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MODERATING EFFECT OF SELF-EFFICACY ON THE RELATIONSHIP BETWEEN WOMEN EMPOWERMENT AND NEW VENTURE CREATION IN BENUE STATE, NIGERIA

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Abstract

Previous studies have shown that many empowerment initiatives have been carried out to empower women in Nigeria and the challenges they face. However, few studies have examined how women empowerment affects new venture creation by women entrepreneurs. The study examined the moderating effect of self-efficacy on the relationship between women empowerment and new venture creation in Makurdi town, Benue State Nigeria. The specific objectives were; to determine the effect of educational empowerment of women on new venture creation; to examine the effect of economic empowerment of women on new venture creation and to examine the moderating effect of self-efficacy on the relationship between women empowerment and new venture creation. The study utilized the empowerment theory to explain the relationship between empowerment and new venture creation. A survey design was used for the study. A questionnaire was used to collect data from a sample of 100 women entrepreneurs in Makurdi town. The data collected were analyzed using descriptive and inferential statistics. Correlation and multiple regression analysis were employed to test the hypotheses. The results revealed that educational empowerment and economic empowerment were significant in affecting the creation of new ventures by female entrepreneurs. Also the results revealed that self-efficacy positively moderates the relationship between educational empowerment, economic empowerment and new venture creation. It is recommended amongst others that government should provide programmes, strategies and policies that will enhance women education and empowerment in Nigeria. Finally the study contributes to knowledge and theory by establishing the moderating effect of self-efficacy on the relationship between women empowerment and new venture creation in Benue State, Nigeria.

Key Words: New venture creation, self-efficacy, Women empowerment

INTRODUCTION

Entrepreneurship has long been recognized for its significance in the area of job creation, revenue generation, poverty alleviation and wealth creation. It makes up the largest business sector in economies, and has been recognized as the driver of employment and economic growth (Culkin & Smith 2000; Walker & Redmond, 2006). Entrepreneurship is therefore a process that involves a willingness to rejuvenate market forces, innovate, risks taking, trying out of new and uncertain products, services, and markets and being more proactive than competitors towards exploring new business opportunities (Covin and

Slevin, 1991; Wiklund & Shepherd, 2005). It attracts both males and females who are interested in profitable ventures and business start-ups. Worldwide, the field of entrepreneurship has traditionally been considered a male-dominated field. Previously, childcare and housework were regarded as predominant activities of women (Williamson, Lewis & Massey, 2011). However, over the past three decades women-led businesses have experienced a significant growth rate in developed countries (Hisrich & Brush, 1983) and similar trends are also found across developing world (Minniti & Naude, 2010). Women have recently been distancing themselves from traditional social roles and are venturing into the field of business start-ups. In recent decades, important changes have led to a considerable reduction in gender discrimination as evidenced by the increase in women's entrepreneurial activities around the world (Avolio, 2011). Today, the global impact of female entrepreneurs is beginning to gain intensity. The number of female business owners continues to increase steadily worldwide. According to Brindley and Ritchie (1999) women in advanced market economies own more than 25% of all businesses and women-owned businesses in Africa, Asia, Eastern Europe and Latin America are growing rapidly. For example, women produce more than 80% of food for Sub-Saharan Africa, 50 - 60% for Asia, 26% for the Caribbean, 34% for North Africa and the Middle East and more than 30% for Latin America. In the USA one out of every four company worker is employed by a woman-owned firm. In Canada and the United States of America, the growth of women-owned firms is above the overall business growth (Kitching & Blackburn, 2002). Similar findings are reported from Australia and parts of Asia, with more women setting up new small businesses than men and with lower failure rates.

According to the Global Entrepreneurship Monitor (GEM, 2012) in sub-Saharan Africa where the general level of entrepreneurship is high, women constitute about 50% of the entrepreneurs, when the formal and informal sectors are combined. According to Veheul, Uhlioner and Thurk (2005), the growing interest in female entrepreneurship is attributable to the fact that female entrepreneurs are now considered important forces in economic development of their nations. This is not surprising as more than ever before, many females have been forced into alternative avenues of generating income, with a greater number of females setting up in business to balance work and family commitments (Kirk & Belovies, 2006). The role assigned to entrepreneurship for economic growth and development especially in the developed economies such as USA, Britain, Japan, Canada and others made most developing economies to adjust their developmental concept and plan and see new enterprise development as very vital to their economic problems (GEM, 2012).

To ensure adequate development and competitiveness in entrepreneurship, considerable research has examined the participation of both males and females in venturing into business activities, particularly those reported to have personal dreams of entrepreneurship. Female entrepreneurs are therefore becoming increasingly important in the socio-economic development of both developed and developing economies as they account for significant percent of the operators of small and medium Enterprises (SMEs) (Josiane, 1998; Kjeldsen & Nielson, 2000). Female entrepreneurs make a substantial contribution to national economies through their participation in start-ups and their growth in small and medium businesses (United Nations, 2006). Their interest and activities in the economic growth and development especially in the area of SMEs have received outstanding interest of researchers. Global Entrepreneurship Monitor (GEM) (2005) confirmed that female participation in a wide range of entrepreneurial activities across the 37 GEM and their activities in different countries have paid off in form of many newly established enterprises for job and wealth creation. More and more women taking advantage of economic opportunities are becoming more independent by creating their own businesses (Al-Alak & Al-Haddad, 2010). The number of women setting up small businesses has increased significantly around the world, thus making a vital contribution to the development and growth of the local, national and global economies (Fielden & Davidsson, 2010). Female entrepreneurship contributes to stability, to well-being among communities, and provides economic opportunities for disadvantaged groups

including women, low wage earners, and minorities. Another contribution is the creation of wealth as well as employment. In developing countries, the involvement of women in small scale businesses enables them to improve their lives and those of many others by creating new jobs (Kirk & Belovics, 2006).

In USA, the analysis of gender creative businesses shows that the rate of growth of female – owned businesses is twice that of men and this comprises more than 35% share of all entrepreneurial ventures. They generate over \$2.3 trillion in annual revenue, and employ 18 million individuals (Bartol & Martin, 1998). In Nigeria, female entrepreneurs are considered as an integral part of economic growth. Their businesses contribute jobs, productive and distributive activities required for wealth creation both for family and nations' economies (Soetan, 1997; Okunade, 2007). Female activities in entrepreneurship and SMEs enable them to effectively combine their productive and reproductive roles because of the flexibility in hours of work which permit them to care for their children and also contribute substantially to economic growth (Soetan, 1997). This has made females to be regarded as the central focus of the economic development and public policy concern.

Empowering women has become a frequently cited goal of development intervention (Mosedale, 2005). The need to empower women seems to centre on the fact that women have potentials to contribute to the development process but are constrained by some factors that render them powerless. While the reasons for any particular woman's powerlessness (or powerfulness) are many and varied, it may be necessary to consider what women have in common in this respect. The common factor is that, they are all constrained by their reproductive responsibilities, societal norms, beliefs, customs and values by which societies differentiate between them and men (Kabeer, 2000). These constraints are shaped by male dominated social structure (patriarchy), high rate of poverty among women, and gender division of labour. Empowerment therefore requires an analysis of women's subordination, the formulation of an alternative more satisfactory set of arrangements to those which exist. Women therefore need to develop self-efficacy to enable them start and manage their businesses. Available studies which describe relationship between self-efficacy and entrepreneurial intention demonstrated that people with higher entrepreneurial self-efficacy have higher entrepreneurial intentions (Krueger, Reilly & Carsrud, 2000; Segal, Borgia & Schoenfeld, 2002; Wang, Wong & Lu, 2002). Also, Boyd and Bozakis (1994) explained that individuals with higher degrees of entrepreneurial self-efficacy in the early stages of career development will have higher entrepreneurial intentions, and those with both higher self-efficacy and higher intentions will have a higher probability of being involved in entrepreneurial activities later in life. In addition, the study of Lent, Brown and Hacket (1994) found that self-efficacy was significantly related to career interests, career choice, goal (intentions) and occupational performance.

In Nigeria, the federal government has evolved strategies and programmes to empower women politically, educationally and economically. Indeed, many states that make up Nigeria have also benefited from these initiatives and it has not excluded Benue State. Some of these programmes are organized by women themselves, government and non-governmental bodies at community levels to support other programmes at state, national and international levels. These initiatives include educational empowerment and economic empowerment which focuses on improving women's control over material resource. This could be achieved by organizing women for savings and increasing women's access to credits, income generation, skills training and other related activities.

