestic tourism activities. Nigeria secured a full member of the International Union of Official Travel Organization (IUOTO) now United Nations World Tourism Organisation (UNWTO) in 1964 and the promulgation of Decree 54 of 1976 establishing the Nigerian Tourism Board commenced its tourism operations. The Decree was

subsequently amended to meet the challenges of the times and in line with the tourism policy, gave birth to Nigeria Tourism Development Corporation (NTDC) Decree 81 of 1992. It has since then become the apex tourism agency of the Federal Government of Nigeria charged with the overall responsibility of promoting, marketing and coordinating tourism activities in Nigeria.

The NTDC renders services in the area of, coordination, regulation and promotion of tourism activities in Nigeria. Evidences in this service delivery includes the classification, registration, and grouping of hospitality and tourism enterprises (HTE'S) to achieve standard facilities and efficient service delivery .In addition, it has to ensure the organisation and promotion of outstanding cultural events with the motive of attracting international tourists to events like Ojude –Oba festival in Ijebu Ode, Riv-Fest in Rivers State, Osun Osogbo cultural festival, Eyo festival in Lagos ,Argungun International Fishing, and Durban Festivals in the North among others.

2.2 Trends in Tourism Development Industry

In 1998, the National Tourism Policy was introduced to formulate and evaluate policy initiatives geared towards increasing the contribution of the sector to the GDP. One of the notable achievements towards implementing the Policy Initiatives is the establishment of the Presidential Council on Tourism which is chaired by The President. In addition, to tackle the articulation of policies geared towards enhancing the contribution of the tourism industry to the national economy, the National Council on Culture and Tourism was established in the year 2000.

The National Council on Culture and Tourism, which is the highest policy-generating forum, is made of the Federal Ministry of Culture and Tourism, its Parastatals, State Commissioners in charge of Culture and Tourism and Stakeholders in the Private sector. The National Tourism Development Master Plan has poverty alleviation as its primary focus. Similarly, the main objective of the ‘Abuja Carnival’ 2005 is

centred on promoting and marketing the rich and robust cultural heritage of Nigeria and her artistic expressions. The carnival is to be held annually to serve as an essential tourism product.

2.3 The Challenges in the Tourism Industry in the Year 2014

How do other countries such as Israel, Dubai China, Saudi Arabia and even Egypt in spite of their crisis, sustain their tourism? How can the industry be made more attractive and less reliant on government subventions? Would the NTDC of Nigeria still be organizing events if there were no subventions from government? These and many more are the questions begging for answers if the tourism master plan objectives are to be achieved. The year 2014 was supposed to be an epoch year for Nigeria being 60 years since Nigeria, through the Nigerian Tourism Association (NTA), joined the United Nations World Tourism Organization in 1964. Many expected much within the years, but unfortunately, not much was achieved due to the following according to Mrs Garba..

2.3.1 Fund Constraints

Budgetary allocation has been observed as the major problem facing the corporation. Mrs Sally Mbanefo, the Director-General of the Nigerian Tourism Development Corporation (NTDC) made this observation in a public forum. Provision of adequate funding would go a long way in improving staff training. In addition, collaboration with private sector operators will assist in forging new ideas for the sector, boost the tourism sector in Nigeria, market and promote Nigeria locally and as a result, giving a boost to domestic tourism. She encouraged local and international tourists to visit the over 7,000 tourist sites and the 4,279 hotels in Nigeria, saying ‘Tourism can help us achieve the Nigeria of our dreams, not only for the present but also for generations to come. Therefore, I am appealing to big businesses and individuals to adopt tourist sites and develop them as part of their contributions to the development of domestic tourism in Nigeria.’

190,000 International air visitors came into Nigeria in 2004 (the benchmark year) . N 36 billion (US\$ 280million) is the estimated level of spending by the international tourists in 2004. An NTDC director suggested that to be effective and efficient in stimulating investment in development of the tourism clusters, the current conditions of the funding schemes for SME companies will need to be amended as they are too complicated and difficult for SMEs, . He amazingly revealed that no hotel or hospitality projects and hotels have suffered set backs in securing facilities from banks. The funds available for lending to SME Enterprises in the Bank of Industry in the Bank of Industry have also been inaccessible because of the complex processes of application and the unnecessary bureaucracy attached to preparing business plans. There is gross underfunding of the tourism sector in Nigeria. Collaterals are below international standards and not customer friendly.

2.3.2 Low Capacity Building Drive

Due to budgetary constraints and the inability of the agency to generate sufficient funds, the NTDC has failed to take advantage of international conferences and seminars which could have helped in the training of its staff. In January, 2014, the Nigerian Tourism Development Corporation was expected to participate in the FITUR tourism expo to market the country. Unfortunately, the NTDC failed to attend, having earlier assured the organizers to participate. The next event was the ITB-Berlin in March. It is the biggest tourism fair in the world where virtually all the top players, countries and corporate organizations participate. It was an embarrassment for the country as the organizers left a space for Nigeria. Unfortunately, the Nigerian stand at Berlin was left empty. Many Nigerians at the fair were disappointed.

2.3.3. Ebola and Nigerian Tourism Industry

Nigeria's hospitality industry is the fastest growing in Africa. Annually, bed spaces above 1,000 are being added by new international hospitality brands. Although the hospitality industry is still growing with new hotels springing up, 2014 turned out to be the most difficult year for the hospitality industry in recent times. The biggest single event that impacted on tourism in Nigeria was the Ebola virus disease.

Ordinarily, most hotels in Nigeria's two major cities, Lagos and Abuja run at average room occupancy of 70 per cent, but year 2014 was so different.

This external environmental variable was completely beyond the control of the NTDC. It all started on July 20, 2014, when an Asky Airline flight originating from Liberia landed at the Murtala Muhammed International Airport, Lagos. One of the passengers, Mr. Patrick Sawyer, collapsed and was rushed to the First Consultant Medical Centre, Obalende, Lagos. It turned out that Mr. Sawyer had contracted the dreaded Ebola disease. The ripple effect sent the Nigerian hospitality industry crashing. Because of the failure of the late Sawyer to disclose his health status, some health workers were infected. There was genuine fear that the country would soon see an outbreak of Ebola. This sent the country into panic. Many foreigners took the next available flight out of Nigeria. Many airlines cancelled flights to Nigeria and many countries treated visitors from Nigeria with suspicion. Countries like Australia out-rightly denied visitors from Nigeria visas.

It was a nightmare for international hospitality brands in the country, as they saw the occupancy rate crashing overnight from 70 to 90 per cent to less than 10 per cent. Suddenly, hoteliers were faced with the problem of survival. Many were forced to cut down their budgets and devise means of survival. They had empty rooms with fixed costs. It was an industry on the verge of collapse that heaved a sigh of relief when on September 21 Nigeria was declared an Ebola-free country by the World Health Organization (WHO). However, four months after this declaration, the hospitality industry is yet to recover from the effect.

2.4 Staff Training and Private/Public Partnerships as a Strategy

The Director-General of the Nigerian Tourism Development Corporation (NTDC), Mrs Sally Mbanefo, has been described by the management and staff of the corporation being God-sent to the nation's tourism industry and the corporation. In 2013, a two-day retreat was organized, as a way of ensuring the

capacity building of staff of the corporation, , which according to the staff , was a revelation of the progressive strides of Mbanefo since she resumed office in May 2013. Many of the staff opined openly, “it is an undeniable fact that it has been long NTDC held a retreat. We, in our zone, have never held one for the past seven years. The retreat also enabled the staff of NTDC to know the amazingly difference between the capital coming to the corporation during the past administration and this administration. The current capital is extremely low.

The D.G, as usual, reaffirms her determination to promoting domestic tourism in Nigeria and developing one tourist site in each geo-political zone in the country. The members of staff of the corporation are one of the core stakeholders in the Nigeria’s tourism industry; their neglect is the reason why the Nation’s tourism master plan never worked. The Director General said ‘Why all the tourism master plans we have been having in the country did not work is that they abandoned the staff, and pay no or less attention to the welfare of the staff, that are going to drive the master plan project, direct the strategic imperative of the organization. Staff of the NTDC, the implementers of the corporation’s strategic imperatives, is the core stakeholders in the industry; hence, they must be well equipped and practically made ambassadors of the Nigeria’s tourism industry to drive development in the industry. As a result, capacity building and staff welfare are the priority on my agenda in repositioning the Nigeria’s tourism industry and promoting domestic tourism in the country. And this, I will execute to the letter.’

2.5. Project Development as a Strategy

The Corporation has taken the first step of identifying six projects in the six geo-political zones in the country that will benefit from tourism investment and bring these investments up to a world standard. According to the Director General of NDTC, ‘I see Nigerian tourism competing effectively with countries like Morocco, Tanzania, Vietnam, Zambia, Rwanda, South Africa, parts of the Caribbean and even Peru in terms of creating a unique experience, not to mention beach experience and golfing experience, where with the right type of investment will provide alternatives to morocco and parts of the Caribbean. We are

a friendly nation welcoming visitors'. Once these six specific projects are identified, the corporation intends to produce a prospectus that would be a document that forms the compendium of opportunities we are inviting people to invest in.

2.6 ENVIRONMENTAL MARKETING AND STRATEGIES

Kotler and Levy (1969) opined that early researches and societal issues originated from marketing scholars. However, the management researchers have taken the lead. The intensification of government, public, and company concerns with protecting the environment in the 1990s was responsible for the exponential growth of the discipline, which continues relentlessly to the present day (Banerjee, 2002; Menon and Jarworski and Kohli, 1997).

This has resulted in a voluminous and widely diverse line of research in ecological issues, which could be described as too fragmented. Some of these researches focused on environmental issues in the tourism industry in general and the hotel sector particularly (Kasim, 2006). Furthermore, several literatures have been written on the green dimensions that hotels have taken (Leonidou, Leonidou, Thomas and Zeriti, 2013).

Drivers of green behaviour relate either to macro forces, such as managerial traits and values, ownership status and organizational culture has been identified as factors obstructing or driving implementation of eco-friendly practices in hotels to encourage proactive practices. (Kasim, 2007; Lopez Gamero, Claver-Cortes, 2011; Lopez-Gamero, Molina-Azorin, and Claver Cortes, 2011; Rivera, 2004; Shah, 2011)

Generally, financial and ethical reasons have been behind the adoption of a green approach by hotels (Bohdanowicz, Zientara, and Novotna, 2011; Garay and Font, 2012; Tzschentke, Kirk and Lynch, 2004). Bonilla, Priego, Najero and Font (2011) Most hotels are internally driven in their purpose and improve their decision making, with a limited understanding of externally driven benefits and motivation for most

systematic management systems. In Nigeria today, self-efficacy beliefs, context beliefs, and goal orientation may be seen as potential motivations explaining environmental engagement among small firms.

The RBV was used to explain the positive impact of environmentally responsible behaviour on financial performance (Garay and Font 2012). According to them (2012), the hotel's unique resources and capabilities related to environmental protection can provide the basis for a new strategy that improves its competitiveness, usually leading to favourable financial results. Improvement in critical business areas of the hotel, such as quality of products, satisfaction of employees, and satisfactory relationships with the community at large have been identified as factors necessary to achieve a sustainable environmental advantage. Lopez-Gamero, Molina-Azorin, et al.(2011) attest to the importance of complementary resources and capabilities in developing proactive green management schemes in Spanish hotels. Hence the following hypotheses were proposed and validated in this study:

H₁: The greater the firm's physical resource, the greater is the possibility of developing an environmental marketing strategy in the hospitality firms.

H₂: The higher the firm's financial resource, the higher is the possibility of developing an environmental marketing strategy.

3.0 Research Methodology and Design

This study employed a cross sectional survey design to examine the relationships that exist between capabilities and environmental marketing strategy in the Nigeria hotel service industry. The study applied a regression analysis which helps in predicting behaviours and examine whether or not a relationship exists between the variables of study (Kerlinger, 1973; Bordens and Abbott 2002). Data were generated from hotels in Nigeria on a wide basis relating to resources and capabilities as key indicators of environmental marketing strategy in the hotel services. The study populations considered were hotel

personnel of various hotels within Nigeria. Lagos was considered a good representation of the hotel services from which the samples were derived. Therefore the population sample was taken from Lagos state. The questionnaires were administered to the hotel personnel with the help of field research assistants.

The techniques used in the selection of participating hotels and respondents were simple random sampling technique. 200 questionnaires were administered to hotel personnel however, 151 were completely filled and returned. This represents 75.5% response rate. Sampling is a part of the entire population carefully selected to represent that population. In order to eliminate bias of the Simple random sampling technique was employed to eliminate any bias which may occur as a result of individual preference (Bordens and Abott, 2002). Another justification is that it is particularly essential when one wants to apply research findings directly to a population (Mook, 1983). The participating hotel personnel constituted the analysis. The administration of the questionnaire was done on at least three senior managers or CEO, and middle level staff at each hotel surveyed. The use of primary data method is justified since according to Cowton, (1998), it is the quickest and simplest of the tools to use, if publication is the objective.

4. EMPIRICAL RESULTS

4.1 VARIABLES AND MEASURES

4.1.1 FIRMS RESOURCES and CAPABILITIES

Concerning, firms resources and capabilities a five-point Likert scale involving three items developed Garay and Font (2012) was adapted. The scale ranges from “strongly agree” to “strongly disagree” was applied to assess a firm’s resources and capabilities. Respondents rating on all items were summed up and averaged to obtain firm’s resources and capabilities index. Firm’s resources and capabilities index is classified high when the index is equal to or greater than 4.0 and low when it is lower than 4.0. A

reliability score of 0.98 was obtained from the Cronbach's alpha test using the adapted scale from Garay and Font (2012).

4.1.2 MARKETING STRATEGY

For marketing strategy, a five-point Likert scale involving six items developed by Kaplan and Norton (1992). The scale range from “strongly agree” to “strongly disagree”. The scores of three items were summed up and average to determine the index of balanced scorecard relational. An index of less than 4.0 was considered as low while an index of 4.0 and above was considered as high. The scale has a reliability score of 0.85 generated from Cronbach's alpha test.

4.2 MEAN INDICES, CORRELATION COEFFICIENT, REGRESSION ANALYSIS AND INDEPENDENT SAMPLES TEST

Table 3: Mean index of firms resources and capabilities

<i>Resources and capabilities Indicator</i>	<i>Frequency</i>	<i>Average Weight</i>
Product Quality	151	4.04
Employee Satisfaction	151	3.70
Good relationship community	151	3.71
Mean of Means	151	4.10
		4.09

Sources: Survey 2014

With respect to resources and capabilities as drivers of hotel environmental marketing strategy in the Nigeria hotel services, the mean index of participating hotels were 4.09 and 4.21 respectively (see Table 3 and 4). Ho1 was tested through correlations coefficient test. Pearson's product moment correlations coefficient (0.812**) indicates that the greater the firm's physical resource, the greater is the possibility of developing an environmental marketing strategy at 0.01 level of significance. Therefore, the null hypothesis of the smaller the firm's physical resource, the smaller is the possibility of developing an

environmental strategy. Therefore, there is a significant relationship between the greater the firm's physical resource, the greater is the possibility of developing an environmental marketing strategy.

Table 4: Mean index of marketing strategy

<i>Firm performance indicator</i>	<i>Frequency</i>	<i>Average weight</i>
Product/services	151	4.19
Price	151	4.24
Distribution	151	3.97
Mean of means		4.21

Sources: Survey 2014

Hypothesis (Ho₂) was tested by a means of a Regression Analysis. The result of the regression analysis of the relationship between the higher the firm's financial resources, the higher is the possibilities of developing an environmental marketing strategy are shown in Table 5. Table shows the analysis of variance of the fitted regression equation in significant with F value of 971.616. This is an indication that the model is a good one. It shows a statistically significant relationship between the variables at 95% confidence level.

The R² statistics in Table 5(a) tested the third hypothesis. The R square showed that the model as fitted explains 87.3 of the total variability of hotel services. In order words, 87.3% of the total variability of can be explained by resources and capabilities as drivers of hotel environmental marketing strategy. The value of R² = 0.825 shows that the higher the firm's experiential resource, the higher is the possibility of developing an environmental marketing strategy. The standardised coefficients (Beta) value in Table 6(c) reveals that the independent variable is statistically significant at 0.05 significance level.

Table 5a: Model summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
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R/P	.945 ^a	.873	.825	.40813
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Table 5b: ANOVA

Model		Sum of square		Mean Square	F	Sig.
R/P	Regression	210.962	1	17564.687	871.304	.000
	Residual	29.912	133	24.284		
		461.924				

Table 5c: Coefficients

Model		Unstandardized		Standardized		Sig.
		coefficients		Coefficients		
R/P		B	Std Error	Beta	T	P
	(Constant)	.033	.136	.812	.242	.000
	Relational Capabilities					
		.996	.032		31.171	.000

Dependent Variable: Environmental Marketing Strategies

p < 0.05

6 a: Group statistics

	<i>Resource and Capabilities</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Std. Error Mean</i>
<i>Environmental Marketing Strategies Index</i>	Low	151	4.2342	.89442	0.05726
	High	151	3.5674	.34401	0.01667

6 b: Independent samples test

<i>t-test for Equality of Means</i>						
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
	-15.948	668	.000	-.77495	-0.87036	-0.67954

Hypothesis (Ho₃) was tested using independent sample test. The results of the independent sample t-test as revealed in Table 6(a) show that the higher the firm's share vision capability, the greater is the possibility of the developing an environmental marketing strategy mean index (4.23) of firms with high share vision capability. The difference between the two mean was found to be statistically significant at $p < .05$ [Table 6(b)]. Therefore, the null hypothesis of no significant difference is rejected. Thus, there is a significant difference between the higher the firm's share vision capability, the greater is the possibility of the developing an environmental marketing strategy.

5.0 SUMMARY, CONCLUSIONS AND IMPLICATION FOR MANAGEMENT

This study therefore shows that the resource-based view can provide a sound theoretical platform in determining the antecedents and outcomes of the implementation of an eco-friendly marketing strategy among hotels being supervised by the NTDC in Nigeria. It demonstrates that certain organizational resources and capabilities that can lead to the formulation of an environmental marketing strategy. When this strategy is formed and implemented, a unique competitive advantage will follow. Furthermore, such an advantage is likely to be even stronger for hotels and its regulating agency, NTDC, operating in highly competitive environments because it helps differentiate them from other competitors. In turn, an environmentally-based competitive advantage should enable firms to achieve superior market and financial performance, and market performance is expected to affect financial performance favourably.

Several implications can be drawn from the study's findings for both corporate and public policy makers. Corporate policy makers must realize that though environmental marketing strategies require the deployment of significant resources and the use of specific capabilities, their proper handling will pay-off in the end. Towards this end, it is important to cultivate an organizational culture centred on principles such as developing eco-friendly products/services, training employees on environmental issues, facilitating customer collaboration on ecological issues among others. In light of today's realities, characterized by cut-throat competition, growing public concern, and strong regulatory systems, the astute manager should adopt a more proactive stance toward environmental issues and implement environmentally friendly marketing strategies. In this respect, demonstrating a long-term environmental commitment through, for example, the allocation of necessary resources/capabilities, the execution of regular environmental audits, and the preparation of environmental marketing plans is of paramount importance.

Participating in environmental initiatives, such as those adopted by some hotels, which focuses on programs aimed to save water, conserve energy, and reduce waste, would also help boost the firm's reputation among guests and attract ecologically sensitive consumers and as well retain tourist. It is also important to adopt schemes that will reward employees who take eco-friendly initiatives. Hotels should also team up with other members of the supply chain, such as suppliers, to enhance environmental protection arrangements, as well as embark on promotional and communication efforts that will high light their firm's green marketing efforts.

Directions for further research could include examining the effect of additional resources (such as the scope of resources, human resources, top management qualities) on the formation and implementation of an eco-friendly marketing strategy. Research should also investigate the role of temporal effects on the associations between the constructs of models through the execution of longitudinal studies. This is

because some time needs to elapse before resources and capabilities lead to an eco-friendly strategy, before strategy yields competitive advantage, and before competitive advantage results in positive market and financial performance.

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SMOKING TREND AMONG THE STUDENTS OF SARGODHA UNIVERSITY

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Abstract:

Tobacco is injurious to health and use in Pakistan is common. The study is carried out the causes of increases smoking day by day and why generation penetrate into it bad habit. Area of the study was university of Sargodha. The sample of size 300 were select randomly all were male. Use questionnaire methods. Use statistical techniques to get results. The results reveal that's smoking increases day by day. And the Causes found increases the trend of smoking are fashion, stress and pressure, influenced by media, class, and easy availability. Mostly smokers belong to upper class. The brand most favored by smokers is gold leaf. And the smokers have desire to leave the smoking and knows very well about the harm of smoking. The results conclude that shisha is also major cause of increasing the trend of smoking.

Key words: cigarette smoking, fashion and availability

Introduction

Smoking is inhalation and exhalation of the fumes of burning tobacco in cigar and cigarette and pipes. Some persons draw the smoke into their lungs; others do not. Smoking was probably first practiced by the indigenous peoples of the Western Hemisphere. Originally used in religious rituals and in some instances for medicinal purposes, smoking and the use of tobacco became a widespread practice by the late 1500s. Tobacco was introduced into Europe by the explorers of the New World; however, many rulers prohibited its use and penalized offenders. By the end of the 19th cent. Mass production of cigarettes had begun, and the smoking of cigarettes became prevalent as the use of cigars and pipes declined. Despite controversy as

to the effects of smoking and bans on smoking by certain religious groups, the use of tobacco continued to increase. Smoking is a practice in which a substance, most commonly tobacco, is burned and the smoke is tasted or inhaled. This is primarily practiced as a route of administration for recreational drug use, as combustion releases the active substances in drugs such as nicotine and makes them available for absorption through the lungs. It can also be done as a part of rituals, to induce trances and spiritual enlightenment.

Tobacco is cause of many harmful diseases. (I.e. lung diseases, respiratory diseases, cardio vascular disease etc.). Tobacco uses in different styles i.e. Tobacco use in the form of cigarette, hookah, chillum, shisha, chewing tobacco etc.

World health organization (WHO) estimates that 59% people smoke globally. In which both men and women percentage ratio is 47:12, in developed countries 42:24 and in developing countries 48:7.

Peto and lopez estimates that 1 billion smoker in the world today. The WHO estimates that five million smoker die in year as despite its health risk the use of tobacco common especially in developing country like Pakistan. In 2005, 90,000,000,000 cigarettes were consumed in Pakistan. In Pakistan both male and female use cigarette on regular basis but most of smokers are male.

Cigarette smoking increase in Pakistan due to a lot of reasons like fashion, relieve anxiety stress, influenced by electronic and print media, cheap rates or easy availability. Borrowing cigarette from friends also be reported 50% adolescent smokers.

Today Shisha becomes an initial stage of smoking because youngsters use it with friend just as a fashion and then they became addicted. Today medical studies have proven that smoking tobacco is among the leading causes of many diseases such as lung cancer, heart attacks, COPD, erectile dysfunction and can also lead to birth defects. The inherent health hazards of smoking have caused many countries such as Singapore to institute high taxes on tobacco products and anti-smoking campaigns are launched every year in an attempt to curb tobacco smoking

Objectives:

The objective of my research is to check that what are the causes due to which the trend of smoking is

going to increase day by day and why young generation is going to penetrate in this bad habit

Literature review:

Ahmed et al. (2005) the prevalence of tobacco intake in Pakistan is high, reaching up to 40.9% among middle aged males. Maziak et al. (2006) tells prediction highlights the need to study the trends and patterns of tobacco usage in different forms as well as to come up with effective control and prevention strategies for these developing countries. Zaidi (2007) Particulate Matter 2.5 which is a sensitive marker of tobacco smoke pollution is very high in Pakistani restaurants because of non-implementation of smoking ban at these venues in spite of a law in place since 2002. Javed et al. (2008) the majority of these participants thought of cigarette smoking as being more harmful as compared to water-pipe smoking. Hussain et al. (2009) Many causes have been attributed to the prevalence and acceptance of smoking in Pakistan, including peer pressure, social requirements, to relieve anxiety stress, anger, and frustration, along with the addictive nature of nicotine in cigarettes.

According to WHO (2011), the annual death toll attributable to tobacco is expected to rise from the current estimates of 5.4 million/year to 10 million/year by 2025. And over 70% of these deaths would be in the developing countries.

Materials and Methods:

In this research simple random sampling (A type of non-probability sampling) is used. So, for the survey questionnaire develop related to the objective of research used sample size of 300 male student from different departments of university of Sargodha I don't take sample from female because very few no. of females are smoker in university of Sargodha and they avoid to give the data and after completing the survey work make coding by using SPSS. The results reveals the majority strongly agree and agree that trend of smoking increases day by day due to fashion and easy availability.

Results and Discussion:

Table 1 “Smoking among student increase due to fashion....

Responses	Frequency	Percentage
Strongly Agree	71	23.7

Agree	83	27.7
Disagree	77	25.7
Strongly Disagree	69	23.0

The table shows that mostly respondents are strongly agree and agree that smoking among the students increase due to fashion.

Table 2 “Smoking starts due to stress or pressure...”

Factors	Frequency	Percentage
Strongly Agree	73	24.3
Agree	71	23.7
Disagree	82	27.3
Strongly Disagree	74	24.7

The table shows that mostly respondents are not agree with the statement smoking starts due to stress or pressure.

Table 3 “Smokers are influenced by electronic and print media...”

Factors	Frequency	Percentage
Strongly Agree	78	26
Agree	73	24.3
Disagree	73	24.3
Strongly Disagree	76	25.3

The table shows that mostly of respondents are agree with the statement smokers are influenced by electronic and print media.

Table 4 “Smoker knows the harm of smoking’s....”

Factors	Frequency	Percentage
Strongly Agree	73	24.3
Agree	73	24.3
Disagree	71	23.7

Strongly Disagree	83	27.7
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The table shows that mostly of respondents are not agree with the statement smoker knows the harm of smoking.

Table 5 “Smoker have desire to leave smoking...”

Factors	Frequency	Percentage
Strongly Agree	73	24.3
Agree	76	25.3
Disagree	76	25.3
Strongly Disagree	75	25

The table shows that mostly of respondents are not agree with the statement smoker have desire to leave smoking.

Table 6 “Shisha is the Initial stage of smoking...”

Factors	Frequency	Percentage
Strongly Agree	76	25.3
Agree	76	25.3
Disagree	75	25
Strongly Disagree	73	24.3

The table shows that mostly of respondents are agree with the statement shisha is initial stage of smoking.

Table 7 “Mostly smoker belong to....”

Class	Frequency	Percentage
Lower	60	20
Middle	75	25
Upper	84	28
All above	81	27

The table shows that mostly of respondents say that 28% smokers are belong to upper class. Which is

greater than lower and middle class.

Table 8 “Brand of cigarette favored by smoker....

Brand	Frequency	Percentage
Gold Leaf	85	28.3
Dunhill	79	26.3
Marlboro	58	19.3
Capstan	78	26

The table shows that mostly respondents say that 28.3% smokers use Gold leaf brand. This is greater than other brands.

Table 9 “Majority students start smoking in teen age....

Factors	Frequency	Percentage
Strongly Agree	79	26.3
Agree	80	26.7
Disagree	67	22.3
Strongly Disagree	74	24.7

The table shows that mostly respondents are agree with statement majority of students start smoking in teen age.

Table 10 “Smoking increases due to easy availability....

Factors	Frequency	Percentage
Strongly Agree	79	26.3
Agree	78	26
Disagree	73	24.3
Strongly Disagree	70	23.3

The table shows that mostly of respondents are agree with the statement smoking increase due to easy availability.

Conclusion:

According to study it conclude that smoking trend increases in university of Sargodha day by day very rapidly with no age limits. There are different reasons including fashion, stress and pressure, media, and easy availability. Study conclude that smoker and non-smokers both knows the harm of smoking very well and majority smokers have desire to leave smoking. The brand most favored by smoker is gold leaf. The results reveal that's majority smokers belongs to upper class. There are majority smokers those starts smoking in teen age. And shisha is not the initial stage of smoking it is the final stage of smoking. The results tell that easy availability cause of increasing trend of smoking because student easily borrows from friends and shops. There is no limit of age to sale cigarette. The price of cigarette is very cheap so any one can buy the cigarette easily.

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ANALYSIS OF FOREIGN DIRECT INVESTMENT IN INDIA

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Abstract

Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. There is a strong relationship between foreign investment and economic growth. Larger inflows of foreign investments are needed for the country to achieve a sustainable high trajectory of economic growth. The FDI inflow was analyzed with the help of statistical tools such as Growth rate, Correlation, Standard Deviation and Students t test. It is seen from the analysis that large amount of FDI flows are confined to the developed economies. But there is a marked increase in the FDI inflows to developing economies from 1997 onwards. It showed that there is significant difference in the inflow of FDI and GDP growth rate during the period of Study. It also shows that there is significant difference in the inflow of FDI and Total Trade growth rate during the period of Study. Developed economies share in world economy showed a decreasing trend from year 2008 to 2012. Developing economies showed a positive growth trend during the last years of study. From the analysis of the parameters it can be observed that there has been a generous flow of FDI in India since 1991 and its overall direction also remained the same over the years irrespective of the ruling party.

JEL Code: F10, F21, O41, E27

Keywords: FDI Inflow, GDP, Total Trade

I. Introduction

One of the most striking developments during the last two decades is the spectacular growth of FDI in the global economic landscape. The Foreign Direct Investment means “cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. This unprecedented growth of global FDI in 1990 around the world make FDI an important and vital component of

development strategy in both developed and developing nations and policies are designed in order to stimulate inward flows. In fact, FDI provides a win – win situation to the host and the home countries. Both countries are directly interested in inviting FDI, because they benefit a lot from such type of investment. The ‘home’ countries want to take the advantage of the vast markets opened by industrial growth. On the other hand the ‘host’ countries want to acquire technological and managerial skills and supplement domestic savings and foreign exchange. Moreover, the paucity of all types of resources viz. financial, capital, entrepreneurship, technological know- how, skills and practices, access to markets- abroad- in their economic development, developing nations accepted FDI as a sole visible panacea for all their scarcities. Further, the integration of global financial markets paves ways to this explosive growth of FDI around the globe.

II. Indian Overview

The historical background of FDI in India can be traced back with the establishment of East India Company of Britain. British capital came to India during the colonial era of Britain in India. However, researchers could not portray the complete history of FDI pouring in India due to lack of abundant and authentic data. Before independence major amount of FDI came from the British companies. British companies setup their units in mining sector and in those sectors that suits their own economic and business interest. After Second World War, Japanese companies entered Indian market and enhanced their trade with India, yet U.K. remained the most dominant investor in India. Further, after Independence issues relating to foreign capital, operations of MNCs, gained attention of the policy makers. Keeping in mind the national interests the policy makers designed the FDI policy which aims FDI as a medium for acquiring advanced technology

and to mobilize foreign exchange resources. The first Prime Minister of India considered foreign investment as “necessary” not only to supplement domestic capital but also to secure scientific, technical, and industrial knowledge and capital equipments. With time and as per economic and political regimes there have been changes in the FDI policy too. The industrial policy of 1965, allowed MNCs to venture through technical collaboration in India. However, the country faced two severe crisis in the form of foreign exchange and financial resource mobilization during the second five year plan (1956 -61). Therefore, the government adopted a liberal attitude by allowing more frequent equity participation to foreign enterprises, and to accept equity capital in technical collaborations. The government also provides many incentives such as tax concessions,

Simplification of licensing procedures and de- reserving some industries such as drugs, Aluminum, heavy electrical equipments, fertilizers, etc in order to further boost the FDI inflows in the country. This liberal attitude of government towards foreign capital lures investors from other advanced countries like USA, Japan, and Germany, etc. But due to significant outflow of foreign reserves in the form of remittances of dividends, profits, royalties etc, the government has to adopt stringent foreign policy in 1970s. During this period the government adopted a selective and highly restrictive foreign policy as far as foreign capital, type of FDI and ownerships of foreign companies was concerned.

Government setup Foreign Investment Board and enacted Foreign Exchange Regulation Act in order to regulate flow of foreign capital and FDI flow to India. The soaring oil prices continued low exports and deterioration in Balance of Payment position during 1980s forced the government to make necessary changes in the foreign policy. It is during this period the government encourages FDI, allow MNCs to operate in India. Thus, resulting in the partial liberalization of Indian Economy. The government introduces reforms in the industrial sector, aimed at increasing competency, efficiency and growth in industry through a stable, pragmatic and non-discriminatory policy for FDI flow.

Infact, in the early nineties, Indian economy faced severe Balance of payment crisis. Exports began to experience serious difficulties. There was a marked increase in petroleum prices because of the gulf war. The crippling external debts were debilitating the economy. India was left with that much amount of foreign exchange reserves which can finance its three weeks of imports. The out flowing of foreign currency which was deposited by the Indian NRI's gave a further jolt to Indian economy. The overall Balance of Payment reached at Rs.(-) 4471 crores. Inflation reached at its highest level of 13%. Foreign reserves of the country stood at Rs.11416 crores. The continued political uncertainty in the country during this period adds further to worsen the situation. As a result, India's credit rating fell in the international market for both short- term and long-term borrowing. All these developments put the economy at that time on the verge of default in respect of external payments liability. In this critical face of Indian economy

the then finance Minister of India Dr. Manmohan Singh with the help of World Bank and IMF introduced the macro – economic stabilization and structural adjustment program. As a result of these reforms India open its door to FDI inflows and adopted a more liberal foreign policy in order to restore the confidence of foreign investors.

Further, under the new foreign investment policy Government of India constituted FIPB (Foreign Investment Promotion Board) whose main function was to invite and facilitate foreign investment through single window system from the Prime Minister's Office. The foreign equity cap was raised to 51 percent for the existing companies. Government had allowed the use of foreign brand names for domestically produced products which was restricted earlier. India also became the member of MIGA (Multilateral Investment Guarantee Agency) for protection of foreign investments. Government lifted restrictions on the operations of MNCs by revising the FERA Act 1973. New sectors such as mining, banking, telecommunications, highway construction and management were open to foreign investors as well as to private sector.

III. Review of Literature

Indian Context

Nayak , Ranjan Kumar (2013) has examined the growth patterns and changing nature of Indian inward Foreign Direct Investment, with an emphasis on the post liberalization period, since FDI, along with trade, has been an important mechanism which was brought about a greater integration of Indian economy with world economy. Goel, Shashank. , et al., (2012) examined in their paper that foreign Direct Investment

Model reveal that Trade GDP, Reserves GDP, and financial Position variables exhibit a positive relationship with FDI while R&DGDP and Exchange rate variables exhibit a negative relationship with FDI inflows. Singh Y.,

Bhatnagar A. (2011) found after the comparative analysis of FDI in India and china that both enjoy healthy rates of economic growth but FDI inflow in china is higher than India. Khan A.Q. and Siddiqui Ahmad Taufeeque (2011) studied the impact of FDI on Indian economy and a comparison with China & USA. The paper has also been ventured into carving out set of strategies to deal with the issues & problems in attracting FDI for promotion & growth of international trade. The double log model has been used to find elasticity between different factors in this paper. They also highlight the impact of FDI on employment. In this research paper, the discussion between FDI and GDP as to asses that FDI helps in boosting growth of a country.

Bhanagade D.B, Shah A. Pallavi (2011) examined in their paper that the impact of FDI on Indian Economy where they also emphasize on the investments, sectors attracting highest FDI inflows and FDI leads to Generation of Employment opportunities. Therefore the growth of inflow of FDI would lead to positive growth of Gross capital formation. In India, the growth of GDP is largely influenced by FDI.

Agarwal G., and Khan M. A. (2011) analyzed the Impact of FDI on GDP through Comparative Study of China and India and they found that 1% increase in FDI would result in 0.07% increase in GDP of China and 0.02% increase in GDP of India. We also found that China growth is more affected by FDI, than India's growth. Singh S., Singh M. (2011) they examined the trend of FDI inflow to India, during 1970–2007 using time series data. Singh J. (2010) analyzed Economic Reforms and Foreign Direct Investment in Indian Policy, Trends and Patterns in the context of increasing competition among nations and sub national entities to attract Foreign Direct Investment (FDI) and suggest that the FDI inflows, in general, show an increasing trend during the post-reform period.

Basu P., Nayak N.C, Vani Archana (2007) in their paper “Foreign Direct Investment in India: Emerging Horizon”, intends to study the qualitative shift in the FDI inflows in India in – depth in the last fourteen odd years as the bold new policy on economic front makes the country progress in both quantity and the way country attracted FDI. It reveals that the country is not only cost – effective but also hot destination for R&D activities. The study also finds out that R&D as a significant determining factor for FDI inflows for most of the industries in India. The software industry is showing intensive R&D activity, which has to be channelized in the form of export promotion for penetration in the new markets. The study also reveals strong negative influence of corporate tax on FDI inflows. To sum up, it can be said that large domestic market, cheap labour, human capital, are the main determinants of FDI inflows to India, however, its stringent labour laws, poor quality infrastructure, centralize decision making processes, and a vary limited Numbers of SEZs make India an unattractive investment location.

Balasubramanyam V.N Sapsford David (2007) in their article “Does India need a lot more FDI” compares the levels of FDI inflows in India and China, and found that FDI in India is one tenth of that of china. The paper also finds that India may not require increased FDI because of the structure and composition of India's manufacturing, service sectors and her endowments of human capital. The optimum level of FDI, which generates substantial spillovers, enhances learning on the job, and contributes to the growth of

productivity, is likely to be much lower in India than in other developing countries including China. The country may need much larger volumes of FDI than it currently attracts if it were to attain growth rates in excess of 10 per cent per annum. Finally, they conclude that the country is now in a position to unbundle the FDI package effectively and rely on sources other than FDI for its requirements of capital.

Nirupam Bajpai and Jeffrey D. Sachs (2006) in their paper “Foreign Direct Investment in India: Issues and Problems”, attempted to identify the issues and problems associated with India’s current FDI regimes, and more importantly the other associated factors responsible for India’s unattractiveness as an investment location. Despite India offering a large domestic market, rule of law, low labour costs, and a well working democracy, her performance in attracting FDI flows have been far from satisfactory. The conclusion of the study is that a restricted FDI regime, high import tariffs, exit barriers for firms, stringent labor laws, poor quality infrastructure, centralized decision making processes, and a very limited scale of export processing zones make India an unattractive investment location.

Kulwinder Singh (2005) in his study “Foreign Direct Investment in India: A Critical analysis of FDI from 1991-2005” explores the uneven beginnings of FDI, in India and examines the developments (economic and political) relating to the trends in two sectors: industry and infrastructure. The study concludes that the impact of the reforms in India on the policy environment for FDI presents a mixed picture. The industrial reforms have gone far, though they need to be supplemented by more infrastructure reforms, which are a critical missing link.

Naga Raj R (2003) in his article “Foreign Direct Investment in India in the 1990s: Trends and Issues” discusses the trends in FDI in India in the 1990s and compare them with China. The study raises some issues on the effects of the recent investments on the domestic economy. Based on the analytical discussion and comparative experience, the study concludes by suggesting a realistic foreign investment policy.

The above review of literature proves beneficial in identifying the research issues and the research gaps, which are mainly the edifices on which the objectives of the present study are based on.

World Context

Samuel Adams (2009) in his paper, “Can Foreign Direct Investment help to promote growth in Africa” provides a review of Foreign Direct Investment and economic growth literature in the context of developing countries and particularly Sub-Saharan Africa. The main findings of the study are as follows, first, FDI contribution to economic development of the host country in two main ways, augmentation of domestic capital and enhancement of efficiency through the transfer of new technology, marketing and managerial skills, innovation and best practices. Secondly, FDI has both benefits and costs and its impact is determined by the country specific conditions in general and the policy environment in particular in terms of the ability to diversify, the level of absorption capacity, targeting of FDI and opportunities for linkages between FDI and domestic investment.

Jing Zhang (2008) in his work, “Foreign Direct Investment, Governance, and the Environment in China: Regional Dimensions” includes four empirical studies related to FDI, Governance, economic growth and the environment. The results of the thesis are, first, an intra-country pollution haven effect does exist in

China. Second, FDI is attracted to regions that have made more effort on fighting against corruption and that have more efficient government. Third, government variables do not have a significant impact on environmental regulation. Fourth, economic growth has a negative effect on environmental quality at current income level in China. Lastly, foreign investment has positive effects on water pollutants and a neutral effect on air pollutants

Tatonga Gardner Rusike (2007) in his study, “Trends and determinants of inward Foreign Direct Investment to South Africa” analyses Trends and determinants of inward Foreign Direct Investment to South Africa for the period 1975-2005. The analysis indicated that openness, exchange rate and financial development are important in long run determinants of FDI. Increased openness and financial development attract FDI. While an increase (depreciation) in the exchange rate deters FDI to South Africa. Market size emerges as a short run determinant of FDI although it is declining in importance. The analysis also showed that FDI itself, imports and exchange rate explain a significant amount of the forecast error variance. The influence of market size variable is small and declining over time.

Diana Viorela Matei (2007) in her study, “Foreign Direct Investment location determinants in Central and Eastern European Countries” focuses on central and Eastern European former state – planned economies and investigates why multinationals chose to locate their investments in these countries. The main findings of the study are that market potential, privatization and agglomeration factors have significant effects upon FDI location choice, helping to explain the attractiveness for FDI of these host countries.

Rudi Beijnen (2007) in his study, “FDI in China: Effects on Regional Exports” investigates the existence of a significant FDI – Export linkage in China, using panel data at the provincial level over the 1995 to 2003. The theory of FDI proposes the possibility of an export creating effect. However, the results show that if the model is correctly specified, there is no evidence for the existence of a significant FDI-export linkage. The study concluded that the claims of the reference studies concerning the presence of a FDI – export linkage are not valid.

Crespo Nuno and Fontoura Paula Maria (2007) in their paper “Determinant Factors of FDI Spillovers – What Do We Really Know?” analyze the factors determining the existence, dimensions and sign of FDI spillovers. They identify that FDI spillovers depend on many factors like absorptive capacities of domestic firms and regions, the technological gap, or the export capacity.

Lisa De Propis and Nigel Driffield (2006) in their study “The Importance of Cluster for Spillovers from Foreign Direct Investment and Technology Sourcing”, examine the link between cluster development and inward foreign direct investment. They concluded that firms in clusters gain significantly from FDI in their region, both within the industry of the domestic firm and across other industries in the region.

Rydqvist Johan (2005), in his work “FDI and Currency Crisis: Currency Crisis and the inflow of Foreign Direct Investment” analyse if there are any changes in the flow of FDI before, during and after a currency crisis. The study found that no similarities in regions or year of occurrence of the currency crisis. The depth, length and structure of each currency crisis together with using the right definition of a currency crisis are two important factors relating to the outcomes in this study.

Johannes Cornelius Jordaan (2005) in his study, “Foreign Direct investment and neighbouring influences” evaluates the influences of a number of economic and socio – political influences of neighbouring

countries on the host country's FDI attractiveness. Three groups, consisting of developed, emerging and African countries are evaluated, with the main emphasis on African countries. Results of the study indicate that an improvement in civil liberties and political rights, improved infrastructure, higher growth rate and a higher degree of openness of the host country, higher levels of human capital attract FDI to the developed countries but deter FDI in emerging and African countries indicating cheap labour as a determinant of FDI inflows to these countries. Further, Oil – Owned countries in Africa's attract more FDI than non – oil endowed countries – emphasizing the importance of natural resources in Africa.

Thai Tri Do (2005) in his study, "The impact of Foreign Direct Investment and openness on Vietnamese economy" examines the impact of FDI on Vietnamese economy by using Partial Adjustment Model and time series data from 1976 to 2004. FDI is shown to have not only short run but also long run effect on GDP of Vietnam. The study also examines the impact of trade openness on GDP and it is found that trade is stronger than that of FDI.

IV. Justification of the study

It is apparent from the above discussion that FDI is a predominant and vital factor in influencing the contemporary process of global economic development. The study attempts to analyze the important dimensions of FDI in India. The study works out the trends and patterns, main determinants and investment flows to India. The study also examines the role of FDI on economic growth in India for the period 1991-2014. The period under study is important for a variety of reasons. First of all, it was during July 1991 India opened its doors to private sector and liberalized its economy. Secondly, the experiences of South-East Asian countries by liberalizing their economies in 1980s became stars of economic growth and development in early 1990s. Thirdly, India's experience with its first generation economic reforms and the country's economic growth performance were considered safe havens for FDI which led to second generation of economic reforms in India in first decade of this century. Fourthly, there is a considerable change in the attitude of both the developing and developed countries towards FDI. They both consider FDI as the most suitable form of external finance. Fifthly, increase in competition for FDI inflows particularly among the developing nations. The shift of the power center from the western countries to the Asia sub – continent is yet another reason to take up this study. FDI incentives, removal of restrictions, bilateral and regional investment agreements among the Asian countries and emergence of Asia as an economic powerhouse (with China and India emerging as the two most promising economies of the world) develops new economics in the world of industrialized nations. The study is important from the view point of the macroeconomic variables included in the study as no other study has included the explanatory variables which are included in this study. The study is appropriate in understanding inflows during 1991- 2014

V. Objectives of the Study

The study covers the following objectives:

- i. To study the trends and patterns of flow of FDI.
- ii. To assess the determinants of FDI inflows.
- iii. To evaluate the impact of FDI on the Economy.

VI. Hypotheses of the Study

The study has been taken up for the period 1992-2012 with the following hypotheses:

- i. There is no significant difference in FDI inflow and GDP over the period 1992-2012.
- ii. There is no significant difference in flow of FDI and Total Trade over the period 1992-2012.

VII. Research Methodology

This study is based on secondary data. The required data have been collected from various sources i.e. World Investment Reports, Asian Development Bank's Reports, various Bulletins of Reserve Bank of India, publications from Ministry of Commerce, Govt. of India, Economic and Social Survey of Asia and the Pacific, United Nations, Asian Development Outlook, Country Reports on Economic Policy and Trade Practice- Bureau of Economic and Business Affairs, U.S. Department of State and from websites of World Bank, IMF, WTO, RBI, UNCTAD, EXIM Bank etc. An in depth review into the previous study was conducted to examine the performance of FDI. The data available was analyzed with the help of statistical tools such as Growth rate, Correlation, Standard Deviation and Students t test. It is a time series data and the relevant data have been collected for the period 1991 to 2014.