Statement of the Problem

The vital role small businesses and entrepreneurship play in stimulating economic activity, job creation, poverty alleviation and the general upliftment of living standards has been recognized both internationally and in Nigeria. Many programmes have been put in place at local, state, national and international levels. The programmes and initiatives aim at widening women's access to education, encouraging women's full participation in cash economy and politics and reviewing laws on status of

women. These initiatives are organized by both women themselves and governmental and non-governmental organizations and include the provision of micro-credit facilities, educational programmes, skill acquisition, political participation, and related activities (Azikiwe, 1992; Adeeko *et al.* 2014). Previous studies carried out by Ayoola (2006) and Egbe-Okpe-Okpenge and Orhungur (2012) on gender policies and entrepreneurship development in Benue State indicate that policies and programmes carried out to support women entrepreneurial activities are evident in the state. Although some empowerment initiatives exist in Benue State such as micro credit programmes, skill training centres, women cooperative societies among others, the effectiveness of these initiatives has not been examined. This dearth of research has created the need for this study. This study therefore examines the effect of women empowerment on new venture creation in Benue State. The findings of this study will help governmental and non-governmental organizations to be able to mount effective policies and empowerment programmes that would be beneficial to women and the world in general. This study will also serve as a working document to women community-based organizations and other established women organizations that are interested in improving the status of women. It would equally serve as veritable source of information for individuals, youths irrespective of gender and the government, on how to harvest the rich benefit of entrepreneurship in nation building and economic development. In order to achieve the objectives of the study, this paper is organized as follows: section two is a review of the related literature which covers the concepts of women empowerment and new venture creation. Section three focused on the methodology which explains the research methods used in the study. This is followed by discussion of findings and conclusions, recommendations and avenues for future research are presented in the last section.

Objectives of the Study

The broad objective of this study is to explore the relationship between women empowerment and new venture creation in Benue State, Nigeria. Specifically, the study seeks to:

- i. examine the effect of educational empowerment of women on new venture creation in Benue State
- ii. determine the effect of economic empowerment of women on new venture creation in Benue State
- iii. examine if self-efficacy has an intervening role on the effects of educational and economic empowerment of women on new venture creation

Research Hypotheses

The following hypotheses were formulated in line with the objectives of the study:

- i. There is no significant effect of educational empowerment of women on new venture creation in Benue State
- ii. There is no significant effect of economic empowerment of women on new venture creation in Benue State
- iii. Self-efficacy has no moderating effect on the relationship between women empowerment and new venture creation

LITERATURE REVIEW

The relationship between women empowerment and new venture creation or start-ups is explained using the empowerment theories developed by Solomon (1976) and Batliwala (1994). The empowerment theory propounded by Solomon (1976) assume that personal, interpersonal and environmental resources are needed to increase and improve the skills, knowledge and motivation of people to achieve valid social roles. Solomon (1976) was of the view that lack of these personal, interpersonal and environmental resources leads to powerlessness. He argues that denial of access to resources needed for good health, sources of learning and interpersonal skills and valued social roles produces powerlessness and undermine the competent functioning of group or individuals. Empowerment theory proposes strategies of reducing the marginalization and inequity in society. It demands for capacity building, awareness building and skill development to improve the status of the marginalized.

Batliwala (1994) in support of empowerment theory argues that empowerment should center on the control over material assets, intellectual resources and ideology. The material asset over which control can be exercised may be physical, human, or financial such as land, water, forest, people's bodies and labour, money and access to money. Intellectual resources include knowledge, information, and ideas. Control over ideology signifies the ability to generate, propagate, sustain and institutionalize specific sets of beliefs, values, attitudes and behaviour, virtually determining how people perceive and function within given socioeconomic and political environment. According to Batliwala (1994) these can be achieved by challenging the patriarchal ideology, male domination and women's subordination; to transform the structures and institutions that reinforce and perpetuate gender discrimination and social inequality. The process of empowerment must thus address all relevant structures and sources of power. Since the causes of women's inferior status and unequal gender relations are deeply rooted in history, religion, culture, laws and legal systems, social attitudes and political institutions, the solution to women's subordination must therefore penetrate deeply into the relevant structures and ideologies.

Stromquist (1995) also developed a model in support of the empowerment theory. Stromquist (1995) model of empowerment posit that empowerment should focus on the process of changing the distribution of power both in interpersonal relations and in institutions throughout the society. Family practices, religious myth, the social division of labour, the sexual division of labour, marriage customs, the educational system and civil laws according to this model, combine to produce hierarchies in gender relations in the society. According to this model, a full process of empowerment therefore must include cognitive, psychological, political and economic components. The cognitive component refers to women's understanding of their conditions of subordination and the causes of such conditions at both micro and macro levels of society. It involves acquiring new knowledge to understand the patterns of behavior that create dependence, interdependence and autonomy within family and society at large. The psychological component includes the development of feelings that women can act at personal and societal levels to improve their conditions as well as the formation of the belief that they can succeed in their change efforts. The political component of empowerment entails the ability to organize and mobilize for social change. This means that an empowerment process must involve individual awareness and collective action to attain social transformation. The economic component of empowerment emphasizes that women be able to engage in a productive activity that will allow them some degree of financial autonomy no matter how small. Income generating programmes are important in the empowerment of women. These components of empowerment as stated by Stromquist are needed to enhance and advance women's status in the society.

These theories are considered relevant to this study because if these approaches are fully adopted, women would be able to gain economic and educational empowerments that will enable them participate significantly in entrepreneurial activities. The core assumptions of the theories are that cognitive, psychological, political and economic components of empowerment are needed to advance the status of women and increase their participation in entrepreneurship development. The empowerment theory was chosen because it applies to areas or communities where denial of right due to patriarchal ideology and values are inherent. Benue State is known for its culture of patriarchy which has resulted in denial of women's rights in many respects. Women's access to both material and non-material resources is limited. Women therefore need cognitive, psychological, political, and economic empowerment to advance their status and contribute meaningfully to the development of their community, and the society at large.

Concept of women empowerment

Women empowerment has attracted the attention of many scholars. Okpoko (2002) stated that women empowerment came

into popularity with the feminist movement whose demand was that women become empowered to take control of their own lives; to set their own agenda of what to do and how to do things that affect them. Solomon (1976) defined empowerment as a process whereby individuals are made to engage in activities that aim at reducing the powerlessness that has been created through negative values based on membership in a stigmatized group. Women empowerment is the development of mental and physical capacity, power or skills in women for them to operate meaningfully in their social milieu, thereby experiencing a more favourable level of social recognition and subsequently enhance their economic status. According to Stromquist (1995), women empowerment is a socio-political concept that involves cognitive, psychological, economic and political dimensions. The cognitive component involves women's understanding of the causes of their subordination and marginalization and appreciating the need to make choices that may go against cultural or social expectations. The psychological component refers to women's belief and confidence that they can improve their condition through personal and collective effort. The economic component refers to access to income outside home through work that provides income independence. The political component involves the ability to understand one's situation and mobilize for change.

Batliwala (1993) opined that empowerment is not merely a change of mind-set but a visible demonstration of that change which the world is forced to acknowledge; respond to and accommodate as best it can. Batliwala (1993) also stated that empowerment should start from within to involve learning about oneself from many perspectives and learning to harness ones rational and emotional resources to achieve desired ends. Empowering women is conceived as awareness-building, particularly about gender inequities in their societies, building capacities and developing skills necessary to ensure that women effectively participate in present and future decision-making and then organizing women into groups which take action to bring about desirable changes, focusing on greater equality between men and women in all decisions (Batliwala, 1993). Hashemi, Schuler, and Riley (1996) outline eight components of empowerment, which include mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major decisions, freedom from domination by the family, political and legal awareness and involvement in political campaigning and protest. Karl (1995) stated that there are four stages of the empowerment process with regard to women and these include awareness; capacity building and skill development; participation and greater control in decision-making; and action for change. Garba (1999) added two more stages which include capacity and skill assessment, and evaluation stage, in order to facilitate a more systematic analysis of the empowerment process that is more applicable to the empowerment of Nigerian women. According to Garba (1999) the capacity and skills assessment stage increases the chance that the needed capacity and skills will be developed. It is also viewed to have methodological implications in that a need assessment must be based on the objective conditions of a specific problem of disempowerment.

Batliwala (1994) outlined three approaches to empowerment which include integrated development, economic empowerment, and consciousness raising. Integrated development approach views women's development as key advancement of family and community. This approach proceeds by forming of women's collectives that engage in development activities and tackle social problems such as inequality, dowry, child marriage, and male alcoholism using a specific activity such as literacy class or healthy programme to mobilize women into groups. The economic empowerment approach attributes women's subordination to lack of economic power. It focuses on improving women's control over material resources. This is done through organizing women for savings and credit, income generating and skill training activities. The third approach is consciousness raising which asserts that women's empowerment requires awareness of complex factors causing women's subordination. This is accomplished through education.