VIII. Limitations of the study

All the economic / scientific studies are faced with various limitations and this study is no exception to the phenomena. The various limitations of the study are:

- i. At various stages, the basic objective of the study is suffered due to inadequacy of time series data from related agencies. There has also been a problem of sufficient homogenous data from different sources.
- ii. The assumption that FDI was the only cause for development of Indian economy in the post liberalized period is debatable. No proper methods were available to segregate the effect of FDI to support the validity of this assumption.

IX. Analysis of trends in FDI Inflow

Table- I Emerging economies of the world

Amount in US \$ Billion

Year Country	China	Brazil	Mexico	Russia	India
1990-99	148.5	89.4	56.4	15	11.4
2000-07	483	169	147.4	126.2	69
2008-12	822.77	239.6	117.7	205.30	182.5
2013-14	1126.32	286.96	132.14	242.04	257
Growth Rate(%)	36.89	19.77	12.27	17.90	40.85

Source: Compiled from the various issues of WIR, UNCTAD, World Bank.

From the above Table.I it can be seen that all the countries showed an increasing trend during the period 1990-2014. During the period 1990-99 biggest economy was in China with a value of 148.5bn USD and India had the lowest value with a value of 11.4bn USD. In 2000-07 also China was the biggest economy with value of 483.00bn USD and lowest was India with a value of 69bn USD. During the period 2008-12 again the biggest economy was China with a value of 822.77bn USD and the least was Mexico with a value of 117.7bn USD. So India showed a positive growth trend during the period 2008-12. During the period 2013-14 all economies showed an increasing trend, which is a positive signal to the economies. Highest Growth rate in 2014 was shown by India with a rate of 40.85%

**Table-II FDI inflows in India
(from 1948-2012)**

(Rs in Crores)

Amount of FDI	Mid 1948	March 1964	March 1974	March 1980	March 1990	March 2000	March 2010	March 2012	March 2013	March 2014	January 2015
<i>Rs in crores</i>	256	565.5	916	933.2	2705	18486	1,23,378	1,73,947	1,21,907	1,47,518	1,55,489

Source: Various issues of SIA Publication.

Table III MAJOR SOURCES OF FDI IN INDIA (As on Jan 2015)

Mauritius	USA	Singapore	UK	Netherlands	Japan	Germany	Cyprus	France	Switzerland
4,17,148 (35)	65,376 (6)	1,57,959 (13)	1,07,791 (9)	75,393 (6)	90,446 (7)	36,623 (3)	38,834 (3)	22,323 (2)	14,895 (1)

Rs in crores (In Percent)

Source: Compiled & computed from the various issues of Economic Survey RBI Bulletin, Ministry of Commerce

Table –II shows FDI inflows in India from 1948 – 2012. FDI inflows during 1991-92 to March 2010 in India increased manifold as compared to during mid 1948 to March 1990. The measures introduced by the government to liberalize provisions relating to FDI in 1991 lure investors from every corner of the world. There were just few (U.K, USA, Japan, Germany, etc.) major countries investing in India during the period mid 1948 to March 1990 and this number has increased to fifteen in 1991. India emerged as a strong economic player on the global front after its first generation of economic reforms. As a result of this, the list of investing countries to India reached to maximum number of 120 in 2008. Although, India is receiving FDI inflows from a number of sources but large percentage of FDI inflows is vested with few major countries. Mauritius, USA, UK, Japan, Singapore, Netherlands constitute 68 percent of the entire FDI inflows to India. FDI inflows are welcomed in 63 sectors in 2008 as compared to 16 sectors in 1991. FDI is allowed in 13 sectors in India.

The FDI inflows in India during mid 1948 were Rs. 256 crores. It is almost double in March 1964 and increases further to Rs. 916 crores. India received a cumulative FDI inflow of Rs. 5,384.7 crores during mid 1948 to March 1990 as compared to Rs. 1,41,864 crores during August 1991 to March 2010. In March 2012 the FDI inflow in India was Rs. 1,73,947 which show a handsome growth rate of 41% when compared to March 2010 (Table-II). The highest cumulative inflow of FDI was observed from that there has been a steady flow of FDI in India after its independence. But there is a sharp rise in FDI inflows from 1998 onwards. U.K. the prominent investor during the pre and post independent era stands nowhere today as it holds a share of 9 percent of the total FDI inflows to India.

Table IV Distribution of FDI within India

(Rs in Crores)

City Year	Mumbai	New Delhi	Bangalore	Ahmedabad	Chennai
2009-10 Apr-Mar	39,409	46,197	4,852	3,876	3,653
2010-11 Apr-Mar	27,669	12,184	6,133	3,294	6,115
2011-12 Apr-Mar	44,664	37,403	7,235	4,730	6,711
2012-13 Apr-Mar	47,359	17,490	5,553	2,676	15,252
2013-14 Apr-Mar	20,595	38,190	11,422	5,282	12,595
2014-15 Apr-Jan	30,360	35,433	13,886	6,811	20,384

Source: Compiled from Published Statements of RBI regional offices, GOI

The table no. IV shows the city wise distribution of FDI during the period 2010-2015. During the period of 2009-10, FDI had the highest concentration in New Delhi with a value of Rs. 46,197 crores in year 2009-10 and least FDI of Rs. 3,653 Crores was in Chennai. In 2010-11 the highest contribution was from Mumbai with value of Rs. 27,669 Crores and the least amount of FDI was in Ahmadabad with value of Rs. 3294 Crores. In Year 2013-14 FDI flow showed a decreasing trend of half its value to Rs. 20,595 crores. In the last Year 2014-15 highest share of FDI was again from New Delhi with a value of Rs. 35,433 crores and the least of Rs. 6,811 crores from Ahmedabad.

Table V Top 10 Sectors attracting highest FDI equity inflows

(Rs in Crores)

Year \ City	2010-11 Apr-Mar	2011-12 Apr-Mar	2012-13 Apr-Mar	2013-14 Apr-Mar	2014-15 Apr-Jan
Services	15,053	24,656	26,306	13,294	16,159
Infrastructure	4,979	15,236	7,248	7,508	4,359
Telecommunication	7,542	9,012	1,654	7,987	16,978
IT	3,551	3,804	2,656	6,896	8,023
Pharmaceuticals	961	14,605	6,011	7,191	7,559
Automobile	5,864	4,347	8,384	9,027	12,529
Chemicals	10,612	18,422	1,596	4,738	3,408
Power	5,796	7,678	2,923	6,519	3,704
Metallurgical	5,023	8,348	7,878	3,436	2,488
Hotel & Tourism	1,405	4,754	17,777	2,949	3,990

Source: Compiled from Published statements of RBI regional offices, GOI

Table No. V shows the sector wise contribution of FDI in top ten. During the five years highest amount of FDI was attracted by service sector. In 2012 the value was highest of Rs. 24,656 Crores and least in 2014 with value of Rs.13,294 Crores. In 2015 Highest contribution to from FDI was in Telecommunication with Rs. 16,978 crores followed by Automobile sector of Rs. 12,529 Crores. In 2015 least contributor among the top ten was Metallurgical with Rs. 2,488 Crores. Chemical and Hotel & Tourism was not in first ten in 2011 & 2012. These two industries showed a consistent increase its share during the last 3 years. Infrastructure also showed a declining trend during the above periods. All the sectors showed a diminishing vales in the year 2013. Chemicals showed a negative growth rate during the period of study.

Table VI SHARE OF INDIA IN WORLD FDI
(amount in US \$ Billion)

Years/ Countries	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
World FDI	958.7	1411	1183.3	1765.3	1142.7	1389.1	1664.0	1414.0	2098.42	2175.81
India's share in world FDI	0.8	1.4	1.3	1.09	1.39	1.1	0.75	0.61	0.82	0.90

Years/ Countries	1990-95	96	97	98	99	2000	2001	2002	2003	2004
World FDI	225.3	356.1	478.1	694.5	1088.3	1492	735.1	716.1	632.6	648.1
India's share in world FDI	0.3	0.7	0.8	0.4	0.2	0.2	0.5	0.5	0.7	0.8

Source: compiled from the various issues of WIR, UNCTAD, World Bank

It is a well-known fact that due to infrastructural facilities, less bureaucratic structure and conducive business environment China tops the chart of major emerging destination of global FDI inflows. The other most preferred destinations of global FDI flows apart from China are Brazil, Mexico, Russia, and India. The annual growth rate registered by China was 15%, Brazil was 84%, Mexico was 28%, Russia was 62%, and India was 17% in 2007 over 2006. During 1991-2012 the compound annual growth rate registered by China was 20%, Brazil was 24%, Mexico was 11%, Russia was 41% (from 1994), and India was 41%. India's FDI need is stood at US\$ 15 bn per year in order to make the country on a 9% growth trajectory (as projected by the Finance Minister of India in the current Budget). Such massive FDI is needed by India in order to achieve the objectives of its second generation economic reforms and to maintain the present growth rate of the economy. Although, India's share in world FDI inflows has increased from 0.3% to 1.3% from 1990-95 to 2007. Though, this is not an attractive share when it is compared with China and other major emerging destinations of global FDI inflows.

Table-VI reveals that during the period under review FDI inflow in India has increased from 11% to 69%. But when it is compared with China, India's FDI inflows stand no where. And when it is compared with rest of the major emerging destinations of global FDI India is found at the bottom of the ladder.

Testing of Hypothesis

FDI and GDP in India

(Rs in Crores)

Year	FDI ¹ Inflow	GDP ² at factor cost
1991-92	409	1367171
1992-93	1094	1440504
1993-94	2018	1522344
1994-95	4312	1619694
1995-96	6916	1737741
1996-97	9654	1876319
1997-98	13548	1957032
1998-99	12343	2087828
1999-2K	10311	2246276
2000-01	10368	2342774
2001-02	18486	2472052
2002-03	13711	2570690
2003-04	11789	2777813
2004-05	14653	2971464
2005-06	24613	3253073
2006-07	70630	3564364
2007-08	98664	3896636
2008-09	142829	4158676
2009-10	123120	4516071
2010-11	97320	4937006
2011-12	165146	5243582
2012-13	103956	5505437
2013-14	147518	5807341
Avg Annual Growth Rate (%)	1563.83	14.12
Standard Deviation	55947.8	1401532
Correlation	0.92	
Table value of 't'	10.76	

¹Source: various issues of SIA Bulletin.

²Source: Central Statistical Organization: Data book, 22nd April 2014

Interpretation:

From the above table it was observed that inflow of FDI had an average annual growth rate 1563.83% and GDP at factor cost had an average growth rate of 14.12%. The standard deviation of FDI inflow had a lower degree of variation as compared to GDP. The Karl Pearson's Coefficient of correlation between FDI inflow and GDP was 0.92, which shows a high degree of positive correlation. When Student t test was applied between these two variables it was observed that the calculated value of t=10.76 was more than

the table value of $t=2.85$ at 5% significance level. Hence the null hypothesis was rejected and alternate hypothesis was accepted. It shows that there is significant difference in the inflow of FDI and GDP growth rate during the period of Study.

FDI and Total Trade

(Rs in Crores)

Year	FDI ¹ Inflow	Total Trade ²
1991-92	409	91892
1992-93	1094	117063
1993-94	2018	142852
1994-95	4312	172645
1995-96	6916	229031
1996-97	9654	257737
1997-98	13548	284276
1998-99	12343	318084
1999-00	10311	374797
2000-01	10368	434444
2001-02	18486	454218
2002-03	13711	552343
2003-04	11789	652475
2004-05	14653	876405
2005-06	24613	1116827
2006-07	70630	1412285
2007-08	98664	1668176
2008-09	123025	2072438
2009-10	123120	2209270
2010-11	97320	2826389
2011-12	165146	3796283
2012-13	103956	4744842
2013-14	147518	3904792
Avg Annual Growth Rate (%)	1563.83	180.41
Standard Deviation	55947.8	1380594
Correlation	0.90	
Table value of 't'	9.46	

¹Source: various issues of SIA Bulletin.

²Source: various issues of RBI Bulletin

Interpretation:

From the above table it was observed that inflow of FDI had an average annual growth rate 1563.83% and Total Trade had an average growth rate of 180.41%. The standard deviation of FDI inflow had a lower degree of variation as compared to Trade. The Karl Pearson's Coefficient of correlation between FDI inflow and GDP was 0.95, which shows a high degree of positive correlation. When Student t test was applied between these two variables it was observed that the calculated value of $t=9.46$ was more than the table value of $t=2.85$ at 5% significance level. Hence the null hypothesis was rejected and alternate hypothesis was accepted. It shows that there is significant difference in the inflow of FDI and Total Trade growth rate during the period of Study.

XI. Findings and Suggestions

FDI plays a crucial role in enhancing the economic growth and development of the country. Moreover, FDI as a strategic component of investment is needed by India for achieving the objectives of its second generation of economic reforms and maintaining this pace of growth and development of the economy. This highlights the main findings of the study and sought valuable suggestions.

- China is the most attractive destination and the major recipient of global FDI inflows among emerging nations. India is at 5th position among the major emerging destinations of global FDI inflows. The other preferred destinations apart from China and above to India are Brazil, Mexico and Russia. It is found that FDI inflows to India have increased from 11 US \$ Bn in 1990-99 to 257 US \$ Bn in 2013-14
- It is found that although the list of sources of FDI flows has reached to 120 countries but the lion's share 76 % of FDI flow is vested with just five countries (viz. Mauritius, Singapore, UK, USA, and Netherlands).
- Mauritius and United states are the two major countries holding first and the second position in the investor's list of FDI in India. While comparing the investment made by both countries, one interesting fact comes up which shows that there is huge difference in the volume of FDI received from Mauritius and Singapore. It is found that FDI inflows from Mauritius are more than double from that of the Singapore.
- State- wise FDI inflows show that Maharashtra, New Delhi, Karnataka, Gujarat and Tamil Nadu received major investment from investors because of the infrastructural facilities and favourable business environment provided by these states. All these inflows are concentrated in their capital territory.

- Analysis of Top 10 Sectors attracting FDI shows that 1st position is maintained consistently by the service sector followed by Infrastructure. IT sector also showed increased foreign fund flow in 2014 & 2015. Highest share of FDI in 2015 was from the telecom sector.
- Developed economies share in world economy showed a decreasing trend from year 2008 to 2014. Developing economies showed a positive growth trend during the last years of study.
- Among developing nations, Asian countries received maximum share (16%) of FDI inflows as compared to other emerging developing countries. India's share in World FDI rose to 1.4% in 2009 as compared to 0.3% in 1990-95. This can be attributed to the economic reform process of the country for the last eighteen years.
- China is the most attractive destination and the major recipient of global FDI inflows among emerging nations. India is at 5th position among the major emerging destinations of global FDI inflows. The other preferred destinations apart from China and above to India are Brazil, Mexico and Russia. It is found that FDI inflows to India have increased from 11 US \$ Bn in 1990-99 to 257 US \$ Bn in 2013-14
- Although India's share in global FDI has increased considerably, but the pace of FDI inflows has been slower than China, Brazil, Mexico and Russia.
- Due to the continued economic liberalization since 1991, India has seen a decade of 7 plus percent of economic growth. Infact, India's economy has been growing more than 9 percent for three consecutive years since 2006 which makes the country a prominent performer among global economies. At present India is the 4th largest and 2nd fastest growing economy in the world. It is the 11th largest economy in terms of industrial output and has the 3rd largest pool of scientific and technical manpower.
- There has been a generous flow of FDI in India since 1991 and its overall direction also remained the same over the years irrespective of the ruling party.
- An analysis of last eighteen years of trends in FDI inflows in India shows that initially the inflows were low but there is a sharp rise in investment flows from 2005 onwards.
- It is observed that India received FDI inflows of Rs.492302 crores during 2000-2010 as compared to Rs. 84806 crores during 1991-1999. India received a cumulative FDI flow of Rs. 577108 crores during 1991 to march 2010.
- A comparative analysis of FDI approvals and inflows reveals that there is a huge gap between the amount of FDI approved and its realization into actual disbursements. A difference is observed between investment committed and actual inflows during the year 2005-06.
- India has received maximum number of financial collaborations as compared to technical collaborations.

- India received large amount of FDI from Mauritius (nearly 40 percent of the total FDI inflows) apart from USA (8.8 percent), Singapore (7.2 percent), U.K (6.1 percent), Netherlands (4.4 percent) and Japan (3.4 percent).
- It is found that India has increased its list of sources of FDI since 1991. There were just few countries (U.K, Japan) before Independence. After Independence from the British Colonial era India received FDI from U.K., U.S.A., Japan, Germany, etc. There were 120 countries investing in India in 2008 as compared to 15 countries in 1991. This broaden list of sources of FDI inflows shows that India is successful in restoring the confidence of foreign investors through its economic reforms process.
- Exchange rate shows positive sign instead of expected negative sign. This could be attributed to the appreciation of Indian Rupee in international market which helped the foreign firms to acquire the firm specific assets at cheap rates and gain higher profits.
- When Student t test was applied between these two variables (FDI and GDP) it was observed that the calculated value of $t=10.76$ was more than the table value of $t=2.85$ at 5% significance level. Hence the null hypothesis was rejected and alternate hypothesis was accepted. It shows that there is significant difference in the inflow of FDI and GDP growth rate during the period of Study.
- When Student t test was applied between these two variables (FDI and Total Trade) it was observed that the calculated value of $t=9.46$ was more than the table value of $t=2.85$ at 5% significance level. Hence the null hypothesis was rejected and alternate hypothesis was accepted. It shows that there is significant difference in the inflow of FDI and Total Trade growth rate during the period of Study.

XII Conclusion

In a nutshell, despite troubles in the world economy, India continued to attract substantial amount of FDI inflows. India due to its flexible investment regimes and policies prove to be the horde for the foreign investors in finding the investment opportunities in the country. What is needed is not merely an increase in FDI but also investment in key areas of manufacture. Consistent macroeconomic policies, good governance, consistent market friendly policies, healthy economic indicators, guarantee of property rights and the rule of law are required to attract higher levels of FDI.

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AN INVESTIGATION OF FACTORS INFLUENCING THE ADOPTION OF ELECTRONIC MANAGEMENT BASED ON THE THEORY OF REASONED ACTION (TRA): A CASE STUDY IN THE UNIVERSITY OF TECHNOLOGY / IRAQ

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Abstract:

This study is concerned with investigation of the factors that influence the adoption of electronic management (e-Management) based on the Theory of Reasoned Action (TRA) in the University Of Technology (UOT) in IRAQ. To achieve this aim the researcher investigated a set of factors: University Readiness (UR), Top management Support (TMS), Financial Resources (FR), Subjective Norms (SNKS) and Attitudes (A).

A questionnaire was developed and distributed to a sample of (240) respondents to collect primary data, and based on a convenience sample the response rate was about 75%. Furthermore, the findings were analyzed using the Statistical Package for Social Software (SPSS) and Amos program to analyze the path of the independent variables with an R^2 of 35.5%, linear Multiple Regression analysis revealed that all research variables have a significant effect on the adoption of e-Management in the UOT.

The results indicated that UR, TMS, FR, SNKS and Attitudes have a positive and significant influence on the adoption of e-Management based on (TRA) in the UOT in IRAQ. Based on the research findings and conclusions, a number of recommendations and future research suggestions were proposed such as: The UOT should keep a consistent rate of growth and development for the University Readiness, because of its important role in e-Management and the positive effect it has on the adoption of e-Management in the

UOT.

Keywords: Electronic Management, University Readiness, Top Management Support, Financial Resources, Subjective Norm of Knowledge Sharing & Attitudes.

1- Theoretical Background:

The rapid changes in the business environment lead to the need for technologies and their acceptance at an accelerating rate; organizations are becoming more flexible using various Information Systems (IS) to support more strategic and complex procedures in order to achieve competitive advantage. Information and Communication Technology (ICT) is a facilitator of organizational activities, processes and assistant tool. It has been used to support management in achieving the organization's goals. Many types of Computer-Based Information Systems (CBIS) have been developed to support the organizational performance, such as Electronic Management (Martin, Brown, Dehayes, Hoffer & Perkins, 2002; Turban, Rainer & Potter 2001).

Currently, many universities globally have adopted e-Management and they have recognized that it has made a positive effect on their performance (Cordella, Martin, Shaikh, & Smithson, 2011). The e-Management enables universities to link their internal and external data processing systems more efficiently and flexibly, to work more closely with their students and staff, and to better satisfy the needs and expectations of their clients (Paul, 2000).

In practice, e-Management refers to an emphasis on the functions that occur using electronic capabilities, this can be partially explained by the e-Management use of ICT solutions in improving the university's performance (Jeong, 2007). In addition, e-Management helps to simplify routine procedures, and to make data and information more easily accessible to all beneficiaries regardless of time and place. Another benefit and important contribution of the e-Management on the universities have been in reducing the transaction times and costs. (Jeong, 2007).

Therefore, the main aim of this research is to investigate the factors influencing the adoption of e-Management based on the Theory of Reasoned Action (TRA) in the University of Technology UOT in IRAQ. These factors are: University Readiness, Top Management Support, Financial Resources, Subjective Norm of Knowledge Sharing & Attitudes.

1-1 Adoption of e-Management:

Many organizations continue to invest large amounts of resources in new IT, & determining the potential acceptance of these new technologies is important (Andrew Rhodes, 2010). If the new IT is accepted & adopted by users, the chances of the system & investments' success greatly increase (Addison, Stephen, Yang, Wu-Yuin & Jia, 2010).

Rogers (1995) defines the adoption process as: "The process through which an individual or other decision-making unit passes from first knowledge of an innovation, forming an attitude towards the innovation, to a decision to adopt or reject the implementation of the new idea, & to confirm this decision".

Premkumar & Roberts (1999) agreed with Rogers (1995) as they considered five phases in the adoption process: Awareness stage of acquiring information about the innovation, persuasion stage of being

persuaded to adopt the innovation, decision stage of deciding to adopt, implementation stage of implementing the innovation & using it & finally confirmation stage of evaluating the actual outcomes with expectations.

The need for businesses to adopt new system is the anticipated benefits from this system that would be brought to the organization. If users are not willing to accept the IS, it will not provide full benefits to the organization (Benamati & Lederer 2008). In this research, it is proposed that there are several factors influencing the adoption of e-Management for the UOT.

In light of what mentioned above, the researcher defines the e-Management as: Based on the above, the researcher concluded the e-Management is the ability to use ICT for the implementation of administrative activities electronically via the Internet and providing electronic services anywhere and at any time.

The successful adoption of the e-Management relies on a number of different considerations such as being able to provide a set of requirements that is needed for the implementation of the e-Management. Those requirements can be achieved through referring to the strategic program and the integrated approach to Business Process Reengineering BPR in the UOT. The factors for that influence to the application of the e-Management are:

1-2 University Readiness (UR):

The e-Management requires a modern and flexible organizational structure based on the IT. It needs to emphasize as well on the innovation and initiatives, leadership in performance and completing work with the greatest efficiency (Ana, Del & Antonio, 2006). The University Readiness consists of:

- 1- Developing Strategies and Establishing Plans:** This requires the formation of management to ensure comprehensive planning strategies. Thereafter, implementation of the plans for e-Management can occur. During this process, consultants will also be involved to assist in helping the university develop specifications and standards of e-Management (Saad, 2010).
- 2- The Organization Structure:** The organizational structures for the e-Management are matrix, networks and communications. The changes made in the organizational structure, procedures and methods, must match the principles of e-Management. This can be actualized through the development of new departments or the cancelling or merging of some existing departments to make sure that there are the appropriate conditions for the application of the e-Management in making the organization more efficiency and effectiveness (Grover, 1998).
- 3- Education and Training:** The e-Management requires radical changes in their procedures, so that the quality of Human Resources HR is raised to the highest standards. This means rethinking education and keeping the current training systems in order that the requirements of new shift to the e-Management. Other changes include the preparation of new plans, programs, methods of education and training at all levels in the university. Furthermore, to raise awareness to the members of the UOT about the nature of the e-Management, psychological, behavioral, technical, material needs to be provided to successfully transition the requirements of the e-Management (Fink, 1998).
- 4- Update the Laws and Regulations in Accordance to Latest Developments:** The shift to the e-Management requires changes be made to the legal and regulatory environment to help facilitate the e-Management. Any legislation that impedes the progress of e-Management transition should be replaced

and legal texts should reflect the management shift from traditional management to e-Management (Premkumar & Roberts, 1999).

- 5- Information Technology Infrastructure:** IT infrastructure requires that it be developed and improvements are made in communication networks so that they can be integrated and ready for use to accommodate the high number of connections at the same time. In addition, it is important to signal in this aspect need to link the e-Management of all of the modern electronic systems and Information and Communication Networks together because it is one of the most important and necessary considerations that ensure the success of the e-Management (Caldeira & Ward, 2002).

1-3 Top Management Support (TMS):

Several previous studies have shown that TMS is a significant predictor of technology adoption and leads to more successful IT use in many organizations (Seyal, & Rahman, 2003). It is important to create a supportive climate and adequate resources for the adoption of new technology (Premkumar & Roberts, 1999). Top management would be able to identify business opportunities for the exploitation of IT and their active involvement and support would provide appropriate strategic vision and direction for the adoption of new innovations (Thong, Yap & Raman, 1996). Moreover, this characteristic would also send signals about the importance of the innovation and succeed in overcoming organizational resistance to accept the IS. As a result, TMS will lead to obtaining necessary assistance related to required capital spending and labor support and the cooperation to complete for resources in the project-planning and development stage (Grover, 1998).

1-4 Financial Resources (FR):

The e-Management project must have sufficient funding where it will be able to cover the financial demands in improving the level of infrastructure, providing the necessary hardware and tools and software and technical maintenance, facilitating the training courses in Human Resources for the staff development. In order to continue and achieve the goal in e-Management implementation, funding needs to be available and sufficient (Forgionne & Kohli, 2000). Thus, it becomes clear that funding is a major consideration that is necessary for the application of systems within the e-Management. Hart & Porter (2004) suggested the there needs to be an independent budget of the project so that it can review periodically how the money is being spent and thereafter justify providing funding.

1-5 Subjective Norms of knowledge Sharing (SNKS):

According to Fishbein & Ajzen (1975), subjective norms refer to "perceived pressures on a person to perform a given behavior and the person's motivation to comply with those pressures". Thus, subjective norms reflect how the customer is affected by the perception of some significant referents (e.g., family, friends, and colleagues, among others) of his/her behavior. Many studies in psychology have theorized that subjective norms are an important determinant of perceived usefulness (e.g., Yi, Wu & Tung, 2005) and behavioral intention (e.g., Dezhi, Samuel & Han, 2008; Luarn & Lin, 2005; Taylor & Todd, 1995; Yi, et al., 2005). As stated previously, the TRA identified subjective norms and attitude as determinants of behavioral intention (David Arnott, 2010). The Innovation Diffusion Theory (IDT) by Rogers (1995) demonstrated that subjective norms and the interpersonal communication networks performed significant functions in the adoption decision.

1-6 Attitudes (A):

Attitude (A) explains a person's favorable or unfavorable assessment regarding the behavior. Furthermore, attitude directly influences the strength of the behavior and beliefs regarding the likely outcome. Accordingly, attitude (A) is equated with attitudinal belief (ab) linking the behavior to a certain outcome weighted by an evaluation of the desirability of that outcome. Attitudes and perceived usefulness are also affected by perceived ease of use. Perceived usefulness and reflecting a person's salient belief in the use of the technology will be helpful in improving performance. Perceived ease of use is a person's salient belief that using the technology will be free of effort (Taylor & Todd, 1995).

2- Previous Studies:

Sattam & Sami (2011) focused to the factors affecting e-Commerce adoption in Jordanian SMEs. This study presents the results of a study investigating environment, organization readiness and technological factors that influence adoption of e-Commerce in small and medium size enterprises in Jordan. The results show several attention-grabbing similarities and few variations between the assorted sectors in Jordan. The organizational factors affecting e-Commerce adoption in these sectors in Jordan are the CEO and employees' knowledge and attitude. The questionnaire findings also showed that diverse technology in their respective organizations has an effect on e-Commerce adoption by SMEs in Jordan. Technological factors play an important role in e-Commerce adoption by SMEs in Jordan. Fatimah & Saedah (2010) emphasized the ICT for participatory based decision-making-E-management for administrative efficiency in Higher Education. E-Management in the context of this study has been shown to facilitate participatory decision making in an organization while ensuring tight quality control and monitoring procedures. Ethical and confidentiality issues are addressed as well. The model, called QuESt (Quality E-management System). As the main aim was to increase administrative efficiency, the system has a built in mechanism for minimizing wastage of resources, staff time as well as workload. As such it can maximize accountability, staff participation and to a certain extent, commitment. These being the case, in a small way, QuESt has managed to advance knowledge in e-management systems. It has implications for policy making in that policy makers can look to this system to perhaps improve management efficiency as well as staff commitment to achieving institutional aims. In as far as the efficiency of the system itself, commitment from top management especially in terms of monitoring. (2009) attempted to explore the Factors Influencing the Adoption of Internet Banking: Ming-Chi Lee An integration of TAM and TPB with Perceived Risk and Perceived Benefit / China. This study explores and integrates the various advantages of online banking to form a positive factor named perceived benefit. In addition, drawing from perceived risk theory, five specific risk facets (financial, security/privacy, performance, social and time risk) are synthesized with perceived benefit as well as integrated with the Technology Acceptance Model (TAM) and Theory of Planned Behavior (TPB) model to propose a theoretical model to explain the customers' intention to use online banking. The results indicated that the intention to use online banking is adversely affected primarily by the security/privacy risk, as well as financial risk and is positively affected mainly by perceived benefit, attitude and perceived usefulness. Chong Yee Ling (2009) conducted a model of factors influences on e-Commerce adoption and diffusion in SMEs. This study aimed to develop a model of e-Commerce adoption to assist those SMEs that are considering currently

conducting their business using the Internet. Building on an examination of current technology diffusion literature, a model of e-Commerce adoption has been developed. It investigated factors that potentially influence the adoption of e-Commerce. The findings indicated that many of SMEs have the support of their top management and its own high organizational readiness and best use of communication channels. Hong-Bumm Kim et al. (2009) examined the modeling roles of subjective norms and e-Trust in Customers' Acceptance of Airline B2C e-Commerce Websites. In this study, Kim described an extended Technology Acceptance Model (TAM), which integrates "subjective norms of knowledge sharing" and e-Trust into the model in order to determine their relevance to the acceptance of "Airline Business-to-Customer e-Commerce Websites System (AB2CEWS)". The proposed research model was tested empirically using data collected from a survey of customers who had utilized B2C e-Commerce websites of two representative airline companies in South Korea for the purpose of purchasing air tickets. Kim's findings provide general support for an extended (TAM), and also confirmed its robustness in predicting customers' intention to reuse (AB2CEWS). Valuable information was found from the findings regarding the management of (AB2CEWS) in the formulation of airlines' Internet marketing strategies. In addition, Seonghee & Boryung (2008) sought to an analysis of faculty perceptions: Attitudes toward knowledge Sharing and collaboration in an Academic Institution. The purpose of this study was to examine and analyze the major factors influencing knowledge sharing and to provide useful and practical insights for academic institutions as they develop knowledge repositories. In order to achieve the objectives of the study. The results show that 'perception' is the most influential factor and 'reward systems' is the second most influential factor for faculty knowledge sharing. Respondents did not consider other factors such as trust, collaboration, and communication channels based on IT infrastructure to be the main factors, its finding also concluded that perception was the most influential factor affecting faculty knowledge sharing. By its very nature, faculty jobs deal with creating, disseminating, and utilizing knowledge for research and teaching purposes.

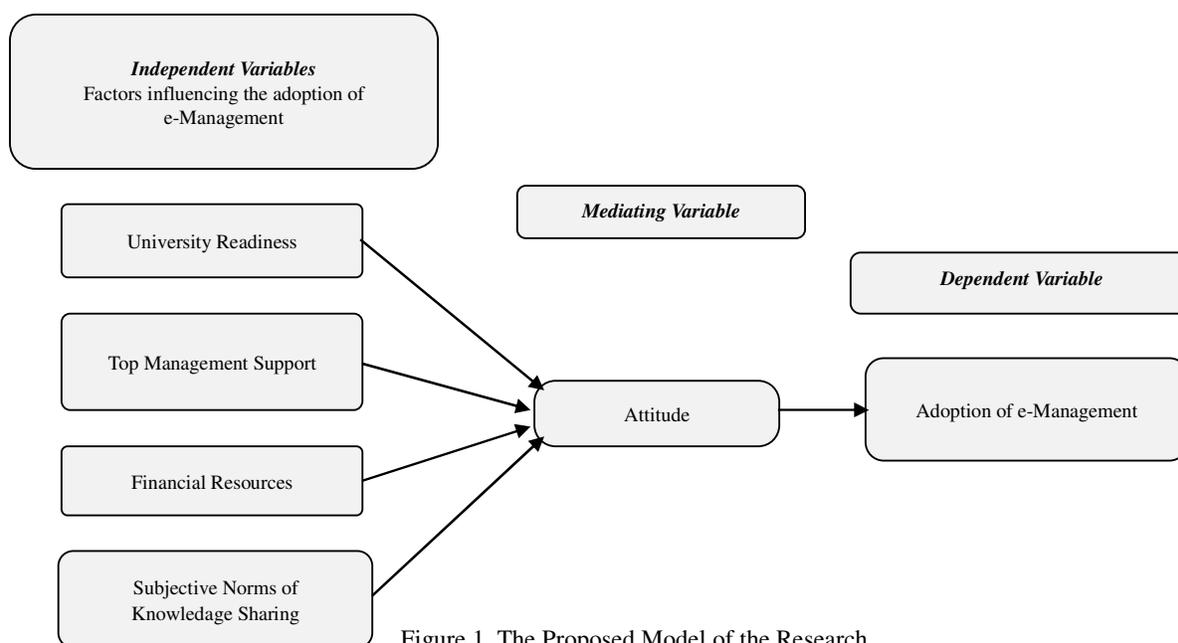


Figure 1. The Proposed Model of the Research

3- Problem Statement:

The problem of this research stems from detecting the factors that influence the adoption of e-Management based on the Theory of Reasoned Action TRA in the UOT in IRAQ. Correspondingly, this research attempts to answer the following main question: "What are the impacts of the internal factors on the adoption of e-Management at the UOT in IRAQ"?

4- Research Aim and Objectives:

The main aim of this study is to determine the factors influencing adoption of the e-Management based on the TRA by achieving the following objectives:

- Explaining the impact of the internal factors on the adoption of the e-Management at the UOT in IRAQ.
- Investigating the impact of the internal factors on the Attitude.
- Explaining the impact of the internal factors on the adoption of e-Management at the UOT / IRAQ through the Attitude.
- Providing significant recommendations based on the results that will be resulted in this study.

5- Research Model:

To study the main factors influencing adoption of e-Management based on the Theory of Reasoned Action TRA in the UOT in IRAQ, the researcher relies on previous studies, the TRA model & his observations in building the proposed model below.

6- Research Importance:

The importance of this research can be derived from the following:

- The lack of studies that focus on e-Management in the Arab country, & particularly in IRAQ. Therefore, this research may represent a starting point for further research to cover other factors affecting e-Management adoption (which are not discussed in this research).
- This study aims to investigate the factors influencing adoption of the e-Management based on the TRA in the UOT in IRAQ.
- The findings of this research will be useful not only for academics, but also for UOT & any other university's managers & decision makers.

7- Design and Methodology:

The researcher uses a deductive approach which is more likely to work with quantitative data in order to answer the questions about the relationships among measured variables with the purpose of explaining, predicting and controlling phenomena. Thus, the aim of a deductive approach is to generalize from a sample to a population (Leedy & Ormrod, 2001).

The design was quantitative because the data took a numerical form. That is, by employing a deductive approach with a quantitative research method, the researcher has been able to measure & analyze the relationship between influencing factors & the adoption of e-Management. This approach also allows for testing the research hypotheses & generalizing the research findings to the population (Zikmund, 2003).

The methodological approach in this research is a Descriptive Analytical Approach, because the researcher attempts to identify, explain variables of this research and to describe the relationships between

these variables in order to provide a picture of a particular phenomenon, but not to ferret out cause-effect relationships.

The nature of questions in this research being investigated, for instance is "What are the main factors that influence the adoption of e-Management based on TRA in the UOT in IRAQ"? & according to the previous study it is appropriate to use a case study strategy. This can yield the following advantages: the case study strategy is flexible, useful for the discovery of new insights as well as for pointing out typical responses, can be applied to many people and provides data about the present and about what people are thinking, doing and anticipating (Zikmund, 2003).

The procedure of selecting (240) members in the UOT was based on the convenience sampling method, as it is considered the best way of getting some basic information quickly & efficiently (Sekaran, 2006). In addition, the researcher considered this procedure for its compatibility with the distinctiveness of e-Management for the members. The researcher distributed (240) questionnaires, (180) questionnaires were returned & were valid for analysis; these questionnaires were distributed to all of UOT's managers.

8- Data Analysis:

Construct validity has been assessed by using correlation analysis, the result of testing the validity showed in Table (1). It implies that items that are indicators of a specific construct should converge or share a high proportion of variance (Hair et al, 2006). In other words, it assesses the degree to which measures of the same concept are correlated, with high correlation indicating that the scale is measuring its intended concept.

The item-to-total correlations in this research all exceed (0.5) & all items were significant because (Sig= .000<0.01); with each dimension demonstrating properties of good validity, the fitness of these models can now be assessed.

Table 1. Test of Construct Validity

Factor	Item of Question	Sig. (2-tailed)	Correlation of item-to-total
University Readiness	UR 1	0.000	0.801**
	UR 2	0.000	0.821**
	UR 3	0.000	0.843**
	UR 4	0.000	0.802**
	UR 5	0.000	0.806**
	UR 6	0.000	0.803**
	UR 7	0.000	0.802**
	UR 8	0.000	0.790**
	UR 9	0.000	0.754**
	UR 10	0.000	0.736**
	UR 11	0.000	0.753**
	UR 12	0.000	0.691**

Top Management Support	TMS 1	0.000	0.737**
	TMS 2	0.000	0.699**
	TMS 3	0.000	0.748**
	TMS 4	0.000	0.708**
	TMS 5	0.000	0.639**
Financial Resources	FR 1	0.000	0.873**
	FR 2	0.000	0.918**
	FR 3	0.000	0.915**
	FR 4	0.000	0.804**
	FR 5	0.000	0.848**
Subjective Norms of knowledge sharing	SNKS 1	0.000	0.823**
	SNKS 2	0.000	0.819**
	SNKS 3	0.000	0.562**
	SNKS 4	0.000	0.827**
	SNKS 5	0.000	0.747**
	SNKS 6	0.000	0.577**
Attitude	A 1	0.000	0.571**
	A 2	0.000	0.592**
	A 3	0.000	0.685**
	A 4	0.000	0.675**
	A 5	0.000	0.633**
Adoption the e-Management	EM 1	0.000	0.810**
	EM 2	0.000	0.812**
	EM 3	0.000	0.820**
	EM 4	0.000	0.805**
	EM 5	0.000	0.745**
	EM 6	0.000	0.763**
	EM 7	0.000	0.759**
	EM 8	0.000	0.696**
	EM 9	0.000	0.667**
	EM 10	0.000	0.526**
	EM 11	0.000	0.575**
	EM 12	0.000	0.657**

** Correlation is significant at the 0.01 level (2-tailed).

The reliability of the scales was established by utilizing Cronbach's alpha (Table 2). Considering the present research as a whole, Cronbach's alpha varied from (0.81 -0.88), which is considered acceptable for this type of research.

Table 2. Cronbach's Alpha for the Scales

Variables	No. of Cases	No. of Items (Question)	Cronbach's Alpha
University Readiness	180	1-12	0.82
Top Management Support	180	13-17	0.83
Financial Resources	180	18-22	0.86
Subjective Norms of Knowledge Sharing	180	23-28	0.81
Attitudes	180	29-33	0.84
Adoption of e-Management	180	34-45	0.88

To analyze Multi-collinearity, two types of measurements can be used: Variation Inflation Factor (VIF) & Tolerance. The VIF, measures the extent the variance of the estimated regression coefficients are inflated as a result of being related to the other independent variables, & Tolerance is the amount of variability of the selected independent variables not explained by other independent variables.

Results in Table below (3) shows that VIF for all independent variables ranged between (1.286-1.749), which are less than the limited valued (10) & Tolerance for all independent variables ranged between (0.550 -0.729), which are greater than (0.10). This indicates that there was no high correlation among the independent variables (Multi-collinearity).

Table 3. The Multicollinearity Test

Variables	Tolerance	VIF
University Readiness (UR)	.5720	1.749
Top Management Support (TMS)	.7120	1.404
Financial Resources (FR)	.7780	1.286
Subjective Norms of Knowledge Sharing (SNKS)	.5730	1.747

The ratio of Skewness to its standard error can be used as a test of normality (that is, you can reject normality if the ratio is less than -2 or greater than +2). A large positive value for Skewness indicates a long right tail; an extreme negative value indicates a long left tail" (SPSS Base 16.0 users Guide, 2007).

Table (4) presents the Skewness normality distribution test:

Table 4. Skewness Coefficients

Variables	Skewness
University Readiness (UR)	.1010
Top Management Support (TMS)	.7130
Financial Resources (FR)	-0.263

Subjective Norms of Knowledge Sharing (SNKS)	-0.170
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The reading of the Skewness test findings, all variables are normally distributed, ranging from (-0.263 to +0.713) falling within the interval of (2,-2).

Fitness of the Model: the linear regression analysis of the original model reveals that the R-square of the model is (0.340). This means that the model explains 34% of the variance in the dependent variable as shown in Table (5) below. The model is statistically significant, as the p-value for the model is 0.000 which is less than the limit for statistical significance limit in same Table, which is 0.10 for weak significance & 0.05 for significance. This level is good; meaning that the fitness of the model in explaining the adoption process is high.

Table 5. Fitness of the Model for Regression Analysis

Mode	R	R2	Adjusted R2	S.D Error of the Estimate	Durbin-Watson	F	Sig
Adoption of e-Management	0.583a	0.340	0.322	0.308	2.037	30.20	0.000

a. Predictors: (Constant), UR, TMS, FR, SNKS, A.

b. Dependent Variable: adoption of the e-Management.

* Statistically significant at the level of significance ($\alpha \leq 0.05$)

From the results showed in Table (6), UR has a significant effect on the adoption of e-Management based on the TRA in the UOT ($t = 2.879$; $sig = 0.004$). While TMS has a significant impact on the adoption of e-Management based on the TRA in the UOT ($t = 2.478$; $sig = 0.014$). Furthermore, FR has a significant impact on the adoption of e-Management based on the TRA in the UOT ($t = 4.220$; $sig = 0.000$). SNKS has a significant impact on the adoption of e-Management based on the TRA in the UOT ($t = 3.709$; $sig = 0.000$). In addition, A has a significant impact on the adoption of e-Management based on the TRA in the UOT ($t = 5.270$; $sig = 0.000$).

Table 6. T-Value & Significance Level (α)

Independent Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	b	Std. Error	Beta		
Constant	1.770	0.274		6.463	0.000
UR	0.209	0.073	0.197	2.879	0.004
TMS	0.134	0.054	0.152	2.478	0.014
FR	0.103	0.024	0.247	4.220	0.000
SNKS	0.188	0.051	0.253	3.709	0.000

9- Discussion:

The research findings indicated that managers in UOT appear to make their adoption of e-Management in the UOT in IRAQ based on its UR, TMS, FR, SN & A. These results are somewhat consistent with the findings of previous studies. In light of the research objectives & the hypotheses testing the researcher has revealed the following overall conclusions:

9-1 System Characteristics:

9-1-1 University Readiness (UR):

Through examining H0(1-1), meanwhile the UR explained (24.9%) of the total variance of the variable the adoption of the e-Management, while the value of (t) calculated (8.876) and (Sig. = 0.00) and that less than of (α), hence H0(1-1) is rejected. However, Chong (2009) indicated that the existence of high organizational readiness does influence the adoption of the electronic commerce and diffusion in Small and Medium Sized Enterprises (SMEs).

9-1-2 Top Management Support (TMS):

Through examining H0(1-2), the TMS explained (11.8%) of the total variance of the variable 'The adoption of the e-Management', while the value of (t) calculated (5.656) and (Sig. = 0.00) and that less than of (α), hence H0(1-2) is rejected. However, Sattam (2011) indicated that a high degree of the TMS affects the adoption of e-Commerce in Jordanian SMEs. This result is related to the respondents' personal opinions of individuals determining UOT's top management policies. However, it is indicated several research literatures that TMS is a key factor affecting the adoption of new ICT applications and has the greatest effect on e-Management usage.

9-1-3 Financial Resources (FR):

Through examining H0(1-3), the FR explained (15.2%) of the total variance of the variable the Adoption of the e-Management, while the value of (t) calculated (6.536) and (Sig. = 0.00) and that less than of (α), hence H0(1-3) is rejected. The researcher found FR had a positive role in the adoption of the e-Management in the UOT, and had a negative role on the Attitude of the respondents. This result can be explained by the respondents' point of view that the heterogeneous FR in the UOT contains different departments. However, several studies have also shown that (FR) is necessary for the successful introduction of new technology adoption and it is an important factor to be considered when implementing any technology. Ming (2009) indicated that impact of the FR can best be appreciated when understands how it helps in the development online banking through the integration of TAM and TPB with perceived risk and perceived benefit.

9-1-4 Subjective Norms of Knowledge Sharing (SNKS):

Through examining H0(1-4), while the SNKS explained (24.7%) of the total variance of the variable the adoption of the e-Management, while the value of (t) calculated (8.841) and (Sig. = 0.00) and that less than of (α), hence H0(1-4) is rejected. This finding is similar to the results noted by Hong (2008) that indicated that the existence of a high degree of SNKS affects the modeling roles of subjective norms and e-Trust in customers' acceptance of airline B2C e-Commerce websites.

9-1-5 Attitudes (A):

Through examining H03, while the Attitude explained (27.9%) of the total variance of the variable the adoption of the e-Management, the value of (t) calculated (5.270) and (Sig. = 0.00) and that less than of (α), hence H03 is rejected. This finding is similar to the results by Seonghee & Boryung (2008) which indicated that there was a high degree of Attitude toward knowledge sharing and collaboration in an academic institution.