Women Empowerment in Nigeria

The empowerment of women in Nigeria is an economic process that involves empowering Nigerian women as a poverty reduction measure (Okemakinde, 2014). Empowerment is the development of women in term of politics, social and economic strength in nation development. It is also a way of reducing women vulnerability and dependency in all sphere of life. It can be noted that the aggregate of educational, political, health and legal empowerment are key to women empowerment in Nigeria (Chinekezi, 2014). Like many African women, Nigerian women have a subordinate role to their male counterparts. There are imbalances within marriage, religious and government institutions and access to good health program. The United Nations, as well as a majority of nations across the globe, have developed and organized programs which aim to ameliorate gender inequalities. Women's development was adopted as the third millennium goal in 2000, the world conference on women in Benjin in 2000, and many others. In Nigeria, the effect of women empowerment can be measured using indices such as education, literacy rate, employment and leadership roles (Akudo, 2013). High rates of maternal mortality and violence against women make Nigeria one of the toughest places in the world to be born a girl.

In looking to achieve the Millennium goal on women's development, the Nigerian government initiated the Women's Fund for Economic Empowerment and Business Development for women entrepreneurs, while "second chance" was meant to re-introduce dropped out women due to pregnancy back to school. At the Sixty-fourth General Assembly it was reported that "the number of senior female civil servants was judged to be 22.5 per cent, while judicial appointment across the 36 States constituted about 30 per cent. A national action plan on the Promotion and Protection of Human Rights in Nigeria was deposited with the United Nations Human Rights Council in Geneva in July 2009. A chapter was devoted to the rights of women and children. A National Policy on Sexual Harassment in Educational Institutions had also been put in place. Free medical treatment was provided for victims of domestic and sexual violence at temporary shelters that were being established nationwide. Nigeria was also working to improve the education of girls by recruiting more female teachers, creating skill acquisition programmes for girls and women, and providing textbooks at subsidized rates, among other measures. Judges and magistrates were continuously being trained on gender and women's rights. Health system facilities were being scaled up (Ajobo, 2008). Educational statistics have been used as an indicator of gender inequalities versus women's empowerment in Nigeria. Report shows that Nigerian women are not favored in the evolution of educational system in the country. In 1965, 37.75% of population in primary schools was girls while only 9% of undergraduates were female. By 1974, the percentage of female undergraduates increased to 25.5%. The major enrollment from girls was only in teaching and social courses. In absolute terms, there were 138,334 male and 50,652 female students in Nigeria universities during this period. The challenges faced by girls were due to the perception of the society on gender qualities (Ojobo, 2008).

Educational Empowerment of Women and New Venture Creation

Education is a viable instrument in bringing about positive changes in the pattern of life of people (Ndu, 2002). Education being a social process is responsible for developing and cultivating various physical, intellectual, aesthetic and moral qualities as well as values in an individual. Azikiwe (1992) opined that education as a catalyst for improvement reduces if not eliminates completely the inhibiting factors on women such as low income, inferior social status, superstition, ill health, dogmatism, early marriage and low level of aspiration. Creating access to quality formal education gives women a sense of belonging which enables them to start and manage their businesses without depending on their husbands (Lockhead & Verspoor, 1994). Enemu (2001) posits that an effective and sustainable process of women empowerment must necessarily include the expansion of women's access to educational opportunities, skill acquisition and positions of authority. Moda (1992) argues that problems

have persisted among women for such a long time because most of them have little or no exposure to literacy and education. Also, Phiri (1992) opined that achieving literacy education is the first step to enabling women to take control over their own lives to participate as equals in society and to free themselves from economic and patriarchal exploitation. Also, Correia (2000) argues that providing financial education to battered women will create awareness of control over their financial opportunities and choices and creation of new businesses. Enabling women to develop literacy can effectively contribute to their own and their families' health and well-being and by extension to those of their community. Acquisition of knowledge is one of the prerequisites of human development. Sanders and Schnabel (2007) asserts that economic education creates awareness of and control over financial opportunities and choices since economic education aims to increase access to knowledge of financial resources and to increase women's self-confidence in independently managing and coping with financial problems.

Economic Empowerment of Women and New Venture Creation

The aim of women economic empowerment is to enhance the socio-economic status of women through creating an economic culture that will address the technical know-how in the pursuit of women's multi-faceted roles, retooling them with various economic ventures as well as enhancing the emancipation of women from poverty. This is because women are "generally poor" and constitute majority of the population thus, targeting them will be a fundamental pre-requisite for any poverty reduction strategy to be effective. Empowerment enables women to use their potentials and energies to create wealth and be economically independent. Women need to have access to and control over income. This will empower them for full involvement and participation in entrepreneurial activities. It is believed that with self-employment and entrepreneurship, females gained confidence, self-esteem and decision-making experience leading to greater control over their lives in social, economic and political spheres (Woldie & Adersua, 2004). According to Okeke (1995) economic empowerment of women will increase the productivity of women and thereby raise the nation's Gross National Product. It is also believed that a substantial amount of women's income is spent on family feeding and upkeep. Because of this, any increase in women's income level through economic empowerment will reflect positively on the family nutritional status and health standard and thereby raising the life expectancy of Nigerians. Economic empowerment can help female-owned businesses generate more income which then can be used to support their households and improve their family welfare outcomes. This income can help females to start and grow their businesses which will in turn help them to offer employment to others in their community. Hoque and Itohara (2009) evaluated the empowerment of women through participation in the micro credit programme in Bangladesh. In the study, it was found that 58% of the women who participated in the micro credit programme also participated in family decision-making process; 97% of the women have direct contribution in household income compared to those who did not participate in the micro credit programme. This increase in participation was attributed to increase in income from the micro credit facilities that resulted to engagement in small entrepreneurship activities. Odubokun (1996) examines the extent of economic empowerment of the Nigerian women based on evidence of their participation in various economic activities and found that the economic powers of Nigerian women systematically and persistently deteriorated particularly since 1986. That unless there is general, global constitutional empowerment of all women and all Nigerians, only few women would inherit the economic empowerment conferred on them. Akomolafe (2006) further observed that even domestic empowerment in Nigeria is too low because evidence have shown that resources that are of great importance in the life of women for the purpose of meeting their domestic and matrimonial commitments are inadequate and not available in most cases. Domestic facilities are not within the reach of average Nigerian and these problems are subjecting women and children to undue hardship.

Mediating effect of Self-efficacy (SE)

Self-efficacy is a personality construct or an individual characteristic derived from social cognitive theory (Gist & Mitchell, 1992; Stajkovic & Luthans, 1998). Perceived self-efficacy refers to beliefs in one's capabilities to mobilize the motivation, cognitive resources, and courses of action needed to meet given situational demands (Wood & Bandura, 1989). Since self-efficacy is associated with task-specific capability, self-efficacious individuals set high goals, exert greater efforts, and perform more effectively (Gist, 1987). Researchers regard self-efficacy (SE) as a motivational construct and regard to it as the most important and significant factor in explaining the entrepreneurial intention as well as behavior (Carr & Sequeira, 2007); Liñán & Chen, 2009). Drnovšek, Wincent and Cardon (2010) described self-efficacy as personal beliefs and attitudes toward the control and management competencies needed to successfully address the targets and challenges involved in creating a new venture. Self-efficacy is also described as conviction in one's capability to succeed in particular job and is affected by performance, achievements experience and emotional arousal (Spagnoli, Caetano & Santos, 2015). Chen, Greene and Crick (1998) predicted that business student's intention to become entrepreneurs by starting new business is positively influenced by self-efficacy and found that two factors of emotional intelligence have positive relation with entrepreneurial self-efficacy which in turn facilitates individuals' intention to create a new venture.

Self-efficacy is defined as an individual's belief in his or her ability to complete a task in a specific situation, which affects the choice of activities, effort, and persistence of that individual (Bandura, 1977). Schunk (1995) stated that self-efficacy can help predict motivation and performance. People prefer to avoid certain tasks if they have low self-efficacy and readily participate in such tasks if they believe they are capable (even though high self-efficacy may not guarantee competent performances if the required skills are lacking). Self-efficacy may be a factor that influences persistence. People who feel successful have been found to work harder and persist longer when faced with difficulty (Bandura, 1989). Outcome expectations are significant as people are motivated to act if they believe there are positive outcomes. The perceived value of outcomes refers to the extent to which individuals' desire a certain outcome compared with other alternatives. Given adequate skills, positive outcome expectations, and personally valued outcomes, self-efficacy is perceived to influence the choice and direction of human behavior (Bandura, 1989). Self-efficacy can influence choices concerning activities, effort, and achievement. Individuals join activities with different self-efficacy levels obtained from their prior experience, personal qualities, and social networks.