10- Conclusions and Recommendations:

In light of the research objectives and empirical results, and in order to answer the research questions outlined at the beginning of this research, the researcher has reached the following overall conclusions:

- 1) University Readiness, Top Management Support, Financial Resources, Subjective Norms of Knowledge Sharing and Attitudes have an effect on the adoption of the e-Management at the UOT in IRAQ and the relationship between them and the adoption of e-Management is positive.
- 2) UOT in IRAQ has a very strong base of University Readiness that is capable of adopting e-Management.
- 3) The researcher noted that there was a negative relationship between the Financial Resources and the Attitudes to adoption of e-Management in the UOT.
- 4) UOT managers also share a collective opinion regarding accepting the e-Management as a new system using technologies, and this is considered as a rare case especially in a big university.

11- Recommendations of the Research:

In light of the research results and conclusions, the researcher recommends that:

- 1) UOT in IRAQ must maintain the actual level of orientation towards technology and needs to clarify the purposes of its adoption as a helping tool in order to raise their administrative efficiency.
- 2) The UOT should also keep a consistent rate of growth and development for the University Readiness especially the IT infrastructure, because of its important role in e-Management and the positive effect it has on the adoption of e-Management in the UOT.
- 3) UOT in IRAQ must by pay more attention to the Top Management Support, Financial Resources, Subjective Norms of Knowledge Sharing and Attitudes towards adopting the e-Management.
- 4) UOT in IRAQ needs to clarify the strategic purposes and goals of using such systems through comprehensive and continuous trainings and workshops for the employees in the Middle Management and Operation Management Level.

12- Research limitations:

This research study has a number of limitations that should be taken into account when evaluating and generalizing its conclusions. However, the limitations discussed below can also provide the starting point for future research:

- 1) The scarcity of Arab and foreign resources which specializes in the e-Management. Most of the research focus is on e-Government and not on e-Management.
- 2) In this research, the researcher used a single method in data collection (questionnaires) to test a number of hypothesized relationships.
- 3) This study was conducted in one public university in IRAQ, more specifically in UOT. In some countries, the findings of this study may not be applicable due to having a different organizational culture.

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THE IMPACT OF THE GLOBAL FINANCIAL CRISIS ON THE FAIR VALUE

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Abstract:

This study mainly aims to Identify the stages of the evolution of the global financial crisis, its causes and its consequences , explore the need to develop international standards control the fair value accounting, in order to reduce the effects of the global financial crisis and develop suggestions and recommendations aim at improving, development and amendment of the International Accounting Standards to reduce the effects of the global financial crisis. The researchers have concluded a set of results The psychological impact of the crisis affected the performance of Amman Financial Market Bad reputation of the investment in capital markets after the crisis affected the performance of Amman Financial Market Loss of some investors affected the performance of Amman Financial Market. The low level of organizational culture affected the performance of Amman Financial Market. The ambiguity of the duties of each function affected the performance of Amman financial market. The recommendations of the study is The need for companies to hold awareness sessions for investors on the crisis• to arrange internal economic situation by reviewing legislation, which means that the government should work on a plan includes economic reconsideration of many of the laws relate to the economy aims to ensure the safety of the national economy for a long time until improving the markets associated with the Jordanian market.

Introduction:

The current global financial crisis had made a significant change on various areas of life and at the global level. However, recently the accounting standards of fair value have been accused of being one of the most important reasons for the emergence of this global crisis. In addition, the financial statements have no longer show the financial position, the results of operations, and the cash flows, in accordance with the economic realities, which almost deprived this data from its importance, due to that its financial information has not been based on objective economic data, in addition to that the drafters of the accounting standards in different countries have been varied in dealing with this issue and several differences have aroused among the international accounting standards and the generally accepted

standards in the United States, on these issues. Given that accounting standards in Britain have been devoid of any accounting of the fair value of financial instruments, and at that time, it was reprehensible that developing nations demand the adoption of fair value accounting in the time developed countries do not demand its application. For those reasons, it has become necessary to rethink of the traditional accounting concepts and measurement based on cost for a number of assets, and the realized revenues as well as within specific precautions, which are essential accounting concepts stabilized over the decades and accounting postulates, no one dares to cross.

The importance of studying

The importance of this study lies in the severity of the current global financial crisis and its serious repercussions on the world, however, the main question arises is that is the fair value accounting as understood by some people was the main reason for the occurrence of the global financial crisis, or it was just a factor of many other factors contributed to its occurrence? The answer to this question is what the researcher seeks from this study. In this regard, the importance of this study and consequently its results will serve all interested groups aim to identify the causes of the global financial crisis, its current and projected impacts on the global economy, in general, and on the Jordanian economy, in particular. It is obvious that the business men are at the top of the list, as well as, the consultants and experts, who provide their services to those business men, of financial analysts, credit analysts, and internal and external accounts' auditors.

The problem of the study

In the light of the modern trend of accounting, which began moving from traditional accounting based on the conventional cost accounting to the accounting on fair value basis, a set of new international accounting standards in addition to many of the amendments on the existing standards were issued during the past few years, and they focused on the wide use of the concept of fair value in accounting, in presentation, disclosure, measurement and recognition.

Elements of the problem of the study

The element of the problem of the study may be summarized in the search as an answer for each of the following questions:

1. Does fair value accounting have significant impact in bringing about the global financial crisis?
2. Do the international accounting standards amendments that control fair value accounting contribute to reducing the effects of the global financial crisis?

Hypotheses of the search

In order to achieve the goal of the study, a number of hypotheses deal with independent and dependent variables of the study, were adopted as follows:

The first major hypothesis:

- There is no effect of the financial crisis with its dimensions (credit expansion policy, weak empowerment of employees in the investment management, investors' concern, and lack of flexibility of the organizational structure), and the performance of Amman Financial Market.

Moreover, it entails the following sub-hypotheses:

H01: There is no statistically significant relationship at the abstract level (0.05) between the expansion of the credit policy and the performance of the market fair value of the assets.

H02: There is no statistically significant relationship at the abstract level (0.05) between the weak empowerment of the employees' performance and the market fair value of the assets.

H03: There is no statistically significant relationship at the abstract level (0.05) between the concern of the investors (psychological impact) and the performance of the market fair value of the assets.

H04: There is no statistically significant relationship at the abstract level (0.05) between the lack of flexibility of the organizational structure and the performance of market fair value of the assets.

Objectives of the study

This study mainly aims at the following:

1. Identify the stages of the evolution of the global financial crisis, its causes and its consequences.
2. Identify the key aspects of fair value accounting and its impact on the global financial crisis.
3. Explore the need to develop international standards control the fair value accounting, in order to reduce the effects of the global financial crisis.
4. Develop suggestions and recommendations aim at improving, development and amendment of the International Accounting Standards to reduce the effects of the global financial crisis.

The determinants of the study

1. The real effects and consequences of the global financial crisis unfold day after day, and maybe some of these effects and implications are still not known yet, therefore, the answers provided by the study sample to the questions raised may not include those unforeseen effects and consequences.
2. The controversy among researchers and experts about the role of the fair value approach in bringing about the financial crisis is not over and may not be over in the near future.
3. The regency of the global financial crisis, with the large amount of reports, newsletters, articles, addressing, discussions and comments, however, the in-depth studies and those published in the scientific journals, whether local or foreign, are still relatively limited.

Previous studies

1. **Study of (Abed al-Fadl, Mahmoud; Amr Shiha, 2010**, entitled "to reduce the deficit gap in the

commercial balance to mitigate the effects of the global economic crisis on the Egyptian economy, January 2010.”. The study aims to identify the pattern of change in the structure of commodity imports during the

period (1974- 2007), and the reasons behind the import boom that occurred during that period.

2. Study of (Economic Observatory – Jordan University, 2010, entitled "The phenomenon of government deficit declining: temporary or permanent". the study emphasized on the need to "focus on reducing the public spending at a greater degree more than focus on reducing public capital spending, which requires taking further steps to improve the management of financial resources of the public sector, and reduce the number of unnecessary public administrations." The Economic Observatory of the University of Jordan recommended to the government to reconsider its policies in place to deal with the deficit in the public budget of the Kingdom.

3. Study of Dr. Tahir AlQashi, 2010

The Board of International Accounting Standards is fully aware of the attention that some political leaders in the world give to the subject of accounting standards, which was evident through the statements of a number of leaders, especially in recent times, and their conviction that the development of such standards will have a significant effect in reducing the bottlenecks in financial operations, and the possibility of detecting weaknesses and deficits in the daily practices of business management

On the other hand the responsibility of International Accounting Standards Board and its commitment to respond in a timely, urgent, and responsible manner to the requirements of the phase to address these changes in the world, has been crystal clear through the new amendments and decisions issued by the board, to cope with the current situation.

4. Study of Al-Abbas, 2011

In the past, the historical cost method was used in the asset evaluation, however when a Enron crisis took place in 2002, a law provides the use of fair value (market value) was issued), which in turn brought down the economy once again into the abyss, what happened in year (2002) was expanded with the adoption of other accounting laws and the use of fair value for the evaluation of assets. A loophole was created and helped the boards of directors manipulate earnings and inflate asset. For this reason, and in order to solve this problem, the American Accounting Standard No. 157, entitled “Fair Value Measurement “was adopted.

This standard was adopted on the basis that markets are able to provide the best and most independent and just assets’ measurement. In addition and in order to get rid of the issue of manipulating the fair value through the use of mark to mode, this standard provided a structural detail of the fair value on the basis of market prices from independent sources.

Theoretical framework

The global financial crisis

The financial crisis erupted in early 2007 in the United States and it began from the American mortgages, then evolved until it has become an economic crisis at the world level and began to affect Europe and the whole world. There are many negative effects of the crisis on both the private and public economy in all industrial, developing and poor countries, with a difference of degree on the negative effects on each country, where a number of international banks, some of the large financial institutions and a large number of international companies broke down after many years of success.

Fair value

The concept of fair value

The debate between the users of financial statements deals were always on value, and whether the historical cost in the public budget reflect the economic realities and allow users of financial statements to understand the financial position, the results of operations and cash flows.

In fact, the objective of financial statements is to provide useful and relevant information for the community, which depends on the financial statements to make economic decisions and where the financial statements were supposed to accurately reflect the financial position, results of operations and the cash flows, in a way enables to hold the administration accountable for the money entrusted to it and to take appropriate decisions. In this case, the assets and liabilities must be shown at fair value because it is more useful and beneficial to users of financial statements from the historical cost.

When looking at the concept of fair value, we find that it is divided into two parts:

First: values based on the market, namely:

- Market value, any list prices in an active market.
- Fair value, the amount used to exchange assets or settle liabilities among knowledgeable and willing parties in a direct transaction.

Second: values that are not necessarily based on the market, namely:

- Value of use.
- Recoverable value
- Exchanged value.
- Established ongoing value.
- Liquidation value.

One cannot deny the problems that surround fair value accounting, including:

- The fair value estimations surrounded by a great deal of diligence and personal judgment and following varied foundations of measurement.

- The fair value is a radical step and deviation from the traditional concepts of accounting and there is not any accounting theory justifies it.
- Revenues are realized from the continuity of the establishment over time and not from short-term fluctuations in prices.
- Fair value accounting is complex and of a mixed methods including those related to the company's desire to retain investments, and those related to the subject of estimating the fair value.
- There is an objective reason to show investments that do not have market prices with their historical cost.

Statistical analysis

Validity and reliability of the study:

Alpha value has been used to measure the reliability of the measurement tool where it reached

Sample	Alpha
60	91.2%

We note that the value of (alpha) equals to (91.2%), which is bigger than the statistically acceptable percentage of (60%), and this reflects the reliability of the measurement tool used. (David, P4, 1998)

Statistical analysis software (SPSS) was used to analyze the study data and extract the results.

Validity and reliability of the study:

Table (1)

Shows the validity and reliability of the study for the areas

Rank	Area	Alpha
1	Credit expansion policy	%88.8
2	Weak empowerment of the employees in the Investment Management	%84.6
3	Lack of flexibility in the organizational structure (powers)	%84.5
4	Investors concern	%89.2

The characteristics of the study sample

Gender

I have extracted repetitions and percentages for the distribution of the study sample by gender, illustrated in table 2:

Table (2)

The distribution of the study sample according to gender

Gender	Repetitions	Percentage
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Males	38	63,3%
Females	22	36.7%
Total	60	100%

It is clear from the above table that the number of males has reached (38) by (63.3%), while the number of females has reached (22) by (36.7%).

Years of Experience

Repetitions and percentages for the distribution of the study sample were extracted according to experience, illustrated in Table 3:

Table (3)

The distribution of the study sample according to the experience variable

Experience	Repetitions	Percentage
Less than five years	20	33.3
From 5-10 years	26	43.3
More than 10 years	14	23.3
Total	60	100 %

The above table shows the distribution from of the study sample according to experience variable, those who have less than 5 years has reached (33.3%) of the study sample, and those who have experience between 5-10 years has reached (43.3%) of the study sample, and those who have more than 10 years of experience has reached (23.3%).

Scientific qualification

Repetitions and percentages for the distribution of the study sample have been extracted according to qualification, illustrated in table 4:

Table (4)

The distribution of the study sample according to qualification variable

Qualification repetitions	Repetitions	Percentage
Diploma or less	8	13.3
Bachelor	32	53.3
Master and above	20	33.3
Total		100 %

the above distribution of the study sample according to the level of education variable showed that 13.3%

of the study sample hold diploma or less, (53.3%) of the study sample hold bachelor degree, and (33.3%) of the study sample hold a Master and above.

Investor age

Repetitions and percentages for the distribution of the study sample were extracted according to the age of the investor, illustrated in table (5):

Table (5)

The distribution of the study sample according to the age of the investor

Investor age	Repetition	Percentage
From 20-30	6	10
31-41	38	63.3
42 and above	16	26.7
Total	60	100 %

As can be seen from the above table, the distribution of the study sample depending on the age of the investor, showed that age between 20-30 have reached (10%) of the study sample, (63.3%) of the study sample whom their age ranges between 31-41, and (26.7%) of the study sample whom their age is 42 years and older.

Results of the study

The purpose of this study was to determine the impact of the economic crisis on the fair market value of the assets, and to achieve the goal of the study, a questionnaire was established and an the coefficient of stability, reliability and validity were confirmed, and after the process of collecting questionnaires, they were coded and entered into a computer and processed statistically using the Statistical Package for Social Sciences (SPSS). Following are the results of the study according to questions sequence and hypotheses.

First: results on the question of the study:

What is the impact of the economic crisis on the fair market value of the assets?

To answer the question of the study, means, standard deviations and percentages of the study were extracted and then arranged in descending order according to the arithmetic means for each area:

Area of expansion in credit policy:

Table (6) shows expansion in credit policy analysis for the paragraphs contained in the questionnaire, where means and standard deviations were calculated for the respondents' answers. The level of importance of these paragraphs to each other were determined based on the average consensus. Using the table, we may infer the following:

Table (6)

Means and standard deviations of the views of respondents about the paragraph relate to the area of expansion in credit policy

Paragraph No	Paragraph	Mean	Standard deviation
1.	lack of follow-up credit facilities has affected the performance of Amman Financial Market	3.2667	.98027
2.	lack of study of the conditions of the clients when granting credit has affected performance of Amman Financial Market	3.3367	.98027
3.	lack of clarity of the foundations upon which credit granted has affected the performance of Amman Financial Market	3.1667	.87428
4.	lack of identification of credit's employment area has affected the performance of Amman Financial Market	3.0333	1.03335
5.	failure to set the high ceiling of credit has affected the performance of Amman Financial Market	2.6000	1.06997

The results indicate that the failure to study the conditions of the clients when granting credit has affected the performance of Amman Financial Market, came at the first rank and the views average was (3.33), the study sample answers to this paragraph tends to be (high) level.

In the last rank was the paragraph of failure to set high ceiling for granting credit has affected the fair market value of the assets, the average consensus was (2.60), and the direction of the study sample answers to this paragraph tends to (average) level.

Weak empowerment of the employees in the investment management:

Table (7)

Means and standard deviations of the views of respondents about the paragraphs relate to the areas of Weak empowerment of the employees in the investment management

Paragraph No	Paragraph	Mean	Standard deviation
1.	Fail to grant power to employees has affected the performance of Amman Financial Market	3.2667	1.20153
2.	lack of staff participation in making decisions has affected performance of Amman Financial Market	3.2333	1.19434

3.	The non-conviction of the senior management of the empowerment philosophy has affected the performance of Amman Financial Market	3.2333	1.25075
4.	lack of staff participation in the planning processes has affected the performance of Amman Financial Market	3.5000	1.25258
5.	The limited participation of the employees in solving problems face them during work has affected the performance of Amman Financial Market	3.7333	.90719

The results indicate lack in staff participation in solving the problems faced during work has affected the financial performance of Amman Stock market, and it came in the first rank and the average consensus was (3.73), and the direction of the study sample answers to this paragraph tends to be (high) level.

In in the last rank came the lack of staff participation in decision-making on the fair market value of the assets, and the average consensus was (3.23), and the direction of the study sample answers to this paragraph tends to be (average) level.

Lack of flexibility in the organizational structure (powers):

Table (8)

Means and standard deviations of the views of respondents were extracted about the questions relate to the lack of flexibility in the organizational structure (powers)

Paragraph No	Paragraph	Mean	Standard deviation
1.	rigidity of the organizational structures has affected the performance of Amman Financial Market	3.7333	.90719
2.	low level of organizational culture has affected performance of Amman Financial Market	3.6667	.80230
3.	ambiguity in the duties of each function has affected the performance of Amman Financial Market	4.1333	.89955
4.	multiplicity of the administrative levels has affected the performance of Amman Financial Market	3.9333	1.08066

5.	non-empowering of the staff has affected the performance of Amman Financial Market	3.7667	1.04000
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The results of the study indicates that the ambiguity of the duties of each function has effected the fair market value of the assets, and it came at the first rank and the views average was (3.13), in addition, the direction of the study sample answers to this paragraph tends to be (high) level.

In the last rank was the paragraph relate to low level of organizational culture has affected the fair market value of the assets, the average of views was (3.66), and the direction of the study sample answers to this paragraph tends to be (average) level.

Investors concern:

Table (9)

Means and standard deviations of the views of respondents to the questions relate to the investors' concern

Paragraph No	Paragraph	Mean	Standard deviation
1.	The psychological impact of the crisis has affected the performance of Amman Financial Market	3.3333	.99424
2.	the bad reputation of the investment in capital markets after the crisis has affected performance of Amman Financial Market	3.3000	.95231
3.	loss of some investors has affected the performance of Amman Financial Market	3.1667	1.01992
4.	bankruptcy of some companies perform to the reluctance of investors to invest has affected the performance of Amman Financial Market	3.7667	1.16511
5.	The failure of the companies to educate investors about the crisis has affected the performance of Amman Financial Market	3.5333	1.33218

The results indicate the bankruptcy of some companies perform to the reluctance of investors to invest has affected the performance of the Amman Financial Market, came at the first rank and the average of views was (3.76), and the direction of the study sample answers to this paragraph tends to be (high) level.

paragraph relate to the loss of some investors has affected the fair market value of the assets came at the last rank with views average of (3.16), and the direction of the study sample answers to this paragraph tends to be (average) level

Discuss the hypotheses of the study

The first hypothesis: there is not any statistically significant effect at the significance level (0.05) between the global financial crisis and the expansion of credit policy.

Results of the first hypothesis test

R2	R	Alpha Sig	F	B
0.390	0.420	0.004	4.77	2.57

Table (9) clearly indicates that the value of the correlation coefficient has reached (0.420) as the interpreted contrast ratio has been 39%, which is low. In order to verify D-link statistically, (F) test was conducted, which is evident in the results of table (9). In addition, that the statistical value (P) was 4.77 and this value is a function at the level of 0.004 and it is less than the critical value (0.05), therefore, there is a statistically significant effect at the significance level (0.05) between the global financial crisis and the expansion of credit policy.

The second hypothesis: there is not statistically significant effect at the significance level (0.05) between the global financial crisis and the Weak empowerment of the employees in investment management.

The second hypothesis test results

F	R2	Calculate T	9Alpha) Sig	R
1.32	0.38	3.54	0.01	0.194

Given the table (10), the results showed that the value of the coefficient of determination R2 is (0.38) and this indicates that there is a statistically significant effect at the significance level ($\alpha \leq 0.05$) between the global financial crisis and the weak empowerment of the employees in the investment management, which explains 38% of the variance.

Examining the value of F of (1.32), it is statistically significant at a moral level less than (0.05), and this is proofs the moral simple linear regression model.

Results of statistical analysis also showed that the value of T (3.54) which is statistically significant at a moral level less than (0.05), thus we reject the null hypothesis and accept the alternative hypothesis which states that there is no effect statistically significant at the significance level (0.05) between the global financial crisis and weak empowerment of the employees in investment management.

The third hypothesis: there is not statistically significant effect at the significance level (0.05) between the global financial crisis and lack of flexibility in the organizational structure and powers.

The third hypothesis test results

R2	R	(alpha) sig	F	B
0.54	0.392	0.003	2.36	3.33

Table (11) clearly indicates that the value of the correlation coefficient is (0.392), as the interpreted contrast ratio is 54%, which is a medium rate. In order to verify that the D-link statistically significant, test (F) was performed and the results in table (11).

The statistical value (P) was 2.36 and the value function at the level of 0.003 is less than the critical value (0.05), so there is a statistically significant effect at the significance level (0.05) between the global financial crisis and the lack of flexibility in the organizational structure and powers.

Fourth hypothesis: there is effect is statistically significant at the significance level (0.05) between the global financial crisis and investors' concern.

The fourth hypothesis test results

R	Sig 0	Calculated T	R2	F
0.36	0.00	4.25	0.321	2.50

Given the table to (12), the results shows that the value of the coefficient of determination R2 is (0.32) and this indicates that there no statistically significant effect at the significance level ($\alpha \leq 0.05$) of the global financial crisis and investors' concern explains 32% of the variance.

Looking at the value of F, which was (2.50), which is statistically significant at a moral level less than (0.05), and this is evidence the moral simple linear regression model.

Results of statistical analysis also showed the value of T as (4.25), which is statistically significant at a moral level less than (0.05), thus we reject the null hypothesis and accept the alternative hypothesis, which states that there is no statistically significant effect at the significance level (0.05) between the global financial crisis and the investor concern

Demographic assumptions:

Gender Hypothesis

There is no statistically significant effect at the significance level (0.05) between the sample responses on the issue of the impact of the economic crisis on the market fair value of the assets attributed to gender variable.

Table (13)

The distribution of the study sample according to gender

Gender	Male (38) mean	Female (22) mean	F
Credit expansion policy	4.7273	3.2045	8.69

Weak empowerment of the employees in the investment management	4.7500	3.7500	3.64
lack of flexibility in the organizational structure (powers)	4.3864	4.9318	2.71
Investor concern	4.2500	3.3412	4.26
Total	4.52	3.80	

The above table indicates that the effect is statistically significant at the significance level (0.05) between the global financial crisis attributed to gender variable, and it was in favor of males.

Hypothesis of years of experience

There is no statistically significant effect at the significance level (0.05) between the sample responses on the issue of the impact of the economic crisis on the market fair value of the assets attributed to Years of Experience variable.

Table (14)

The distribution of the study sample according to the variable of Years of Experience

Years of Experience	Sum of squares	Degrees of freedom	Squares average	F calculated value
Credit expansion policy	4.171 27.909 32.080	3 57 60	.005	2.292
Weak empowerment of the employees in the investment management	.885 2.795 3.680	3 57 60	0.000*	4.852
lack of flexibility in the organizational structure (powers)	.935 13.545 14.480	3 57 60	0.003	1.058
Investor concern	.393 10.727 11.120	3 57 60	0.001	5.61

* Statistically significant at the level of significance ($\alpha = 0.05$).

Table (14) indicated that there is no statistically significant differences at the level of significance ($\alpha = 0.05$) between the global financial crisis attributed to the variable years of experience as a whole.

Scientific qualification hypothesis

There is no statistically significant effect at the significance level (0.05) among the sample responses on the issue of the impact of the economic crisis on the fair market value of the assets attributed to the variable of qualification

Table (15)

The distribution of the study sample according to qualification variable

Qualifications	Sum of squares	Degrees of freedom	Squares average	F calculated value
Credit expansion policy	.288	3	0.000*	8.29
	14.932	57		
	15.220	60		
Weak empowerment of the employees in the investment management	.084	3	0.000*	9.46
	20.636	57		
	20.720	60		
lack of flexibility in the organizational structure (powers)	2.068	3	0.000*	2.21
	26.432	57		
	28.500	60		
Investor concern	1.853	3	0.000*	5.16
	14.727	57		
	16.580	60		

* Statistically significant at the level of significance ($\alpha = 0.05$).

Table (15) indicates that there is no statistically significant differences at the level of significance ($\alpha = 0.05$) of the global financial crisis attributed to qualification variable as a whole.

Hypothesis of investor age

There is no statistically significant effect at the significance level (0.05) between the sample responses on the issue of the impact of the economic crisis on the market fair value of the assets attributed to the variable of the age of the investor

Table (16)

The distribution of the study sample according to the variable of the age of the investor

Qualifications	Sum of squares	Degrees of freedom	Squares average	F calculated value
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Credit expansion policy	1.144	3	0.000*	5.50
	24.636	57		
	25.780	60		
Weak empowerment of the employees in the investment management	.338	3	0.017*	8.12
	31.182	57		
	31.520	60		
lack of flexibility in the organizational structure (powers)	.788	3	*0.004	9.13
	38.720	57		
	37.932	60		
Investor concern	.193	3	0.000*	4.30
	19.727	57		
	19.920	60		

* Statistically significant at the level of significance ($\alpha = 0.05$).

Table (16) indicates that there is no statistically significant differences at the level of significance ($\alpha = 0.05$) of the global financial crisis attributed to the variable of age of the investor.

Results and recommendations

Results

In light of the foregoing, the researchers have concluded a set of results as follows:

- The psychological impact of the crisis affected the performance of Amman Financial Market
- Bad reputation of the investment in capital markets after the crisis affected the performance of Amman Financial Market
- Loss of some investors affected the performance of Amman Financial Market
- The bankruptcy of some companies, which led to the reluctance of investors to invest, affected the performance of Amman Financial Market
- Failure of the companies to hold awareness sessions for the investors about the crisis affected the performance of Amman Financial Market
- The rigidity of the organizational structures affected the performance of Amman Financial Market
- The low level of organizational culture affected the performance of Amman Financial Market
- The ambiguity of the duties of each function affected the performance of Amman Financial Market
- Failure to empower employees at work affected the performance of Amman Financial Market
- Lack of staff participation in decision-making affected the performance of Amman Financial Market
- Lack of follow-up credit facilities affected the performance of Amman Financial Market

- Failure to study the conditions of the clients when granting credit affected the performance of Amman Financial Market
- Lack of clarity of the foundations upon which credit is granting affected the performance of Amman Financial Market
- Failure to identify the areas of credit employment affected the performance of Amman Financial Market
- Failure to set higher ceiling for granting credit affected the performance of Amman Financial Market

Recommendations:

Through what has been reached from the results of the study, we recommends the following:

- The need for companies to hold awareness sessions for investors on the crisis
- to arrange internal economic situation by reviewing legislation, which means that the government should work on a plan includes economic reconsideration of many of the laws relate to the economy aims to ensure the safety of the national economy for a long time until improving the markets associated with the Jordanian market.
- The need to empower staff work in Amman Financial Market
- The need to follow-up credit facilities in Amman Financial Market
- The need to study the conditions of the clients when granting credit
- The need for clarity of the foundations of granting credit
- The need for a higher ceiling for granting credit

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AN EVALUATION OF THE POLICIES INSTITUTED BY THE GOVERNMENT OF ZIMBABWE IN PROMOTING SURVIVAL AND GROWTH OF SMES: THE CASE OF GLENVIEW AREA 8 SMES

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ABSTRACT

The main objective of this study is to evaluate the policies instituted by the government of Zimbabwe in promoting the survival and growth of SMEs using a case of SMEs in Glen View Area 8. This was done with a view to draw up strategies aimed at improving the contribution of SMEs to Zimbabwe's GDP. The research used a qualitative research design, a random sample was chosen to which a survey questionnaire was administered to collect data. Interviews were also conducted with personnel from the Ministry of Small and Medium Enterprises and Harare City Council Department of Health and Social Services. Findings indicated that little had been done by government in addressing SME concerns and accord priority to the SMEs so that they are enabled to contribute to the betterment of the economy. Challenges found to be facing SMEs were issues such as capital availability, difficulties in procuring raw materials, low technological capabilities, and difficulties in securing permits and licences. The study recommended that SMEs are a significant sector that should otherwise be contributing significantly to the economy and recommended that government should prioritise SMEs by establishing finance schemes, training programmes and encourage clustering.

KEY WORDS: GDP (Gross Domestic Product), IDP (Industrial Development Policy), ZIMASSET (Zimbabwe Agenda for Sustainable Socio-Economic Transformation)

INTRODUCTION

Mugano (2012) noted that Zimbabwe experienced growth of Small and Medium Enterprises (SMEs) after the collapse of the formal economy. It is against this background that a Ministry was put in place to support SMEs. According to Business Council of Zimbabwe, SMEs have in the past been experiencing different challenges to their growth and survival that include limited access and high cost of finance, lack of proper and adequate infrastructure, use of old technology, information asymmetry, lack of marketing skills and market knowledge and also inadequate management and entrepreneurial skills. According to Federico et al (2012) social skills are complemented by policies oriented to enlarge and develop SMEs.

Ekpenyong (1997) argues that the problems bedevilling the SMEs in Zimbabwe are multifaceted. Reason et al (2002) reiterated that in the Czech the government implemented policies that were aimed at increasing support for SMEs. The Zimbabwean government came up with various support measures to support SMEs among them were the liberalization policy, preferential purchasing policies of the Central Purchasing Agency, the deliberate policy to have market stalls in all urban centres, intention to legalise street vending at designated areas and even

establishment of green markets in high densities of Harare (IEE 2010). The results on the ground are not reflective of a winning situation and stakeholders are more comfortable to referring to them as the, 'informal sector', although SMEs could be the answer to Zimbabwe's economic problems since the same kind of businesses command European economies. The Portfolio Committee on SMEs Cooperative Development in 2010 recommended that there was need to review SME legislation in order to promote the growth of SMEs and the Executive should speedily bring before parliament the SME Bill, so that SMEs have an appropriate framework in which to conduct business.

The Zimbabwean government was committed to focusing on strategically supporting and investing in the informal economy (Biti, 2010, p.102) In the monetary policy review it was mentioned that, it is important to regularise the tax affairs of those corporates that had gone informal, in order to expand the tax base as well as provide a window of opportunity for these taxpayers to benefit from Government business which requires up-to-date tax returns. It was further proposed that tax amnesty be granted to SMEs who were willing to normalize their tax obligations for periods prior December 2008. This was done in an effort to encourage SMEs to formalize their day to day business.

Mashayahanya (2014) indicates that SMEs need to identify their problems so that they can find the appropriate solutions instead of solely complaining of being financially excluded. It is argued that the country's economic policy framework is weak and this includes SMEs Policy and Strategy Framework, 2002-2007. This was also supported by the Business Council of Zimbabwe (BCZ) as it introduced the Indigenization and Economic Empowerment policy (IEE) in 2011. The country crafted the Industrial Development Policy (IDP) for 2012-2016, with specific provisions on SMEs growth as they are viewed as important engines for employment creation and economic growth and should be prioritized and supported. This is indicative that policy is put in place however SMEs are not growing or surviving. According to SEDCO (2004) in Mudavanhu et al (2011), about 60% of SMEs in Zimbabwe fail in the first year of establishment, 25% fail within the first three years and the remaining 15% are likely to survive. This therefore implies that about 85% of SMEs will eventually collapse. The Zimbabwean SME sector is highly affected by high exit rates and instability. Eggers et al (2013) concentrated their research on the implications of customer and entrepreneurial orientations for SME growth. Hart et al (2000) research on public policy and SME performance was done in the context of SMEs in Northern Ireland. Salvato (2006) argues that there are different variables that affect growth of SMEs however these researchers do not bring out the implications of policy on growth. An in-depth study into the essential features of the existing small and medium scale industries is justified on the grounds that many policies in the past, which sought to address the problems of the real sector of the Zimbabwean economy, seem to have failed.

LITERATURE REVIEW

Evaluating policy implementation involves assessment of the institutional performance of the institutional system in its locale (Blais and Gagne, 2010). Zimbabwe is known for coming up with brilliant and well thought policies but the problem has been on implementation (Zindiye et al, 2008). Policy implementation is viewed by Gerston

(2009) as the process that involves those actions by the public or private individuals that are directed at the achievement of the objectives set forth in prior policy decisions. After implementation the next process has to be evaluation of the policy to assess the effectiveness and efficiency of a public policy in terms of its perceived intentions and results (Gerston, 2009; Papaconstantinou and Polt (2009)). In other words policy evaluation entails a comparison of what happened after the implementation of the policy with what would have happened had the policy not been implemented. Evaluation of implementation of SME policy is religiously done in the developed world and this explains why there is consistence in terms of the contribution of SMEs to the GDP in the First World. It appears there is a different approach in developing countries as evidenced by slow growth and short-term survival of SMEs. This study explores further into issues of evaluation of implantation SMEs policy in Zimbabwe focusing on Glenview Area 8 SMEs.

In Southern Africa previous studies have also shown that a number of policies have been adopted to promote SMEs as soon as the countries attained independence. When Namibia attained independence in 1990, the government adopted policies to redress some of the apartheid legacies. Jauch, Edwards and Cupido (2009) postulate that Affirmative Action and Black Economic Empowerment (BEE) programmes were some of the measures taken to empower formerly marginalized blacks under Article 23 (2) of the Namibian constitution. At independence in October 1964, Zambia adopted the socialist mode of economic development, ostensibly to redress colonial imbalances and bring about a more equitable distribution of wealth (OECD Investment Policy Reviews: Zambia (2012). In South Africa there was a review of the country's SME policy through the formulation of the Black Economic Empowerment policies after the attainment of independence in 1994 (Nieman, 2008). The studies further revealed that 91 percent of the formal business entities in South Africa are SMEs and they contribute between 52 to 57 percent to the GDP and further provide about 61 percent of employment. Therefore SMEs have been established to be a drive for economic growth in African developing countries.

In Zimbabwe when majority rule was attained in 1980, the new government adopted Growth with Equity Policy in 1981, Transitional National Development Plan (TNDP) and Five Year National Development Plan (FFYNDP) guided by socialist and democratic principles in the allocation of and distribution of resources and social benefits (Maseko et al, 2012). The Government of Zimbabwe launched the Short Term Emergency Recovery Programme (STERP 1) in February 2009, which was followed by the Three (3) Year Macro-Economic Policy and Budget Framework 2010-2012 (STERP II) on the 23rd December 2009 (Government of Zimbabwe, 2009). The key objective of both STERP 1 and STERP II was to resuscitate manufacturing activity and increase capacity utilisation levels from the low levels of approximately 5% in 2008 to around 80% by 2012. The manufacturing sector at its peak, contributed 23% to GDP since its lowest slump to about 12%. Government of Zimbabwe (2009) further states that the manufacturing sector was diversified and well integrated with the rest of the Zimbabwean economy, exhibiting, particularly, strong linkages with agriculture, mining, construction and commerce. Government of Zimbabwe (2009) further states that the economy had been facing severe challenges, with the annual real GDP growth suffering declines averaging -5.9% since 2004. Cumulatively, output declined by more than 40% during that period. The deepening economic crisis is reflected in sectorial performance, which followed the same trend. Since 2006, virtually all sectors recorded declines in output with agriculture, manufacturing and mining estimated to have declined by 7.3%, 73.3%, and 53.3 respectively in 2008 (Government of Zimbabwe, 2009). It was further noted that average capacity utilisation in most industries was between 30% and 45%. Hence, while some progress had

been realised across some sub-sectors, during this policy framework period Government would continue instituting measures to further raise capacity utilisation to 100% by 2015 (Government of Zimbabwe, 2009) which has not yet been achieved.

As earlier alluded to, Kachembere (2011) also acknowledges that industry itself was operating at low capacity utilisation across the board, which reached record low of 5% on average in 2008. Furthermore, the country suffered an exodus of qualified and technical personnel who were emigrating to greener pastures in neighbouring countries. Herbst (2008) adds that raw material shortages owing to low agricultural productivity and foreign currency shortages also played their part in contributing to the manufacturing sectors woes. As a way of resuscitating the ailing industry, the Government of Zimbabwe crafted the Industrial Development Policy (IDP) to cater for the period 2012 to 2016. Funds were unveiled to support ailing small and large manufacturing firms. Earlier, government of Zimbabwe established many institutions to help with financial and institutional support to the SMEs and some of these institutions are Zimbabwe Development Bank (ZDB) and SEDCO among others. However there was nothing much to write home in terms of growth and survival of SMEs in Zimbabwe. Against this background, Anseeuw and Alden (2010) note that the early policies after independence led to the greater concentration of wealth and means of production in the hands of 'foreign' and local elites rather than equitable distribution for the benefit of general citizenry. The Zimbabwean Government on current policies, is yet to be seen whether the policies will yield the desired objectives. It is therefore the purpose of this study to assess the SME policy with the aim of unearthing the challenges they are posing to growth and survival of SMEs in Zimbabwe.

Support policies for SMEs vary from country to country and from developed countries to less developed countries due to differences in business contexts, culture and the level of industrialization. Van Praag and Versloot (2007) postulate that the only government in the world that has fully identified the scale of taxpayer funds devoted to "supporting" small firms and entrepreneurship is the United Kingdom. They note that each year around £8 billion is spent. They also acknowledge that this is approximately the same sum as spent on the Police and more than is spent on Universities. Since East European countries are now European Union (EU) members, there are various EU programmes for SMEs that cover a range of needs. These include vocational training and education, infrastructure projects, individual and information technology development (Bass, 2012). In addition, SMEs in these countries also receive direct support from local authorities and the government. Bass (2012) further notes that Poland and Bulgaria are a case in point where SMEs are provided with training and advisory services, management, market information, credit access, exports promotions and the introduction of high-tech production. This approach could have worked very well in Poland and Bulgaria but may not work in Zimbabwe due to a number of factors.

The trajectory and evolution SME policy in Zimbabwe is traced back from 1980 to 2014 according to Sharara (2013) different policies were crafted from 1980 to the current Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset). According to the Government of Zimbabwe (2013) the successful implementation of the ZimAsset Plan will be anchored on sustainable economic empowerment and employment creation programmes for the citizenry. The main thrust of the SMEs and Co-operatives policy will be on creating and growing opportunities for business, skills development and provision of funding for indigenous business ventures especially start-ups and those run by previously disadvantaged individuals. Government of Zimbabwe

further notes that SEDCO will be capitalized to finance the development of the said projects to enable innovative youths and women in the formal sector to achieve financial inclusion. In pursuance of the aforementioned sustainable developmental thrust, it is further noted that Government will continue with the “Look East” Policy to unlock the inflow of potential investment into the country. However, this new policy is yet to yield desired results since its implementation is still in progress. Furthermore, the ministry responsible for Small and Medium Enterprises was put in place but development of SMEs and their contribution to the country’s GDP seems to be below expectation. Some scholars blame sanctions on poor performance of SMEs while some attribute the same to policy inconsistency and bad governance (Campel, 2005).

Hansen, Rand and Tarp (2009) conducted a study that provided evidence on survival and growth of SMEs in Vietnam during 2006- 2012. The findings were supported by (Bass, (2012); Klepper, (2010); Audretsch, (2009)) who identify the determinants of survival, growth and performance to be innovation, firm size and age, diversification, ownership, location, degree of capital intensive production. Regarding innovative firms Bass (2012) postulates that technological and knowledge conditions determine the relative ease with which new firms are able to innovate and therefore survive and grow. Complementing this study, Audretsch (2009) suggests that technological opportunities are very important in the long run for new firm competitiveness. More specifically, considering the United States (U.S.) manufacturing sector in industries where small firms have a relatively higher innovation rate as compared to larger firms the survival and growth rate of small firms is higher. Agarwal and Audretsch (2010) also suggest that the relationship between the likelihood of survival and firm size is dependent on technology and on the stage of the industry life cycle. They note that exit hazard is greater in more innovative industries and evidence suggests that the probability of exiting is higher when industry unemployment is high.

Jovanovic (2008) focuses specifically on the issue of diversification and discusses how this can improve the probability of survival and growth. Gaining market power, avoiding risk, having access to funds, making products compatible and reaping efficiency gains are in his view some of the potential benefits from diversification. Jovanovic (2008) develops a general equilibrium model of the degree of diversification by firms, and it turns out that it is more efficient to make two products rather than one at a larger scale. Although evidence from developed countries is substantial it is not clear whether the above conclusions concerning firm dynamics carry over to developing countries. First of all, Tybout (2008) documents, in an excellent survey of the empirical literature concerning manufacturing firms in developing countries, that there is no serious scale inefficiency problem in developing countries. Survey based evidence suggests that the potential efficiency gains from increasing plant size are probably much smaller than one might think. Moreover, Söderbom and Teal (2010) show for firms in Ghana’s manufacturing sector that human capital does not appear to be quantitatively important in determining productivity. Liedholm and Mead (2009) have made great efforts to uncover the characteristics of the African region. Using data from eight countries they confirm that firm age and firm size are important variables in analysing the enterprise life cycle. Location, composition of activities, labour force characteristics and gender of the entrepreneur also turn out as important determinants of firm survival and growth.

Jauch et al, 2009 look at five African countries, and his findings confirm that the level of human capital, location, sector, and gender are important determinants of growth. Consistent with the results obtained from analysing developed countries he also finds an inverse relationship between enterprise growth and firm age and size, respectively. In a related paper, Jovanovic (2008) theory of firm evolution does not hold in his sample of four

African countries. Size and the probability of exiting the industry are not negatively related. Liedholm and Mead (2009) point out that the above theoretical models are somewhat limited in their choice of explanatory variables. There are other important variables, which may affect firm dynamics, and the key determinants of managerial ability are also left out. Consequently, in generating more comprehensive hypotheses about the determinants of firm survival and growth, the analyst must ultimately move beyond variables identified in the theoretical literature, seeking inspiration from empirical sources.

The general picture emerging from the above review is one of widespread support for the evolutionary theory of Jovanovic (2008). The probability of survival increases with size and age, but larger and older firms tend to experience lower growth rates. Furthermore, it also appears that characteristics regarding the owner (education and gender), firm (location, ownership form and sector) and production (innovation, diversification in terms of demand and supply, and capital intensity) play an important role in explaining firm dynamics. In what follows, the researcher relies on the above framework to study SME firm dynamics in Zimbabwe. However, the above framework may not apply in Zimbabwe. It is therefore the importance of this study to come up with a framework that best suits and guarantee survival and growth of SMEs in Glenview Area 8 home industry. The development of viable and efficient SMEs is hampered by several constraints. The constraints may differ from region to region, between rural and urban, between sectors, or between individual enterprises within a sector. However, there are certain constraints that are common to all SMEs. According to Bass (2012), these common constraints include lack of capital, difficulties in procuring raw materials, lack of access to relevant business information, difficulties in marketing and distribution, low technological capabilities, high transportation costs, communication problems, problems caused by cumbersome and costly bureaucratic procedures (especially in getting the required licenses), and policies and regulations that generate market distortions among other problems.

According to Reserve Bank of Zimbabwe (RBZ) (2014) January Monetary Policy, SMEs account for significant economic activity and Bank encourages financial institutions and other stakeholders to increase their support to the SMEs sector. The Monetary Policy Report further notes that the prevailing status quo where 70% of the Zimbabwean population, mostly women, derives livelihood from agriculture further calls for special focus. It notes that smallholder farmers continue to be deprived of much needed agricultural funding as a result of constraints mainly related to lack of collateral. In addition, most smallholder farmers lack agricultural expertise. The RBZ (2014) Monetary Policy acknowledges that de-industrialisation of the economy has given rise to the influx of SMEs in the manufacturing sector which requires financial and technical support. The same holds for other SMEs in the various sectors of the economy. Against this background the Bank urges development partners and financial institutions to facilitate the provision of appropriate and affordable credit to SMEs through the establishment of soft funding schemes. The schemes should incorporate a capacity building component. In this regard, stakeholders are advised to take a cue from successful initiatives by some stakeholders that have made a significant positive impact on the livelihoods of communities. Developmental institutions should be adequately capacitated to provide support to the SMEs sector.

The other strategy for enhancing growth and survival of SMEs sector is that there is need to form clusters, pool risks together in order to stand a better chance of accessing the much-needed credit from banks (Kachembere, 2011). Clustering essentially, allows banks to develop an efficient tracking mechanism that is key for accountability purposes. Although it yet to be seen whether this strategy bears fruits, banks in Zimbabwe continue

to stick to the issue of collateral security which has been viewed by stakeholder as one the factors derailing the growth and survival of small firms.

From the above it can be argued that SMEs who constitute a significant economic constituency face real, substantial and peculiar challenges that need to be tackled in a systematic manner. However, as highlighted in the RBZ (2014) January Monetary Policy, it is worth noting that some efforts by the government and other stakeholders to promote small businesses are being made through the SMEs ministry, SEDCO and other initiatives. Maseko et al (2012) adds that SMEs need tailor made business and technical training. The level of business management skills and knowledge that is required by a textile manufacturing SME that supplies Edgars and Power Sales is certainly different from that required by a vegetable vendor selling his/her wares at farmers' market hence the need for specifically designed training programmes that address the knowledge needs of their target audiences. There is also a dire need for each stakeholder in the SME sector to play its role fully. To begin with SMEs should formalize their businesses. Formalization means that business registration, licensing, opening of bank accounts, business record keeping, joining associations that look after their common interests and so on (Maseko et al, 2012).

METHODOLOGY

People operating small businesses at Glenview Area 8 have different perceptions on the implementation of SME policies in Zimbabwe and how these policies have impacted on the survival and growth of their businesses. For the reasons outlined above, this research shall be guided by the Constructivist/ interpretivist paradigm in evaluating the policies instituted by the Government of Zimbabwe in promoting the survival and growth of SMEs in Glen View Area 8. 50 questionnaires were circulated to entrepreneurs at Glen View Area 8, sample includes employees from the Ministry of Small and Medium Enterprises as well as Harare City Council employees. Interviews were also conducted to reach at an evaluation of the policies instituted by the government of Zimbabwe to ensure the survival and growth of SMEs at Glen View Area 8. These were conducted in a complementary fashion to the quantitative aspects of the research. However, they were primarily targeted at the three (3) Ministry of Small and Medium Enterprises employees as well as the three (3) Harare City Council employees interviewed. The same were regarded to be custodians of the SME policies under review. Key informant interviews aimed to provide deeper insights into the obtaining policy positions on the sustainability of Small and Medium Enterprises.