Schunk (1995) demonstrated that high self-efficacy does not generate effective performance if the individual lacks knowledge and skills. Furthermore, self-efficacy is correlated with other self-beliefs, motivation, academic choices, changes, and achievement, although the sizes and relations between these effects depend on how the individual's self-efficacy and the tasks are operationalized and assessed (Pajaes, 1996). Zimmerman *et al.* (1992) confirmed that perceived self-efficacy impacts performance directly and indirectly by influencing the self-set goals, the level of goals set, the amount of effort individuals have exerted, and the individual's persistence when difficulties are encountered (Wood & Bandura, 1989). Self-efficacy has been shown to be positively and strongly related to persistence in effort (Bandura, 1997). The stronger the belief an individual possesses, the greater and more persistent are his/her efforts (Bandura, 1989). Before individuals make decisions and act upon their choices, they tend to evaluate and integrate information regarding their own capabilities. With stronger perceived self-efficacy, higher goals can be reached, resulting in a firmer commitment (Bandura, 1992). Individuals who perceive themselves to be highly effective provide sufficient effort that, if well executed, can produce successful outcomes. Those who perceive themselves to be less capable initially tend to halt their efforts and ultimately fail in the task, losing faith in their capabilities (Stajkovic & Luthans, 1998).

MATERIALS AND METHODS

Survey Design

A survey research design was used in this study. This enabled the researcher to collect responses of women entrepreneurs in Makurdi town with regards to the study variables.

Population

The total population was 220 women registered SMEs established in Makurdi town. The population statistics were obtained from Benue Chamber of Commerce, Industries, Mines and Agriculture (BECCIMA) and Benue State Ministry of Trade and Investment.

Sample and Sampling Technique

A stratified sampling technique was used to select 100 women owned businesses in Makurdi town. A stratified random sample was a useful blend of randomization and categorization, which enabled both a quantitative and qualitative process of study to be undertaken.

Data Collection Instrument

The study used a structured questionnaire as instrument for data collection. The questionnaire was carefully designed and administered to the respondents. The questionnaire was designed on a four point Likert-Scale which ranged from strongly agree (4 points), agree (3 points), disagree (2 points) and strongly disagree (1 point). The items were structured to capture information on the dependent variable (new venture creation) and the independent variables (educational empowerment, economic empowerment and self-efficacy).

Validity and Reliability of Instrument

Factor analysis was used in this study to measure the validity of the instrument. Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) were used to assess the construct validity of each variable in the study. At 1% level of significance, the result shows that the data is highly significant ($p < 0.001$). The result shows that the Kaiser- Meyer- Olkin (KMO) which measures the sample adequacy was .783 while the Bartlett's Test of Sphericity was significant (App. chi-square= 246.719, sig. = .000) which indicates the sufficient inter correlations of the factor analysis. Also, the Cronbach's coefficient alpha was used to test the reliability of the instrument. Cronbach's coefficient Alpha of more than 0.7 was taken as the cut off value for being acceptable which enhanced the identification of the dispensable variables and deleted variables. The overall Cronbach's Alpha for all the constructs was 0.821 hence it is considered reliable.

Data Analysis

In this study both descriptive and inferential statistics were employed for data presentation and analysis. Simple tables and percentages were used for presentation of demographic attributes of the respondents. Correlation analysis was used to determine the nature of the relationship between the variables at a generally accepted conventional significant level of $P=0.05$. In addition, multiple regression analysis was employed to test the hypotheses. Multiple regression analysis is applied to analyze the relationship between a single dependent variable and several independent variables. The study also utilize variable inflation factor (VIF) to handle the issue of Multi-collinearity.

Model Specification

This study is anchored on two major variables namely; the independent variable (women empowerment) and the dependent variable (new venture creation). The beta (β) coefficients for each independent variable generated from the model, was subjected to a t-test, in order to test each of the hypotheses under study. The regression model used to test is shown below:

$$PSMEs = f(EM)$$

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + M + \beta_4 x_4 + \epsilon$$

Where; y = new venture creation

α - Constant

β_1, β_2 and β_3 Coefficient estimates.

X_1 – Educational empowerment

X_2 – Educational empowerment

M - Self-efficacy

ϵ - Error term

All the above statistical tests were analyzed using the Statistical Package for Social Sciences (SPSS), version 21. All tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$.

RESULTS AND DISCUSSION

Attributes of Respondents

The distribution of respondents by gender in Table 1 shows that 25 respondents (representing 25.0 %) were 18-27 years old, 36 respondents (representing 36.0 %) were between 28 and 37 years while 27 respondents (representing 27.0 %) were within the age range of 38-47 years and 12 respondents (representing 12.0 %) were 48 years and above. This age distribution showed that the respondents were old enough to understand the subject matter of the research. The distribution of the respondents by educational qualification revealed that, 32 respondents (representing 32.0 %) had secondary school qualification, 50 respondents (representing 50.0 %) respondents had tertiary education qualification while 18 respondents (representing 18.0 %) had professional qualifications. This distribution of the respondents' educational qualification represents a very literate sample that can provide valid information on the topic. Finally, the result indicates that 21 respondents (representing 21.0 %) had 1-5 years' experience, 24 respondents (representing 24.0 %) had experience between 6 and 10 years. Also, 30 respondents (representing 30.0 %) respondents have 11-15 years business experience while 15 respondents (representing 15.0 %) had experience from 16–20 years and 10 respondents (representing 10.0 %) had experience doing business from 21 years and above. These responses indicate that most women had better understanding of the subject under study since they have been in business long time.

Table 1: Demographic Attributes of Respondents

Attribute	Frequency	Percentage (%)
Age		
18-27 years	25	25.0
28-37 years	36	36.0
38-47 years	27	27.0
48 and above years	12	12.0
Total	100	100
Level of Education		
Secondary level	32	32.0
Tertiary level	50	50.0
Professional	18	18.0
Total	100	100
Experience		
1-5 Years	21	21.0
6-10 Years	24	24.0
11-15 Years	30	30.0
16-20 Years	15	15.0
21 Years and above	10	10.0

Total **100** **100**

Source: Field Survey, 2017.

Correlation Statistics for Linear Relationship between Variables

Pearson correlation is used to measure the strength and direction of the linear relationship between variables. From the results, a significant relationship exists between the variables. The result indicates that educational empowerment contribute 405% of the change in new venture creation as indicated by the correlation coefficient value of 0.405 which is significant at $\alpha = 0.01$. Also, economic empowerment was positively correlated to new venture creation as indicated by correlation coefficient value of 0.436 indicating that the economic empowerment was a significant factor and contributed up to 43.6% of the increase in new venture creation. Finally, self-efficacy was also shown to contribute 52.4 % of the change in new venture creation as indicated by the correlation coefficient value of 0.524 which is significant at $\alpha = 0.01$. This paves way for multiple regression analysis to be carried out in this study.

Table 2: Correlation Statistics for Linear Relationship between Variables

Variable	New Venture Creation	Educational Empowerment	Economic Empowerment	Self-efficacy
New Venture Creation	1			
Educational empowerment	.405**	1		
Economic empowerment	.436**	.452**	1	
Self-efficacy	.524**	.268**	.513**	1

**Correlation is significant at the 0.01 level (2-tailed).

Multiple Regression Analysis and Hypotheses Testing

Results in Table 3 showed that the VIF value for all the estimated parameters was found to be less than 4 and the tolerance values are more than 0.2 which indicate the absence of multi-collinearity among the independent variables of the study. This implies that the variation contributed by each of the independent factors was significant independently and all the factors should be included in the prediction model.

Table 3: Multicollinearity Analysis Test for Independent Variables

Independent Variables	Multicollinearity Statistics	
	Tolerance	VIF
Educational Empowerment	0.708	1.413
Economic Empowerment	0.941	1.062
Self-efficacy	0.640	1.562

The study assessed the contribution of the independent variables (educational empowerment and economic empowerment) on the dependent variable (new venture creation). The findings of the study in Table 4 illustrates that multiple regression model had a coefficient of determination (R^2) of about 0.395. This means that 39.5% variation of new venture creation is explained by joint contribution of educational empowerment and economic empowerment of women. The findings are supported by ANOVA (F test) results that the model was fit or none of the parameters was equal to zero hence significance adjusted R square ($F = 32.186, p < 0.05$). In addition, Durbin Watson test had value less than two indicating minimal autocorrelation with no effect on the study output (Watson value = 1.142). The rule of thumb was applied in the interpretation of the variance inflation factor which states that a principle with broad application that is not intended to be strictly accurate or reliable for every situation.

Table 4: Model Summary

R	R ²	Adj. R ²	Std. Error of the Estimate	Durbin Watson
.508 ^a	.395	.389	1.286	1.142

- a. Predictors: (Constant), economic empowerment, educational empowerment
 b. Dependent Variable: New venture creation

Table 5: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	42.162	2	46.264	32.186	.000 ^b
Residual	96.573	97	.725		
Total	138.735	99			

- a. Dependent Variable: New venture creation
 b. Predictors: (Constant), economic empowerment, educational empowerment

Hypotheses Testing

Hypothesis one (H₀₁) estimated that educational empowerment of women has no significant effect on new venture creation. However, research findings showed that educational empowerment had coefficients of estimate which was significant based on $\beta_1 = 0.870$ (p-value = 0.000 which is less than $\alpha 0.05$) implying that we reject the null hypothesis which states that there is no significant effect of educational empowerment of women on new venture creation in Benue State. This indicates that for each unit increase in the positive effect of educational empowerment of women, there is 0.870 units increase in new venture creation. Furthermore, the effect of educational empowerment was stated by the t-test value =4.495 which implies that the standard error associated with the parameter is less than effect of the parameter.

Hypothesis two (H₀₂) stated that economic empowerment of women has no significant effect on new venture creation. Findings of the study showed that economic empowerment had coefficients of estimate which was significant based on $\beta_2 = 0.508$ (p-value = 0.000 which is less than $\alpha 0.05$) hence we reject the null hypothesis and conclude that economic empowerment has significant effect on new venture creation in Benue State. This indicates that for each unit increase in the positive effect of economic empowerment, there is 0.508 units increase in new venture creation. Furthermore, the effect of economic empowerment was stated by the t-test value =4.190 which implies that the standard error associated with the parameter is less than effect of the parameter.

Table 6: Multiple Regression Model

Variable	Coefficient	Std. Error	Beta	t-Statistics	Sig.
(Constant)	2.547	.578		7.647**	.215
Educational empowerment	.346	.099	.870	4.495**	.000
Economic empowerment	.340	.081	.508	4.190**	.000

- a. Dependent Variable: New venture creation

Moderating effect of self-efficacy on the relationship between women empowerment and new venture creation

Hypothesis (H_{03a}) stated that self-efficacy has no significant moderating effect on the relationship between educational empowerment of women and new venture creation. The hypothesis was however rejected the hypothesis since the findings

showed that self-efficacy significantly moderates the relationship between educational empowerment and new venture creation with coefficients of estimate which was significant based on $\beta_{3a} = 0.384$ (p -value = 0.000 which is less than α 0.05). Also, t -test value =6.889 which implies that the standard error associated with the parameter is less than effect of the parameter.

Hypothesis (H_{03b}) stated that self-efficacy has no significant moderating effect on the relationship between economic empowerment of women and new venture creation. Result in Table 7 rejected the null hypothesis as evidenced by $\beta_{3b} = 0.213$, $p < \alpha$ 0.05 and t value = 3.897. This implies that self-efficacy has significant moderating effect on the relationship between economic empowerment of women and new venture creation.

Table 7: Multiple Regression Model

Variable	B	Std. Error	Beta	t-Statistics	Sig.
(Constant)	.416	.313	1.329**	.215	
Educational empowerment* Self-efficacy	.170	.060	.384	6.889**	.000
Economic empowerment* Self-efficacy	.147	.061	.213	3.897**	.000

	Educational empowerment* Self-efficacy	Economic empowerment* Self-efficacy
R Square	.627	.578
Adjusted R Square	.575	.574
Durbin-Watson	1.797	2.004
F	51.639	64.758
Sig.	.000	.000

Discussion of Findings

The study examined the moderating effect of self-efficacy on the relationship between women empowerment and new venture creation in Benue State. Objective one examined the effect of educational empowerment on new venture creation in Benue State and findings of the study revealed that there is a significant relationship between educational empowerment and new venture creation among female entrepreneurs in Makurdi metropolis, Benue State. The findings of this study are in agreement with Lockhead and Verspoor (1994) who asserted that creating access to quality formal education gives women a sense of belonging which enables them to start and manage their businesses without depending on their husbands. Also, Correia (2000) argues that providing financial education to battered women will create awareness of control over their financial opportunities and choices and creation of new businesses. Enabling women to develop literacy can effectively contribute to their own and their families’ health and well-being and by extension to those of their community.

The second objective assessed the relationship between economic empowerment and new venture creation in Benue State. The findings of the study revealed a significant relationship between economic empowerment and new venture creation among female entrepreneurs in Makurdi metropolis, Benue State. This finding corroborates previous studies by Okeke (1995) who averred that economic empowerment of women will increase the productivity of women and thereby raise the nation’s Gross National Product. Woldie and Adersua (2004) also agree that empowerment enables women to use their potentials and energies to create wealth and be economically independent. They explain that women need to have access to and control over income. This will empower them for full involvement and participation in entrepreneurial activities.

Finally, objective three assessed the moderating effect of self-efficacy on the relationship between women empowerment and

new venture creation in Benue State. Findings of the study revealed that self-efficacy significantly moderates the relationship between educational empowerment and new venture creation. Also, self-efficacy significantly moderates the relationship between economic empowerment and new venture creation. This finding agrees with Schunk (1995) stated that self-efficacy can help predict motivation and performance of entrepreneurs. Zimmerman *et al.* (1992) confirmed that perceived self-efficacy impacts performance directly and indirectly by influencing the self-set goals, the level of goals set, the amount of effort individuals have exerted, and the individual's persistence when difficulties are encountered.

CONCLUSION AND RECOMMENDATIONS

Women's empowerment creates a powerful influence on community, family and the nation at large. Thus, women empowerment can be seen as a vital strategy for any development effort. The study revealed that income level and educational level have significant relationships with women's participation in entrepreneurship. The study further revealed that poor economic bases of women have also affected women's participation in entrepreneurial activities. Thus, to help improve the participation of women in entrepreneurship, they should be empowered educational and economically. The study therefore concluded that better knowledge about women empowerment and identifying their particular strengths, weaknesses and opportunities, is important to the success of entrepreneurship and economic development in Benue State.

Based on the findings of this study it is recommended that government should provide programmes, strategies and policies that will enhance women education and empowerment. This can be through training in entrepreneurship development centres. Women should be encouraged through relevant education programmes that are designed to meet needs. Educational Institutions offering entrepreneurship and other programme that empower women should be encouraged to expand the scope of the programmes to meet the need of various categories of women in rural locations, urban cities, nursing mothers, market women, illiterate women and semi-literate women. Considering the relationship between income level of women and their participation in entrepreneurial activities as illustrated by the findings of this study, programmes for women upliftment must integrate the vital dimensions such as formation of social capitals, provision of financial and credit support systems, and enterprises and need based skill development through training. This should also include regular monitoring of women to ensure that they invest their resources in something meaningful to give them some degree of economic independence and financial sustainability. Based on the limitations of the study there is need for further studies to be carried out by other scholars. The researchers suggests that further studies should be conducted that will discover the available women empowerment initiatives in rural communities in Benue State since this study was carried out in Makurdi town. The existing empowerment initiatives should be evaluated to determine the problem which the organizers encounter in the process of executing these initiatives. Further studies should be also be carried out in other local government areas in Benue State to assess the level of women's participation in entrepreneurship development in the rural areas.

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ESTIMATING THE CAUSALITY BETWEEN REER AND TOURISM-LED GROWTH

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Abstract

The growth of tourism refers to the gradual evolution of tourism which is an important factor for the productivity of a country's economy. There is need to understand the essential meaning of international tourism and trade, which are expected to be quite dependant on the exchange rate regimes. The international trade is another argument commonly used to justify the exchange rate policy. When is measured the economic impact of tourism, it should be underline the essential causality among real gross domestic product, real effective exchange rate and international tourism. In this way, tourism should be seen as a moving factor with an important contribution *for the economies*.

Key words: Economic growth, Managing, Tourism, OLS regression, GDP, REER.

JEL:F31,011.