DISCUSSION OF FINDINGS

A total 50 questionnaires were distributed and 45 were returned. This represents 90% of the circulated questionnaires. From the 45 questionnaires distributed 29 of them had operated for periods under 3 years and this constitutes 64% of the total sample. This therefore entails that in general SMEs fail to survive beyond 3 years irrespective of the type of trade that is ventured into. 12 out of 45 had operated for 4 to 6 years, this represents 27% of those questioned. The remainder of 9% had operated for periods exceeding 7 years and below 9 years. None had survived in excess of 10 years. This implies that SMEs have not been able to survive their infancy stage while probability of survival according to Jovanovic (2008) increases with among others age. This substantiates the problem identified by the research where there was the need to evaluate if policies had an impact on the high death rate of SMEs. A total of 34 out of 45 respondents signifying 75% of the sample were in agreement that there

are high prospects for future survival and growth of SMEs at Glen View Area 8. 18% were neutral to this assertion while three who represent 8% were in disagreement. The above is testimony to the general agreement that there are high prospects for future survival and growth for SMEs at Glenview Area 8. Some respondents, however, decry that such prospects were being hampered by challenges such as funding, equipment, space, competition and lack of government support. Bass (2012) weighs in by pointing out that some of the most common constraints facing SMEs include lack of capital, difficulties in procuring raw materials, Lack of access to relevant business information, low technological capabilities, difficulties in marketing and distribution as well as policies and regulations that generate market distortions.

From the 45 questionnaires which were returned 30 out of 45 (67%) respondents strongly disagreed that there are significant and consistent efforts on the government's part in the implementation of SME policies in Zimbabwe. Zindiye et al (2014) was also of the view that Zimbabwe was known for crafting brilliant policies while implementation was the main problem. 10 respondents agreed that SME policies received adequate implementation although it was generally cited that poor funding disrupted operations. 5 of the respondents remained neutral. Therefore the problem does not lie with policy formulation but rather implementation. The responses above indicate 67% inclination towards disagreement with the assertion that the government of Zimbabwe is expending enough effort in implementing policies crafted with the intention of ensuring the continued survival and growth of SMEs in Glen View Area 8. This finding coincides with the view of Campel (2005) in the literature review who points to SME policy implementation inconsistency as a major reason why SMEs in Zimbabwe are not contributing meaningfully to the country's GDP. The findings above clearly reflects that there is general agreement with the notion that SME policies impact significantly on the operations of SMEs in Glenview Area 8 as depicted by the 56% of respondents who strongly agree as well as 22% in agreement of the same notion. This notion is buttressed by Van Praag and Versloot (2007) who observe that developed countries like United Kingdom spent around 8 Billion pound on SMEs and entrepreneurship which is significant enough as it equates to budgetary provisions that are almost the same as sectors such as the police and academia. Likewise, it is expected that the government of Zimbabwe treats the issue of funding SME programmes with the priority they deserve to ensure that they are going concerns.

35 respondents constituting 78% of the responses were in strong agreement to the assertion that policy crafting in Zimbabwe is above board while its implementation needs a lot to be desired. 6 or 13% were in agreement with the same while none were neutral. 3 respondents which depict 7% disagreed while 1 that is 2% strongly disagreed to this assertion. The above clearly highlights general agreement toward the fact that there is craft literacy in Zimbabwe. However the government lacks on matters to deal with implementation of these policies, a situation which has negatively impacted on the survival and growth of SMEs at Glen View Area 8. This observation was also made by Zindiye et al (2008) in the literature who avers that Zimbabwe is well known for crafting brilliant and well thought policies although it has problems in the implementation.

Interviewees unanimously agreed in their view that Zimbabwe seemingly lags behind in as far as policy crafting (specific to SME survival and growth) and implementation is concerned. The fact that a ministry responsible for small and medium enterprises was instituted notwithstanding, policy directed at ensuring that SMEs are on the growth path and that they remain going concerns has remained hugely unimplemented. Citation of the SME policy framework was made by 2 interviewees who mentioned that the framework was on paper but had not been

implemented since 2007. Five of the interviewees, however, were optimistic that the thrust of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) would yield a significant turnaround for the generality of SMEs at Glen View Area 8. The sixth respondent expressed pessimism with ZIMASSET arguing that tradition has proved that policy brilliance remains on paper. Mention was also made of policy shifts such as the Look-East campaign which presents potential opportunities to SMEs at Glen View Area 8 in particular and Zimbabwean SMEs in general. However, others also complained that they are yet to feel the contribution of such shifts to the viability of SME operations in Zimbabwe. Put differently, this could relate to lack of implementation of plans crafted for the purpose of SME survival and growth, and lack of financial recourses to support SMEs.

Several factors were cited by the interviewees as challenges bedeviling the operations of SMEs at Glen View Area 8 and Zimbabwe in general. Chief among them were issues such as capital availability, difficulties in procuring raw materials, low technological capabilities, and difficulties in securing permits and licences. Specific to the last challenge cited, entrepreneurs have experienced tough times at the hands of council authorities since when authorities called in those operating were found without permits and licences which resulted in a cat and mouse game between SME operators and the relevant authorities. Their views coincide with the assertion by Bass (2012) that the above mentioned constraints are the culprits at impeding SME growth and survival. Bass further cites lack of access to relevant business information, difficulties in marketing and distribution, high transportation costs, communication problems caused by cumbersome and costly bureaucratic procedures (in getting the required licences) as well as policies and regulations that generate market distortions as other issues disturbing SME growth and survival.

Interviewees suggested, as a strategy, that SMEs should seek financial and technical support. In their view, this could be achieved through partnering with financial institutions and development agencies. This helps in the facilitation of soft funding schemes as well as impartation of knowledge relevant to the furtherance of the SMEs' survival and growth aspirations. Interviewees further assert that these development partners should be adequately capacitated to provide support to the SMEs sector by creating an enabling environment devoid of strict government intervention and unnecessary politicking. Another strategy proffered by key interviewees was that, SMEs should group themselves so as to spread risk as well as to enhance their creditworthiness. This view is buttressed by Kachembere (2011), avers that clustering allows banks to develop an efficient tracking mechanism that is the key for accountability purposes. Interviewees also noted the need for specially designed training for the benefit of the varying SMEs. As noted by Maseko et al (2012) in the literature review, SMEs need tailor made business and technical training. This ensures that the same are adequately equipped and can introduce ideas into their businesses aimed at prolonging their survival in the sector.

It was found that there is inconsistency on the government's part in addressing SME concerns. This was evidenced by the absence of policy specific to SME operations. The researcher found that SMEs were catered for by macro-policies such as ZIMASSET which also seek to address a host of other areas of the economy. Under such settings, instead of SMEs being regarded for their worth, they are viewed as peripheral issues. The findings confirm the proposition that indeed SME policy implementation lacks considerably in Zimbabwe. This assertion draws credence from the fact that many SMEs are finding it difficult to survive and grow in the current environment. This finding is consistent with the observation by Zindiye et al (2008) that Zimbabwe is well known for coming up with brilliant and well thought policies but the problem has been on implementation.

Concerning policy inconsistency, it was found that government has not done enough to draw up policies that support the furtherance of the lives of SMEs in general and those at Glen View Area 8 in particular. This coincides with the view of Campel (2005) who points to SME policy implementation inconsistency as a major reason why SMEs in Zimbabwe are not contributing meaningfully to the country's GDP. This scenario is departed from that obtaining in developed economies. For example, Bass (2012) posits that SMEs in the European Union member countries receive direct support from local authorities and the government. He cites countries such as Poland and Bulgaria where SMEs are provided with training and advisory services, management, market information, credit access, exports promotions and the introduction of high-tech production. In contrast, the Zimbabwean situation seemingly places priority on other welfarist issues like national security, health, education, transport and others which the government regards as more important than SME related issues. Several challenges bedevil SMEs at Glen View Area 8. Chief among these were issues such as capital availability, difficulties in procuring raw materials, low technological capabilities, and difficulties in securing permits and licences. It was also found that issues to do with licensing presented serious challenges with council authorities and the Zimbabwe Republic Police (ZRP). These findings confirm the assertion by Bass (2012) that the above mentioned constraints generally affect SME growth and survival. Bass (2012) further cites lack of access to relevant business information, difficulties in marketing and distribution, high transportation costs, communication problems caused by cumbersome and costly bureaucratic procedures (in getting the required licences) as well as policies and regulations that generate market distortions as other issues disturbing SME growth and survival.

RECOMMENDATIONS

Based on the analysis of the study results, the study made a number of recommendations, which if carefully considered and implemented, would help address SME concerns and challenges at Glen View Area 8. First, the government of Zimbabwe should aim to prioritise SMEs the same way it regards other sectors of the economy like agriculture, mining, and security. This would see SMEs contributing significantly to the country's Gross National Product (GNP). It is also recommended that finance schemes favourable to the development of SMEs be crafted and that loan facilities be extended to them on relaxed terms. An institution that acts as a guarantor to the SMEs could also be established so that the SMEs are able to borrow from banks and access credit from suppliers. It is also recommended that training be availed to SMEs on how to professionally and ethically run their businesses. This could be augmented by technological support on the part of government to ensure that they contribute maximally to the wellbeing of the economy. It is also recommended that SMEs be encouraged to form clusters and pool their resources and risk together in order to stand better chances of accessing the much needed credit from financial institutions.

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MANAGERIAL FUNCTIONS AND JOB SATISFACTION WITHIN AN ORGANIZATION

Radhika Kapur

Abstract

Organizational structure is a collection of relics, norms, and hypothesis that transpired from interpersonal communications between the members of the organization. An organizational structure gets transformed and develops through the appropriate managerial functions of planning, organizing, directing, staffing and controlling. When the managerial functions are implemented effectively then the most important thing that the employees as well as the managers incur within their organization is job satisfaction; which is another concept that has been highlighted in this paper. There is assessment of organizational interactions and is the possibility for establishing continuing group and individual accomplishment. Through working in organizations and also through volunteering ones time in organizations, the individual is making a provision towards the formation, preservation, and advancement of the organizational structures. Being a member of these organizations, ones communication with members of other organizations does have an impact upon the well being of the organization.

Keywords: Organizational Structure, Job Satisfaction, Managerial Functions, Leadership, Decision Making and Management

Introduction

The development process of an organization is a planned effort, which is organization wide, it is managed from the top most level in the hierarchy with the main aim to increase organization effectiveness and health through planned interventions in the organization's processes using behavioral sciences knowledge, set of values that are largely humanistic, and open systems theory. Overall organization effectiveness is aimed at improvement by way of improving the organizational dimensions such as the external environment, mission, strategy, leadership, culture, structure, information and reward systems, and work policies and procedures (OD, n.d.).

For the effective development and progress of the organization, it is required to implement the managerial functions appropriately. There have been five basic managerial functions of planning, organizing, staffing, directing and controlling. Management dispensation is a distinct concept from management purpose.

Within the organizations, the management has to perform numerous functions. The relevance and significance of management has been described by professor Cyert as follows: “management is referred to as the team that is used to illustrate a precise kind of behavior within an organization. Specifically, the team depicts the behavior of those individuals who are responsible for the decision making, recruitment of human resources and provision of physical attributes within the organization.” (International Encyclopedia of Social Sciences, 1968, p. 249).

Since the 1940s, there has been a considerable progress on the evaluation of how much satisfaction do employees feel within the organizational structure. It is referred to as job satisfaction in case of employees who are employed full-time. Job satisfaction is referred to an attitude of an employee toward his/her job. Within one's attitude there is a complicated collection of one's thinking, understanding, approach, opinions, assessment, and comportment. An individual who has a greater level of job satisfaction will maintain constructive attitudes about the workplace and an individual who has a lower level will possess unconstructive attitudes about the workplace (Hamner & Organ, 1978).

Different Kinds of Managerial Functions

Within the organizational structure, there are four main managerial functions that have to be carried out. These are planning, organizing, directing, staffing and controlling. Planning is the course of action that decides what will be the organization's forthcoming point and what will be the best possible means to achieve it. In other words, planning means where we are and where we want to go. This process involves inspecting the internal and the external environment, determining the objectives, formulating the policies and plans, and establishing the methods to contribute in the implementation of the policies and plans (Griffin & Moorhead, 1986).

Organizing is the process of creating jobs, categorizing jobs into components that are more controllable, and also formulating trustworthy and commanding positions between jobs and categories of jobs. The procedures and attributes of the organization are considered as the main idea of organizational structure (Griffin & Moorhead, 1986).

Directing is the process when the employees and human resources of the organization are led towards the

achievement of the desired aims and objectives of the organization. They are expected to carry out their job duties professionally and efficiently that would enable them to achieve their desired aims and objectives. Main aspects of this function include encouraging the workforce, supervising the company performance and management (Griffin & Moorhead, 1986).

Staffing is the process of recruitment of employees in various kinds of positions within the organization in accordance to their qualifications, experience and capabilities. Right employees have to be placed in the right positions to implement their work duties effectively; if right personnel is not placed appropriately then the work duties do get effected and the status of the organization could be at risk, hence proper staffing is necessary for the enrichment and progress of the organization.

The fifth function that is vital to the organization structure is controlling. In this function, the performance of the employees and the company are observed and rectified so as to enable them to be directed towards their desired aims and objectives. How the employees are motivated, encouraged, rewarded for their conduct etc. all come under this function (Griffin & Moorhead, 1986).

An organization is an establishment where two or more people work collectively with a mutual objective. Examples of organizations can be grocery stores, hospitals, educational institutions etc. All the organizations vary from each other in dimension, constitution and functioning. The workforce is said to be the most universal feature of all the organizations, without efficient workforce it would be no possibility of organizations (Griffin & Moorhead, 1986).

The top managerial involvement and workforce performance have created an impact on training and development. The very first factor is that T&D has to be supported wholeheartedly by the top managerial authorities. The directors and the managers should also get themselves involved in the training and development of the employees. Over the years and even at present there have been modifications in the production techniques, methods, and procedures with regards to the organizational setting and production of goods and services. For example, Hyundai Motor Company is enhancing its productivity by employing more advanced techniques in its manufacturing of automobiles (“Hyundai,” n.d). For this very reason the employees have to undergo the training and development programs because they need to acquire the skills

and the knowledge. The organizational structures are enormously expanding with respect to the employees, productivity of goods and services and sales techniques that gives rise to more and more interpersonal communications between the peers as well as the superiors and the subordinates (Mondy, 1981).

Rational decision making on the part of the employers is also a positive attribute which the employees recognize. This function is mainly looked upon as an essential managerial act. Hypothesis of decision making takes into consideration several factors such as uniqueness, capability of undertaking risks and the requirement of accomplishing the desired goals and objectives. Rationality is an important characteristic of decision making. Another important feature is that decisions should be “programmed” (Sorge, 2002, p.228). Programmed decisions are the ones which are regular, recurring and have adequately outlined goals and objectives (Sorge, 2002). For example, regarding all the activities of the organization, the management has to make decisions which are concerning employees, productivity, customers etc.

Decision making takes place as a rejoinder to difficulties, openings and prospects. The management has to follow an adequate procedure in order make coherent decisions. There should be recognition of the situations, selection of a method of decision making, construction of resolutions, decision of the optimum resolution, application of the resolution selected and finally assessment of the results (McShane & Von Glinow, 2003). Therefore, it is understandable that rational and programmed decision making on the part of the management is considered to be a positive attribute by the employees.

Leadership is the procedure of persuading people and creating surroundings for them to enable them to accomplish group and organizational endeavors. Good managers become efficient leaders and are of assistance to their subordinates in the attainment of their desired group and company objectives. Leadership qualities encompass features such as formulating effective communication systems, and assigning the sources which are required for meeting the requirements. These leadership qualities will help the employees to achieve company objectives (McShane & Von Glinow, 2003).

Leadership is certainly a positive attribute of the management but most of the organizations are without leadership aptitude. This quality is not necessarily concentrated in the hands of the executives;

anybody can possess leadership skills and guide other people concerning their dealings and performance. It is imperative for leaders to possess certain qualities; that is they have to be motivated, honest, should be able to transform language into actions and possess relevant knowledge about the company (McShane & Von Glinow, 2003).

The main motive behind the function of organizational leadership is to broaden the mindsets and capabilities of the individuals. The individuals involved in job functions such as inventiveness, decision making, investigative functions which mainly concern problem solving, strategic planning and various methodical techniques must have leadership skills in order to be valuable to the organizational structure (“Leadership, Policy and Organizations,” 2006).

Job Satisfaction

Job satisfaction is a component that is extensively conversed and earnestly researched in the fields of industry, organization culture, management, administration and human resource management. Job satisfaction also plays a central part in analyzing the behavioral traits of the individual within the working environment. Job satisfaction is considered imperative due to the reason of its interrelationship to the goals and objectives of the organization (Cranny, Smith, Stone, 1992).

The management, administrators, employees are normally looking for ways to advance job satisfaction. The superior the job satisfaction, there will be improvement in the working life, more productivity, more professionalism, and more mutual consent. The first step in the advancement of job satisfaction is the determination its basis and associates. Within the working environment, the researchers have to recognize the factors that have to be brought under change in order to bring about satisfaction. This fact has also been researched that in what ways employees feel satisfied (Cranny, Smith, Stone, 1992).

Job satisfaction is a feature of not only what individuals possess but also of what individuals have the prospect to possess. In most cases, job satisfaction reflects upon how the workforce feels about the present conditions and what the workforce could possess in the present or in the future is usually not reflected upon. In the evaluation of job satisfaction, as far as prospects are concerned, the issues are only

about promotional opportunities available and the progress of one's career. When individuals consider job satisfaction, they should consider past and present occurrences and the prospects obtainable and prospects carry a meaning upon all aspects of job satisfaction and not just promotional opportunities and career (Cranny, Smith, Stone, 1992).

Features of Job Satisfaction

The circumstantial viewpoint of job satisfaction asserts that satisfaction is established by attributes of the job and the atmospheric conditions in which the job subsists. There are five main features of job satisfaction which are as follows: (Cranny, Smith, Stone, 1992).

1. The occupation – This is the feature that is mostly associated with the overall job satisfaction of the employees. This feature is recognized in terms of the attributes of the job that an individual is performing. The amount of self-sufficiency, opinion, abilities possessed by the workforce, all in the job signify the current prospects.
2. Supervision – There is a relationship between the supervisors and the subordinates; “functional attraction” is a term where subordinates observe that they are receiving support from the supervisors in achieving the desired objectives. Supervisors have many functions that they perform on the job such as evaluating their subordinates, distributing amongst them the job duties, providing guidance and support etc. Therefore, the extent of supervision also is a vital determinant of job satisfaction.
3. Colleagues – Every individual desires to work with affable, kind, and supportive people not only in terms of production but also in terms of assistance and encouragement. It is imperative to develop associations within the working environment. Associations have the ability to build up the prospective for more productivity and also more options for the individuals.
4. Earnings – This is an essential resource that leads to job satisfaction. Earnings enables an individual to develop prospects, the reason being that money is the one that can fulfill any kinds of needs and desires. In the present situation what the individuals are earning determines their job satisfaction. With the amount of money that they are currently making, how will they be able to enhance their lifestyles is an important determinant of their job satisfaction.

5. Advancement – The opinion that individuals form about the advancement opportunities

influences job satisfaction. Individuals who form viewpoints about more advancement opportunities available to them within their organization have positive feelings about their jobs and vice versa. Advancement opportunities of an individual all through the term of the individual with the organization are possibly reflected in an individual's satisfaction with advancement (Cranny, Smith, Stone, 1992).

The aspect of job satisfaction is of significance for commerce in widespread and for labor relations in specific. Job satisfaction is considered to be an intricate and elaborate subject. There are two kinds of hypothesis that interrelate and influence job satisfaction; these are called “triggers and mediators”. The trigger is defined as an experience that might be connected or unconnected to the job. These triggers may lead to changes in ones performance, ones personality or position. The other kind of hypothesis which is known as mediator, it is a condition that generates communication. The variables under this hypothesis characterize circumstances, conditions and growth that make provision of the framework in which job satisfaction must be taken into account (Hagedorn, 2000).

Some instances of triggers can be changes in life performances, lifetime events that exists in the family such as birth, death, marriage, divorce, sickness, accidents etc., changes in titles, ranks or tenures, transferring to a new location or new organization, changes in apparent righteousness, and changes in ones behavior or state of psychological well being. There are three main kinds of mediators, “motivators and hygienes, demographics, and environmental conditions” (Hagedorn, 2000, p.7).

Reaction of Job Satisfaction

The individual's reaction to job satisfaction is important. An individual can express his/her reactions to job satisfaction by means of approval, recognition or open-mindedness, and disconnection. Therefore, any employee who is subjected to higher job satisfaction will acknowledge his/her status within an organization and result in increased work performance and productivity. On the other hand, an individual who illustrates low levels of job satisfaction will not get involved into job duties vigorously, he/she does not illustrate any loyalty or commitment towards his/her job duties and is not eager to be a factor towards the advantage of the organization (Hagedorn, 2000).

Persons who are employed in the organizational setting develop amongst themselves attitudes, and these are referred to as job satisfaction; culture of the organizational setting talks about behavior, attitudes, practices and beliefs that one acquires through the means of interpersonal interactions; in the same way, job satisfaction also comprises of affective, functioning and behavioral traits. These aspects serve the individuals in a number of ways. The management usually worries about the concept of job satisfaction because it is directly linked to productivity. If the person is satisfied with his job then he/she will be more efficient and productive than the worker who is discontented. The main aspects of interpersonal relations, progression, status recognition, conditions and opportunities that might lead to one's advancement professionally as well as personally is directly linked to organizational structure and job satisfaction (Reitz, & Richard, 1977).

Sources of Job Satisfaction

- 1 Pay – Within the organizational structure, administrators and managers are the people who are generally satisfied with their jobs. The reason being is that their income is greater as compared to other work groups. An individual who feels that he is not being paid sufficiently for the job duties that he is performing, he will be dissatisfied with his job. One's pay is connected with one's status in the society, self-determination, standard of living and job duties.
- 2 Independence – Employers and bosses are independent within the working environment. They determine their own schedules, regularity and they also in most cases do not have a boss to look over them. Decision making is also vested in their own hands. They may take advice from a consultant but in most cases they are independent by themselves.
- 3 Rewards and Benefits – An expert who performs his job duties well is entitled to earn rewards and benefits. Rewards and benefits are the source of motivation; it enables an individual to make the best use of his capabilities towards the accomplishment of organizational goals. It also provides scope for self-enhancement and advancement.
- 4 Prospects – An individual also expects that his job should recommend him opportunities for enhancing his professionalism. An individual's job satisfaction also depends upon his/her expectations from the job. If he expects more than what he is receiving he will be less satisfied and vice-versa (Hamner & Organ, 1978).

Job satisfaction is considered to be the approach and mind-set that an individual has towards his/her job. In the discipline of organizational structure, job satisfaction is one of the features that are recognized to a much greater extent. The principal basis of job satisfaction can be classified into three “categories: organizational factors, group factors, and personal factors; the two consequences of job satisfaction are turnover and absenteeism” (Griffin & Moorhead, 1986, p.211).