1. INTRODUCTION

The growth of tourism refers to the gradual evolution of tourism which is accomplished with the complete evaluation and the rational exploitation of tourism resources, with the increase of tourism productivity and its qualitative improvement as with its adjustment to the needs or desires of tourists. The role of tourism to the economic growth and to the progress of modern societies has become a common awareness in political authorities worldwide. For this reason many attempts are being made in order to develop tourism, being amongst the most important sectors of economic activity, to the benefit of their economies as quickly and as effectively as possible. The contribution of the tourist sector is beneficial for a country's economy due to its influence on sectors other than the foreign exchange sector. Here are included, for example, the employment sector, the business sector, the income sector, the cultural sector and the fiscal sector. Also, there is need to underline the essential meaning of international tourism and trade, which are expected to be quite dependant on the exchange rate regimes. The international trade is another argument commonly used to justify the exchange rate policy. In this sense, more fixed exchange rates are expected to promote international trade and tourism via reduced uncertainty in the international transactions.

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However, the empirical literature is not conclusive in this task. The evidence about the effect of less exchange rate volatility on trade is mixed (McKenzie, 1999). The results are very sensitive across studies, depending on countries and periods considered.

In addition, the study covers several countries and explains the impact of tourism on their economy. Also, here is made an estimation which measured the effect of tourism on the following countries: Spain, Greece, Ireland, Italy, Malta and Macedonia.

2. LITERATURE REVIEW

Sustainable tourism is a sub-branch of sustainable development that was put on the world agenda. Research investigating the competitive advantage of small tourism business has consistently emphasized the importance of high-quality entrepreneurship as key factor in business survival and growth. The ability to identify and operate in a particular market niche enables the firm to exploit a range of specializations and being competitive (Tinsley and Lynch, 2001). Tourism businesses have been identified as essential actors for creating jobs and generally growing the economy. Also here is attempt to identify the constructs that influence in building high-quality entrepreneurship in tourism industry.

Whether we analyze profit business or a non-profit entity, one of the steps necessary to complete is the preparation of a business plan for tourism development opportunity. Based on the preparation and analysis of financial projections in the business plan, there should have identified both the amount and type of financing that are required to carry out the project. Some form of financing is needed to assist with the initial construction and start-up costs associated with your new and/or expansion tourism project. In addition, you may need financing assistance to support your organization's working capital requirements. There are a number of different sources available to help finance tourism venture. This will help to identify a wide range of economic, social, policy, and firm factors that may affect the development of high-quality entrepreneurship. Also it will enable entrepreneurs to uncover the critical role of high-quality entrepreneurship in economic growth and in rural development too. One of the associations for entrepreneurs is the fact that they innovate. In this way they create and employ (ACCA, 2012a).

In context for new ventures, according to the researchers, are far more important in bringing new ways into economic process than are established firms (Porter 2001). High-growth and high-potential small tourism businesses have positive impacts on economic growth. Possibility to understand entrepreneurship quality is very important in a way to discuss about essential meaning of entrepreneurial leadership, market and marketing orientation, differentiation and tourism destination development. This will enhance accessing high-quality entrepreneurship in tourism industry. Growth in the tourism industry will bring benefits which will facilitate job creation (Ayyagari et al., 2003). The government views this as an opportunity to create employment and to bring in equality in the country's job market.

3. SNAPSHOT THE COUNTRIES – GENERAL DATA

3.1 Spain

Taking in advance the existing research by considering both exports and tourism as potential influencing factors for economic growth in Spain, there is an analysis where is used CGE model. This model helps to show the economic influence of tourism. In this way it's quantified the effects of an additional increase in tourist demand. Increased tourism expenditure leads to adjustments through a real exchange rate appreciation that reduce exports from other exporting sectors and increases imports. When this will be mixed with other general equilibrium effects through intermediate demands, factor markets and consumption, leads to reductions in output in some sectors. The exact effects on different sectors are a result of positive and negative effects, so the actual results are difficult to predict without numerical simulation. The gain in welfare following a tourism boom was found to be relatively small. This is because tourist expenditure doesn't in itself create value. That is done by factors that provide services for tourists. In absence of tourism boom, these factors could be employed in other sectors. The tourism boom increases productivity of these factors, hence their wage, by increasing the possibilities of employment open to them. So the CGE model doesn't assess the importance of tourism in terms of what proportion from GDP is attributable to tourism. One the results offer from Kehoe (Kehoe et al., 1995), design to analyze the impact of tourism, is a simple shock to the demand for foreign tourism, of +10%. As a result of the increase in tourism, welfare increases by 27.7 billion pesetas, or 0.05% of GDP. Also in his research he determines that the aggregate trade demonstrates that reductions in the value of non-tourism exports and increases in imports offset the increased revenues from tourism.

3.2 Greece

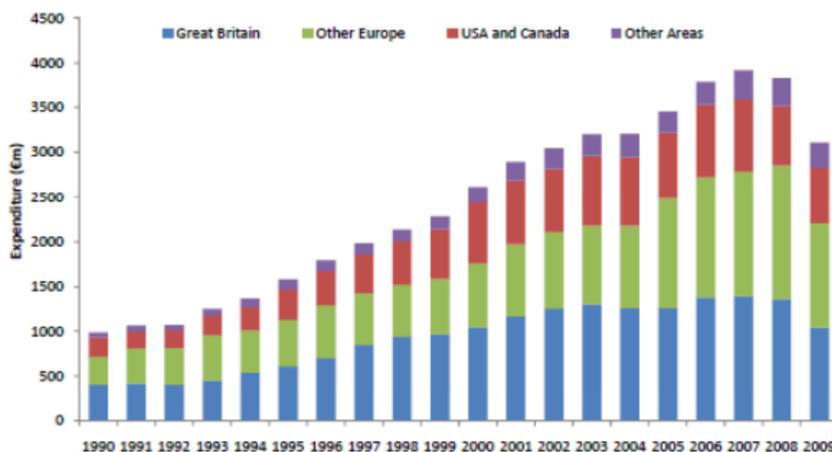
Another analysis which focuses on economic impact of tourism, is maden for Greece. In this study is empirically shown the tourism impact on the long-run economic growth of Greece by using the causality analysis among real gross domestic product, real effective exchange rate and international tourism earnings. So, it's applied VAR model to gain the main objective - examining to what extent the Greek economic growth responded to the evolution of external international tourist activity during the period 1960-2000. In this study to be tested the causal hypotheses are used a few variables, which include international tourism earnings, economic growth and real effective exchange rate. For this aim are investigated the possible causal relationships between the examined variables in order to provide answers for drawing conclusions for economic growth of the studied country. So, the author Papatheodorou (2005) to test these variables used the Johansen cointegration test and then Granger causality tests based on a vector error correction model. The results of the cointegration analysis suggest the existence of cointegration relationship between the three variables- the relationship among international tourism earnings, real exchange rate and economic growth in one tourist country. The results of the cointegration analysis suggest the existence of cointegration relationship between the three variables. This indicates the presence of common trend or long-run relationships among these variables. The results of the causality analysis denote that international tourism earnings and real exchange rate cause economic growth with a strong causal relationship, while economic growth and real exchange rate cause international tourism earnings with a simply causal relationship.

Generally, the significant impact of tourism on the Greek economy justifies the necessity of public intervention aimed, on the one hand, at promoting and increasing tourism demand, and, on the other hand, providing and fostering the development of tourism supply. The intense state intervention for tourism growth and especially for tourist economy, arises either directly from the performance of tourist infrastructure works or indirectly from the mechanism of funds and incentives. This is a characteristic feature of modern tourism, but also it is factual evidence that the state tries to develop tourism, which is regarded as one of the most important sectors of economic activity.

3.3 Ireland

Irish tourism is facing its greatest challenge in several decades as a result of the impact of the recent global recession on international travel and the changing patterns of demand for holidays in Ireland. The short term outlook of slow economic recovery in Ireland’s principal source markets suggests a continuing difficult trading period for most businesses, with recovery to pre-recession levels at least 3 to 5 years away. However, tourism as an export industry can play an important part in restoring the Irish economy to growth. Tourism recovery is essential to the sustainability of many businesses and to maintaining employment. The speed of recovery for Irish tourism will depend on the success or otherwise of winning market share in a slow growth environment.