Assumptions about Job Satisfaction

Two-factor theory – An executive about 40 years past gathered accountants and engineers and told them to evoke situations due to which they felt particularly satisfied or dissatisfied. There were numerous facts gathered due to which employees felt satisfied or dissatisfied with their jobs. Instead of realizing that the existence of specific facts leads to job satisfaction and nonexistence of specific facts lead to job dissatisfaction. There were two different factors that led to job satisfaction and job dissatisfaction due to this notion an assumption came about which was known as the two-factor theory. There are five main factors which are termed as “motivators” and these lead to job satisfaction. These are “promotion opportunities, chances for personal growth, recognition, responsibility and achievement” (Greenberg, 2002, p.124). Job dissatisfaction is connected with “hygiene factors” (Greenberg, 2002, p.124) such as working environment, earnings, relationships etc. The main purpose of this theory is to create conditions to minimize job dissatisfaction within the working environment which involves introducing an amiable working environment.

Value Theory - The main idea behind this theory lies in the fact that any source can lead to job satisfaction among the employees as far as individuals value it. For example, if an individual feels that his pay is not sufficient for the work that he is performing, therefore, he will be dissatisfied, on the other hand if an individual values his pay, he will be satisfied. To promote job satisfaction, the best way is to identify the needs of the workforce and to fulfill them. For example, FedEx has promoted an online survey in order to identify the needs of the employees and the sources of job dissatisfaction; it tries to obtain information from 68,000 employees.

Social information processing model – This is a theory when individuals develop a negative attitude

towards their job based upon what they hear from their coworkers. Their attitude is based upon the information that they obtain about their job when they socialize within the working environment. For instance, if a coworker says about the job that it is very boring, demanding and they want you to work long hours and the pay is meager, this would lead to job dissatisfaction. On the part of the employers, it becomes essential that they become more attentive to what their employees think about the jobs. The employers and the coworkers have to think before they get involved with each other in any kind of conversation concerning their jobs.

Dispositional model – This theory depicts that job satisfaction is a constant feature that stays with the people overtime regardless of what they are doing. Individuals who were satisfied with their jobs at one time will also be satisfied later on, even if their jobs are no longer the same. For example, over a period of five years an individual has changed number of jobs, he will be satisfied with all of his jobs that he is doing over a period of five years (Greenberg, 2002, p.126).

Summary and Conclusion

Within an organization, there has to be technical human relations, administrative skills, coordination and political skills. It is critical that the management is able to effectively utilize their emotions, they should understand the technical aspects of the work being performed and when making an attempt to manage job performance, understanding of the needs of the employees is essential. Besides the attainment of the managerial skills, it is essential for the management to acquire people skills to accomplish the desired goals and objectives with and through people. To effectively carry out the managerial functions, the skills that the management should possess are of good leadership, communication, awareness, coordination and enthusiasm.

Job satisfaction is a concept which is of great concern to all the individuals who are in employment. On the other hand, when individuals leave their job or workplace then there is involvement of some amount of job dissatisfaction. Research was carried out to examine the effect of personality characteristics upon an individual's job performance that influenced job satisfaction. In an organizational structure, a wholesome working environment makes provision of regular policies and procedures that assist all the

employees to accomplish their goals and objectives. Every individual wants to be satisfied with his/her job and how their working with people of different cultures helps them feel contented with their jobs should be taken into account. For example, if American, Chinese and Indian persons are all employed in the same organization, then it is certainly important for them to communicate with each other; whether they feel comfortable speaking to each other is also an aspect of the organizational structure. If people cannot communicate with each other due to a language barrier, then they certainly will not be satisfied with their jobs.

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E-BUSINESS PROCESS IMPROVEMENT: THE APPLICATION OF LEAN SIX SIGMA ON AN ONLINE COFFEE AND BEVERAGE PRODUCTS STORE

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Abstract:

In this paper, we discuss an online coffee and beverage products store. We use the Lean Six Sigma method to improve the service process of the company. After our improvement the package missing rate in the 8 working days duration has been decrease from 0.53 % to 0%. This is a big improvement for the company. The concept of lean service has been used to involve into the service processes of the company. This is a case study researching the application of lean service in the e-commerce. The Lean Six Sigma methodology has been applied in this case. This research verifies the application of Lean Six Sigma in e-business service sector.

Keywords: Lean service, Lean Six Sigma, On-line service, e-Business

1. Introduction

In this research we tried to apply the concept of lean service to improve the service method of an online coffee and beverage products store. The Lean Six Sigma DMAIC methodology has been used to improve the service process of the company. “Lean services are the application of the lean manufacturing concept to service operations. It is distinct in that Lean services are not concerned with the making of ‘hard’ products.” (Wikipedia.org, 2014)

The start point of lean manufacturing concept started from 1984, when a group of MIT’s experts studied the global industrial competition and wrote their results on the famous book, THE MACHINE THAT CHANGED THE WORLD. After that, the concept of lean started to attract the attention of people around the world. The MIT team summarized that lean production is a superior way to produce goods. It provides better products at lower cost. They believe that the whole world should adopt lean as quickly as possible

(Womack, Jones & Roos, 1990).

In the beginning of lean, most of the application was applied to the production industry. Gradually, some pioneer noticed the benefit of lean and started to discuss the possibility to apply lean to the service industry.

Bowen and Youngdahl (1998) defended a “production-line approach to service” by arguing that services can “reindustrialize” by applying revised, progressive manufacturing technologies. They described how business services such as Taco Bell, Southwest Airlines, and Shouldice Hospital have mastered the lean service. Ahlstrom (2004) investigated the contingencies to the applicability of lean production to service companies. A framework for lean production is described and translated into service companies, using an empirical base consisting of descriptions of lean production applications in the service sector, made by practitioners from service companies. There are some practical studies on the application of lean in the service industry. Supermarkets adopted Lean techniques for improving their flow of customers (Swank, 2003). Hospitals tried to use the method of lean to improve their performance (Yasin, Zimmerer, Miller and Zimmerer, 2002). Same applications have also been made in the health care services sector (Kollberg and Dahlgaard, 2007).

In this paper, a practical case of an online coffee and beverage products store has been used to discuss the application of lean service. The Lean Six Sigma method has been used to improve their service process. There are two significant contributions to the area. First, this is a practical case study in the research of application of lean service in the e-commerce. Second, the Lean Six Sigma methodology has been applied in this case. This is also a case study in the application of Lean Six Sigma in service sector.

In the next section, the backgrounds of the online coffee and beverage products store are provided. Then, the Lean Six Sigma methodology will be used to improve their process. Concluding remarks are given in the last section.

2. The online coffee and beverage products store

The case we want to study is an online coffee and beverage products store. The company sells coffee and beverage products on the internet through its company’s own website. The web page of company’s website is shown in Figure 1

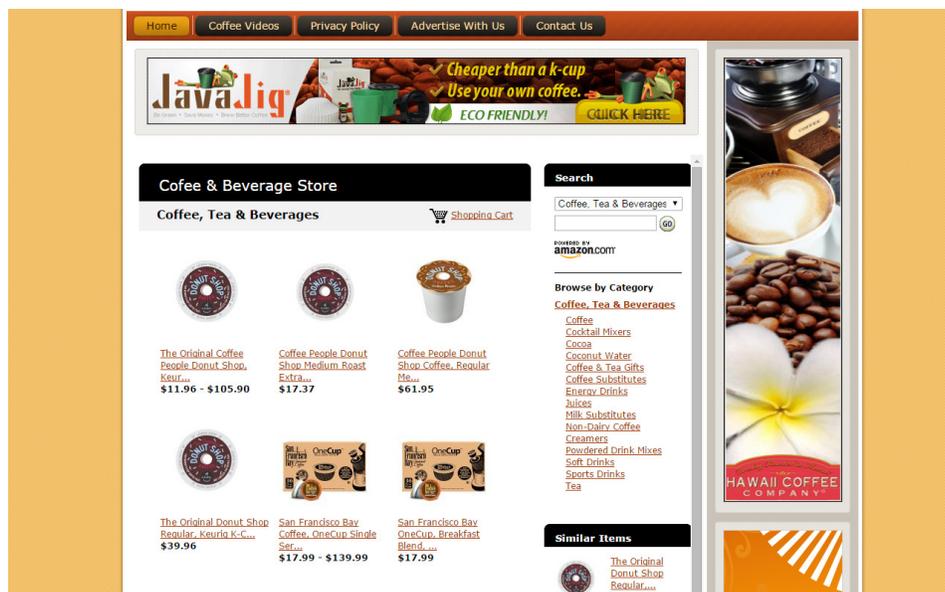


Figure 1. Coffee and beverage products store website

This company is established in 2012. The company’s is located on Canada and they sell coffee and beverage products to customers around the world. There are two major processes in the company: the deliver process and the return process.

The deliver process is the process to deliver the coffee and beverage products to the customers. When customer places their order, the company staff prints the buyer’s order and personal information. Then they will review the buyer’s order and information and then print the shipping message and sticker on the package. They will then go to the post office and post the package. The flow chart of the deliver process is shown in Figure 2.

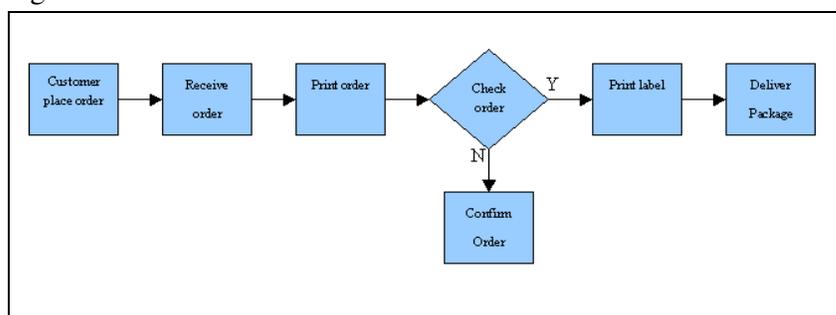


Figure 2. Flow chart of the deliver process of the online coffee and beverage products store

Return Process is the process when the customer informs that they have not received their coffee and beverage products they have ordered. When the company receives the information from the customer, the company staff will check the delivery records. If company has delivered the package, the company will contact the post office to check what had happened to the package. If company could not find the delivery record, they will check what had happened in the internal process. The major problems in the process include the internal operation mistake, the reason of non - delivery and the external operational mistake. The flow chart of return process is shown in figure 3.

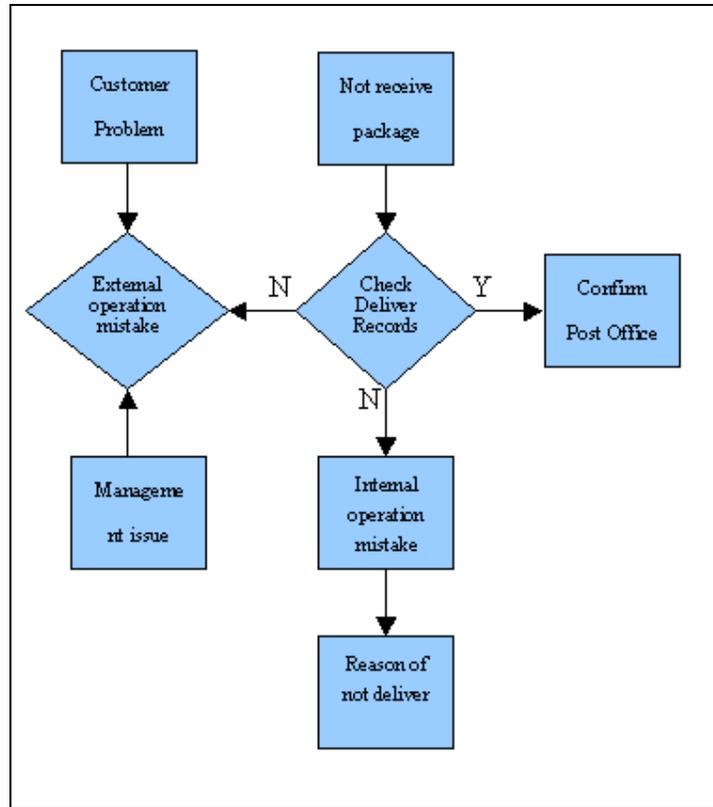


Figure 3. Flow chart of the return process of the online coffee and beverage products store

3. Lean Six Sigma process improvements

In this section, we will try to improve the operation process of the online coffee and beverage products store. The methodology for Lean Six Sigma process improvement (George, M. and Lawrence Jr., R., 2002) is very close to the Six Sigma DMAIC methodology (Feo, Joseph & William, 2005). The only difference in it involves the concept of “lean” into the improving process. In this case study, the Lean Six Sigma DMAIC methodology has been applied to the process of improvement, and its roadmap is shown in Figure 4.

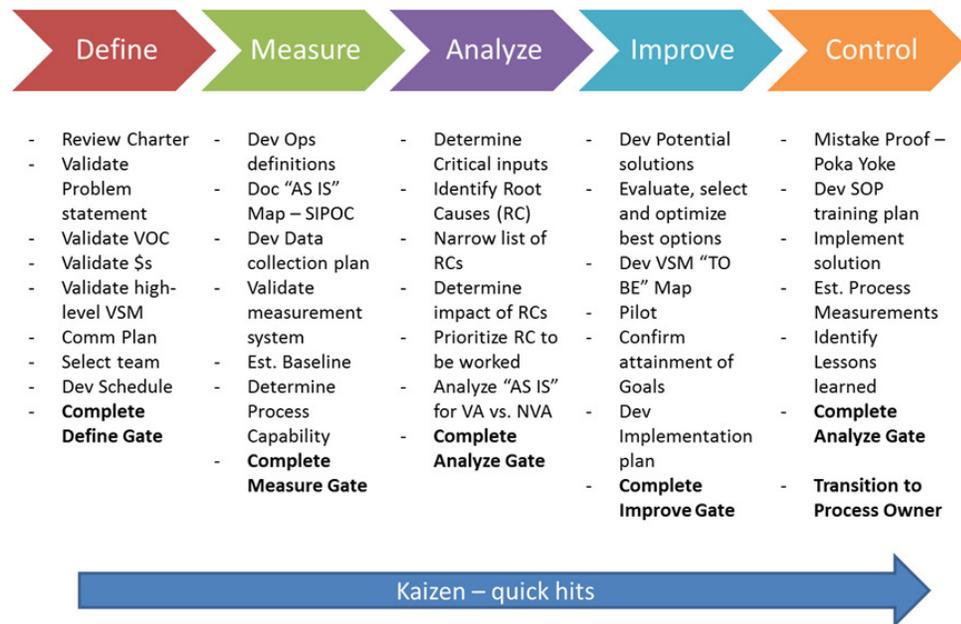


Figure 4. Roadmap of Lean Six Sigma DMAIC methodology (Lean Six Sigma Institute, Lean 6 Society, Project Management Institute, 2015).

There are five key steps in the Lean Six Sigma DMAIC process. Define, measure, analyze, improve and control. In the define step, things which are critical to consumers (CTC) are defined, such as: What are the most important things to your consumer? What do they care about? The purpose and goal of the lean 6-sigma project are also clarified in this phase. In the measure step, the performance standard of the process is verified and the measurement system is established to obtain a baseline for future improvements. In the analyze step, the performance objective is defined and the key variation sources are identified. The relationship between variation sources and performance objectives are also established in this stage. In the improve step, all the potential causes are screened and possible solutions are verified. So that improvement activities can be proposed in this phase. The process capability after improvement also is confirmed in this phase. Finally, the long-term process control is implemented in the control step. The control plan to maintain progress and verify the measurement system in the future is also done. All corrective actions are sent as feedback to the quality operation system (George, M. and Lawrence Jr., R., 2002). Next, we will use the Lean Six Sigma DMAIC methodology to improve the operation process of our online coffee and beverage products store.

Define

The purpose of the define phase is to clearly articulate the business problem, goal, potential resources, project scope and high-level project timeline (“DMAIC”, 2016). This information is typically captured within project charter document. Write down what you currently know. Seek to clarify facts, set objectives and form the project team. Define the following (“DMAIC”, 2016):

- A problem
- The customer(s)
- Voice of the customer (VOC) and Critical to Quality (CTQs) — what are the critical process outputs?
- The target process subject to DMAIC and other related business processes
- Project targets or goal
- Project boundaries or scope
- A project charter is often created and agreed upon during the Define step.

We define the internal customers and the external customer of the online coffee and beverage products store.

- The internal customers in the company include: company staff and package deliver.
- The external customer in this case include: any consumer who visit the company's website and the coffee and beverage products supplier.

We found that there are three most important problems in the company.

1. Customer has not received their coffee and beverage products on time.
2. Customer did not provide correct deliver information.
3. Operator did not confirm the deliver information before deliver the package.

After further discussion, we redefine the problem as "Customer can receive their coffee and beverage products between the 8 working days". The scope of the project has also been redefined as "The 8 working days duration after the package was delivered". According to company's historical records, 0.53 % of package missing in the 8 working days duration.

Measure

The purpose of the measure step is to objectively establish current baselines as the basis for improvement. This is a data collection step, the purpose of which is to establish process performance baselines ("DMAIC", 2016). The performance metric baseline(s) from the Measure phase will be compared to the performance metric at the conclusion of the project to determine objectively whether significant improvement has been made. The team decides on what should be measured and how to measure it. It is usual for teams to invest a lot of effort into assessing the suitability of the proposed measurement systems ("DMAIC", 2016).

The customer's personal information and order information have been selected as the information

resources to analyze. The operation process is controlled by the operator visual inspection. In order to analyze the data, the C&E Matrix were used to analyze the problem. According to our analysis, we identified some critical steps in the process.

These steps include: order receiving, package delivering, package shipping and computer processing.

Analyze

The purpose of the analyze phase is to identify, validate and select root cause for elimination (“DMAIC”, 2016). A large number of potential root causes of the project problem are identified via root cause analysis The potential root causes are selected using multi-voting or other consensus tool for further validation. A data collection plan is created and data are collected to establish the relative contribution of each root causes to the project metric. This process is repeated until "valid" root causes can be identified (“DMAIC”, 2016).

Detailed process maps can be created to help pin-point where in the process the root causes reside, and what might be contributing to the occurrence. We use the fish bone diagram to analyze the problem. The fish bone diagram in the process has been shown in Figure 5.

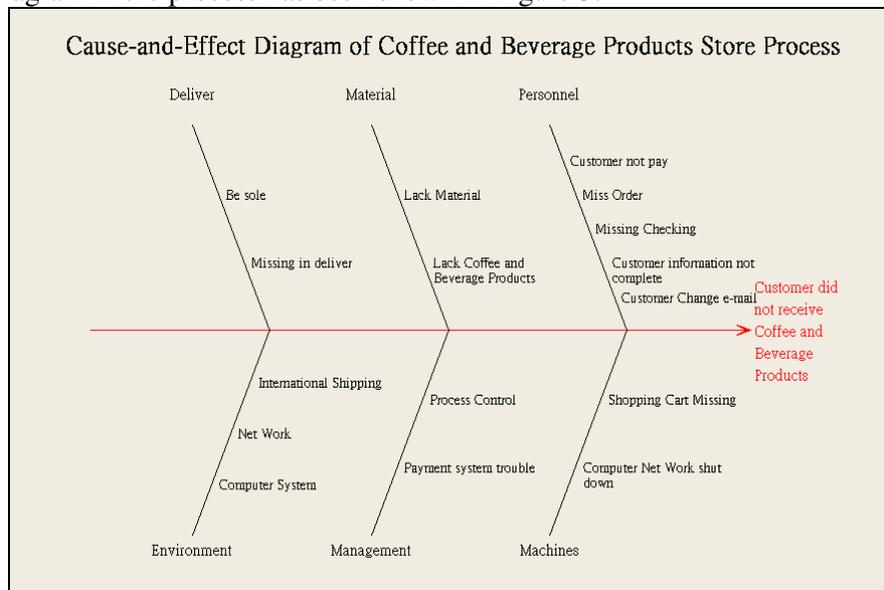


Figure 5. The fish bone diagram of the key issues

According to the analysis, we identified that people; method and management are the key issues to cause the problem.

Improve

In the improve phase, test and implement a solution to the problem (“DMAIC”, 2016). This depends on the situation. Identify creative solutions to eliminate the key root causes in order to fix and prevent

process problems. Use brainstorming or techniques like Six Thinking Hats and Random Word. Some projects can utilize complex analysis tools like DOE (Design of Experiments), but try to focus on obvious solutions if these are apparent. However, the purpose of this step can also be to find solutions without implementing them (“DMAIC”, 2016).

- Create
- Focus on the simplest and easiest solutions
- Test solutions using Plan-Do-Check-Act (PDCA) cycle
- Based on PDCA results, attempt to anticipate any avoidable risks associated with the "improvement" using FMEA
- Create a detailed implementation plan
- Deploy improvements

We used brain storming method to resolve the problem. After discussion, seven critical issues have been found to remove the defects and variations of the process.

1. Remind customer important notices in the website.
2. Resolve all problems in the first time when we receive the order.
3. If we cannot deliver the coffee and beverage products, we should inform the customer in the first time.
4. After the delivery of the package, we should inform customer when the package will arrive by e-mail.
5. If the package is delivered by EMS, we should inform customer the mail number.
6. If there is a climate issue to delay the package shipping, we should inform the customer.
7. If there is any problem in the network or computer system, we should inform our customer.

All critical issues have been resolved in the improvement phase. The package-missing rate has been reduced to 0% in the end of improvement. The flow chart of the deliver process after improvement is shown in Figure 6.

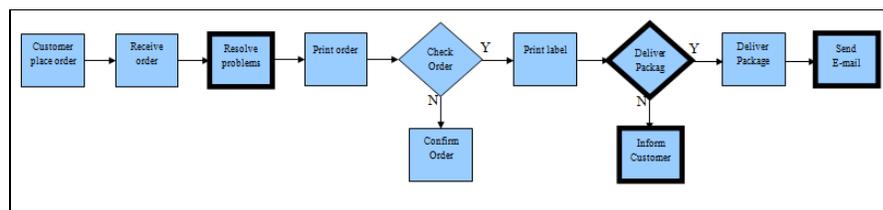


Figure 6. Flow chart of the deliver process after improvement

Control

The purpose of the control phase is to sustain the gains. Monitor the improvements to ensure continued and sustainable success. Create a control plan. Update documents, business process and training records as required (“DMAIC”, 2016).

A Control chart can be useful during the Control stage to assess the stability of the improvements over time by serving as 1. a guide to continue monitoring the process and 2. provide a response plan for each of the measures being monitored in case the process becomes unstable (“DMAIC”, 2016).

All these actions were fed back to the control plan of our operation process. To sustain the benefit of quality improvement over the long run, we have set a control plan to track all correcting activities in the future. The critical issues to control the improvement activities include:

1. Download the order and confirm with the shipping records every day.
2. Record and analyze orders that have been delayed.
3. Analyze unusual issues every day.
4. Evaluate production plan every week.

4. Summary and Conclusion

In this paper, we discuss an online coffee and beverage products store. We use the Lean Six Sigma method to improve the service process of the company. This case verifies the feasibility of Lean and Lean Six-Sigma in service sector. After our improvement the package missing rate in the 8 working days duration has been decrease from 0.53 % to 0%. This is a big improvement for the company. Further study in this field may focus on the application of lean and Lean Six-Sigma in different company in service sector.

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