Figure 1. Overseas visitor expenditure in Ireland (€m) 1990-2009

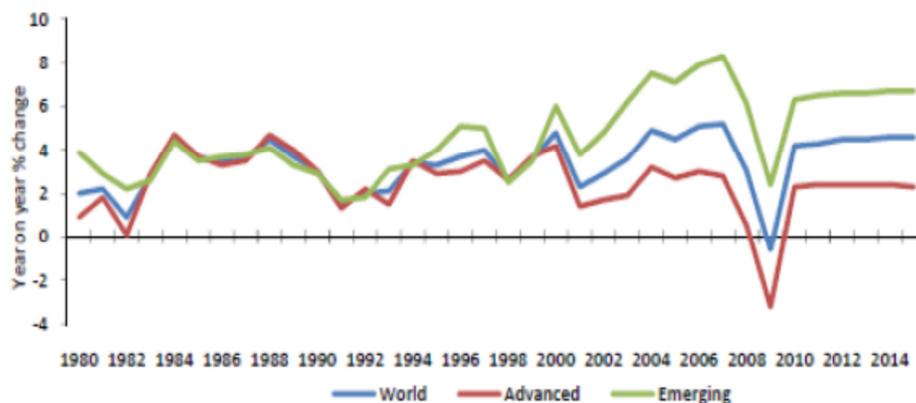


Source:CSO/Failte Ireland

In this context, the statistic for Ireland shows that despite the downturn, tourism earned €5.4 billion in 2009 with receipts from out of state visitors at just under €4 billion, plus a further €1.4 billion spent by domestic tourists. The explanation for this is that the main driver of the growth in demand over the past two decades has been primarily economic prosperity in source markets, coupled with supply side factors such as the expansion of the range of attractive holidays on offer, new routes and cheaper airfares, and

aggressive marketing. Also, here is the fact that economic recovery is key to renewed demand for travel. This means that the primary determinant of demand remains the economy in each source market. The outlook for a slow, economic recovery in most developed countries suggests that an upturn in demand for travel will also be slow. The euro zone crisis has the potential to at least stall the economic recovery underway in the developed world, while the continuing rise in unemployment is likely to dampen consumer confidence. Pick up in employment, while historically lagging economic recovery, may be more sluggish this time. The IMF has recently raised its forecast for global economic growth this year, from 4.2 % to 4.6%, while warning that the risk of a slowdown had increased sharply. The forecast rate of growth in the developed economies of Europe and North America is closer to 2% per annum over the next three years. Worries about sovereign debt and budget imbalances in the developed world continue as big threats to the recovery in Ireland’s top source markets.

Figure 2.Real GDP growth:% annual change 1980-2015



Source:IMF

The surveys show that the key challenges which Ireland’s tourism industry currently faces are:

- competitiveness of the Irish offering in key source markets;
- securing adequate and competitive air access services from all of the key source markets;
- ensuring that the marketing of Ireland by the agencies and businesses is effective and maximises the use of available funding.

3.4 Italy

As far as Italy is concerned, many studies suggest that a long run bi-directional temporal causality is assessed for international tourism and economic growth. When is measured the economic impact of tourism, it is found that only physical capital is influenced by economic growth, traditional exports and tourism in the long term. The findings also suggest the importance of physical and human capital

accumulation in the process. Furthermore, it is also found that traditional exports Granger cause economic growth in the short-run. Consequently, there is a strong influence from exports to economic growth, since it exists in both short and long terms. It is observed that the economic growth driven exports mechanism is also valid.

The results for Italy are consistent with its economic history. A study explains that by 1950 Italy had become the world's third most popular tourist destination after the United States and Canada (Jenkins, 2006). Between 1951 and 1965, tourism growth in Italy averaged 11.5% per annum, and tourism's share of exports rose from single figures to 19.3% (Formica and Uysal, 1996). During and after this period the international tourism scene changed dramatically as population growth and demographic changes, technological innovations and socio-economic developments encouraged international travelling and competition, and as tour operators began to invest heavily in the comparatively cheap coastal areas of the Mediterranean (e.g. Greece, Spain, Turkey). Also, some authors underline the fact that additional negative factors limited Italy's ability to attract tourists from the 1970s to the 1990s, such as Italy's lack of quality accommodation and transport services, negative publicity stemming from natural disasters and pollution, crowding and congestion in major tourist centres, or petty crime, amongst others (Cooper et al., 2005). Later on, the 1992 recession and the continued stagnation of the Italian economy created inflation in tourism. However the devaluation of the lira in September 1992, and the unstable political situations in the former Yugoslavia, the Middle East, Egypt, Turkey and Spain had positive impacts on international travel to Italy and promising projections were made for the period 1994-2000. So, the message is more than clear – tourism expansion has crucial role for long-run economic growth, and also, here is the importance of physical and human capital with respect to economic growth and tourism expansion.

3.5 Malta

Malta depends on imports of many foods and animal feeds. It is also highly dependent on imports of fuel, and many manufacturing industries must import raw materials such as chemicals and other intermediate goods. Services dominate the economy, accounting for over 70% of GDP. Tourism is of primary importance, and the fact is that the number of visiting tourists fluctuates significantly, depending on outside factors. The direct contribution of tourism to the economy can be measured in terms of its contributions to GDP, to the balance of payments and to gainful employment. In recent years, tourist expenditure directly contributed around 15 percent of the Maltese GDP and 25 percent of foreign exchange inflows from exports of goods and services. Multiplier analysis related to Maltese incoming tourism would seem to indicate that tourism expenditure tends to have a higher multiplier effect than the bulk of merchandise exports, since the value added content of production associated with tourism tends to be relatively high (Briguglio et al., 2006). Tourism also contributed to the domestic economy through international transportation, since a considerable amount of incoming tourists use the national carrier, Air Malta, in scheduled flights and charter hire. In recent years, transportation expenditure associated with tourism amounted to an estimated 5 percent of foreign exchange inflows from exports of goods and services. At present, tourism does not contribute as much as manufacturing to the Maltese economy, in terms of

income and employment. However, the economic contribution of tourism is growing while that of, manufacturing is declining, and it is quite possible that within a decade the share of GDP originating from tourism will overtake that originating from manufacturing.

3.6 Macedonia

Macedonia is a country with enormous tourism potential, with attractive and very diverse scenery in many places, interesting old towns and villages, a good local cuisine and welcoming people. However, tourism, especially international tourism, i.e. the export of tourism services, is extremely competitive, and standards of facilities offered elsewhere, including in neighbouring European countries, the most natural competitors for Macedonia, have risen substantially in the past two decades. Macedonia has not matched this progress. Moreover, is not an especially easy country to reach by air, with very few inexpensive flights, and has sub-standard road and rail links with most neighbouring countries. Quite clearly, the 2001 political crisis in the country, a time of serious tension between the country's ethnic Albanian and Macedonian populations, had a major negative impact on tourism. The number of tourists visiting Macedonia was generally over a million for each year of the 1980s, with total bed-nights averaging over 3.5 million per year. In the 1990s there was already some decline, but numbers collapsed in 2001 to 333,000 tourists and only 1.25 million bed-nights. Since 2001, numbers of tourists have come up again, reaching about half a million in 2006, with 1.9 million bed-nights. Even now, therefore, tourist numbers have only recovered to about half their 1980s levels. Moreover, within all the above totals, foreign tourist numbers fell further and have recovered less well than have domestic tourists. However, a study which emphasis the economic influence of tourism in Macedonia is shown by Petrevska (2012). The author's analysis show empirical evidence that tourism contributes to Macedonian economy and might be classified as important industry. The results suggest that Macedonia was not immune to negative shocks and it is normally to continue to face numerous and unexpected challenges in future. The undertaken in-depth analyses confirmed that tourism in Macedonia was infected by the world financial crisis. More specifically, the negative impacts were detected in the GDP created in tourism, as well as within the employees from tourism industry, thus producing series of damaging effects on the overall economy. Also, Petrevska underline that the domestic tourists, as well as the foreign ones, were faced with rapid decrease in consumer landing which consequently led to reducing the tourist inflows and outflows for 30% and 40% respectfully. Although some governments decreased taxes referring tourism and hospitality services in the line of assisting their tourism industries easier and quicker to recover, that was not the case with Macedonia. Regardless the discouraging shocks of the last financial recession and the declined projections for the current year, the forecasts predict that the upward trend in tourism development in Macedonia will continue.

Given this background, planning a better future for the tourism sector should entail at least the following steps within the framework of the recently adopted tourism development strategy which include promoting itself actively as a safe and welcoming tourist destination; building infrastructure relevant to the tourism industry; upgrading the skills needed for the tourism industry through well targeted training

programs focusing on language skills, service standards, etc.as well the financial infrastructure of the country (need for establishing upgrading modern standards that international visitors increasingly expect.

4. DATA AND METHODOLOGY

We use World bank data¹ here from 1993 to 2012 to estimate the effect of tourism on the selected countries in the sample :Macedonia, Malta, Ireland, Spain, Italy, Greece. As a proxy variable for tourism we use tourist receipts, in the analysis we include and exchange rate as proxy for international prices this is REER (Real effective exchange rate) and Air departures as a proxy for transport infrastructure which is of importance for the tourism industry and the growth of the country. As a dependent variable in our models is per capita GDP growth variable. We apply OLS regression with country effects and we estimate three models, and also we use Dickey fuller technique on the residuals from the first model in the OLS regression to check for the cointegration of the variables.

4.1 Definitions of the variables

Definitions of the variables that are being used in our models are given in the following table:

Table 1. Definitions of the variables

GDP per capita growth(annual rate %)	Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is gross domestic product divided by midyear population.
<u>International tourism, receipts (% of total exports)</u>	International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport. Their share in exports is calculated as a ratio to exports of goods and services, which comprise all transactions between residents of a country and the rest of the world.
Real effective exchange rate index (2005 = 100)	Real effective exchange rate is the nominal effective exchange rate (a measure of the value of a currency against a weighted average of several foreign currencies) divided by a price deflator or index of costs.
Air transport, registered carrier departures worldwide	Registered carrier departures worldwide are domestic takeoffs and takeoffs abroad of air carriers registered in the country.

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

5. ANALYSES, RESULTS AND DISCUSSION

5.1 Descriptive statistics

¹ <http://data.worldbank.org/>

Descriptive statistics of the model is of importance to have first insight in the values of the variables and their statistical properties.

Table 2. Descriptive statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
GDP per capita growth(annual rate %)	106	1.361604	2.966469	-7.95	6.21
<u>International tourism, receipts (current US\$)</u>	94	14.16819	9.142885	2.08	35.28
Real effective exchange rate index (2005 = 100)	114	4.581697	0.080826	4.39556	4.900076
Air transport, registered carrier departures worldwide	108	54.5	31.32092	1	108

Source: Authors' estimations

5.2 OLS regression and country effect analysis

In this section we do OLS regression on three models and we estimate cross-country effects. Three models are reported in the following table. We estimate the following functional forms

$$\gamma = \alpha + Tr + \eta + i + \varepsilon \quad (1)$$

Where γ is the economic growth in per capita terms variable, α is the constant of the variable and are tourist receipts as percentage to export and η are the other two variables namely infrastructure variable and exchange rate. And ε is the usual error term, that is white noise error term that should follow normal distribution $N(0 \sim \sigma^2)$ for the estimated coefficients to be BLUE(Best Linear Unbiased Estimators). And i are the countries that we control for.

Table 3. Reported regression results

Growth of GDP per capita is dependent variable						
	(1)		(2)		(3)	
Independent variables	Coef.	P> t	Coef.	P> t	Coef.	P> t
Tourism receipts	0.35	0.14	0.51	0.04	0.44	0.09
Exchange rate			-2.76	0.05	-2.85	0.04
Air departures					0.18	0.16
Malta	0.92	0.11	0.73	0.20	0.76	0.18
Ireland	-0.38	0.31	-0.80	0.06	-0.78	0.06
Spain	0.75	0.16	0.61	0.25	0.45	0.41
Italy	0.50	0.13	0.12	0.76	0.11	0.77
Greece	0.07	0.83	-0.32	0.40	-0.25	0.51
Constant	-0.33	0.68	12.17	0.05	12.09	0.05

Functional form (p-value)	0.0224	0.1921	0.2694
R²	0.2542	0.3023	0.3272

Source: Authors' estimations

*Macedonia is benchmark country in the three regressions

From the results we can observe that tourist receipts in all three models are positive and significant or nearly significant, especially in the presence of exchange rate, and exchange rate influences negative and statistically significant on economic growth per capita, in the presence of infrastructure variable signs on the exchange rate variable and air departures are as expected while infrastructure exerts positive relationship with economic growth. When we examine country effects only Ireland and Greece show negative relationship between economic growth and tourist receipts or more precisely more negative relationship against the benchmark country Macedonia. Coefficients on the other countries are reported in the table above.

5.3 Cointegration of the variables economic growth per capita and tourism receipts

Cointegration refers to the fact that two or more series share a stochastic trend (James, 2007). Engle and Granger (1987) suggested a two step process to test for cointegration (an OLS regression and a unit root test), the EG-ADF test.

From the previous regression we save residuals and test for stationarity. If two series do not contain unit root they are cointegrated¹

Table 4. Dickey-Fuller test for unit root

Dickey-Fuller test for unit root		Number of obs = 50	
Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value
Z(t) -6.059	-3.58	-2.93	-2.6
MacKinnon approximate p-value	for Z(t) = 0.000		

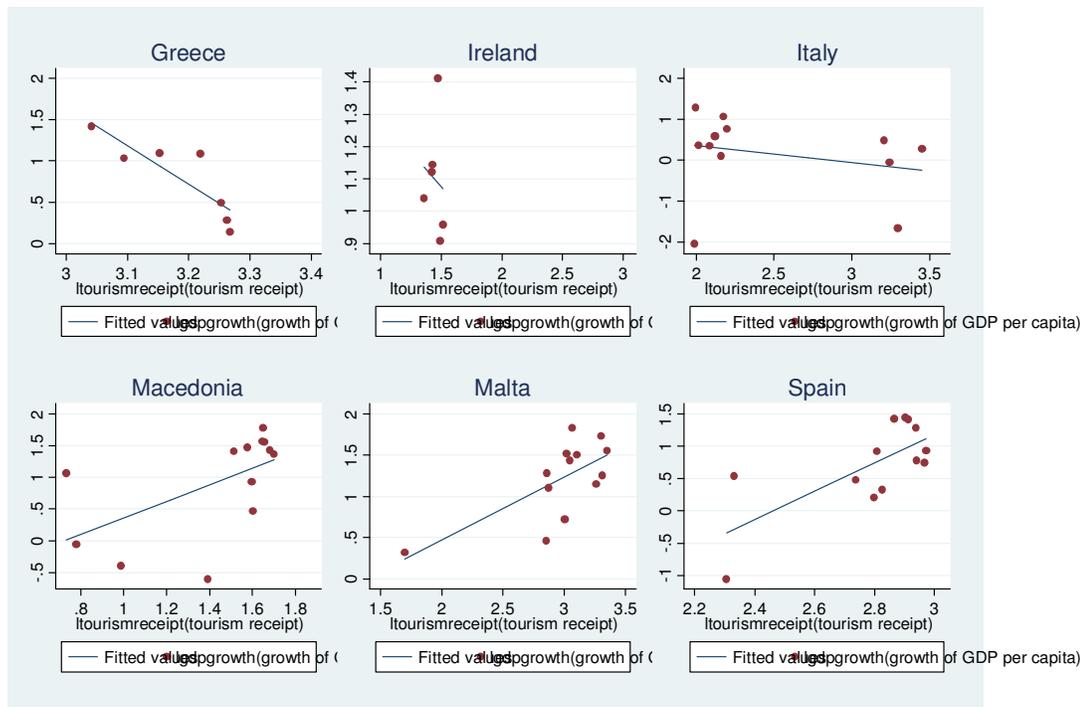
Source: Authors' estimations

Here we can see that the residuals do not contain unit root we reject the null hypothesis of unit root and accept alternative of stationarity.

5.4 Trend analysis

On the next graphs we just do visual inspection for a panel of countries to see in which panel we have positive and where there is a negative relationship between economic growth and tourism receipts.

¹ P-value is 0.000



From the above graphs we can see that Ireland, Italy and Greece have negative trends while in other countries such as Macedonia, Malta and Spain there is positive trend between these two variables.

6. CONCLUSION

From the above analysis, there is statistically significant proof, of the relationship between the tourism receipts and economic growth. This relationship is positive and merely significant. Also the residuals of this regression when tested for stationarity, proved that they do not contain unit root, i.e. that the two series (economic growth and tourism receipts) are co-integrated. This is in line with the proof for causality. On the other hand real effective exchange rate in presence of tourism receipts exerts negative and statistically significant relationship. While air departures as proxy for infrastructure exert positive relationship with economics growth in presence of exchange rate and tourism receipts. The implication is that international tourism expansion plays a relevant role for the economic growth in the economies mentioned above. The intense state intervention for tourism growth and especially for tourist economy, arises either directly from the performance of tourist infrastructure works or indirectly from the mechanism of funds and incentives. Generally, this is a characteristic feature of modern tourism, but also it is factual evidence that the state tries to develop tourism, which is regarded as one of the most important sectors of economic activity. Also, here is the meaning of the impact exchange rate arrangements on international tourism. All these countries are examples for economies that are moving faster with an important contribution of international tourism. In this way, governments should be aware of the potential positive role of tourism and thus how to gain a comparative advantage from such an economic activity.

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PARADIGM SHIFT IN EMPLOYEE ENGAGEMENT – A CRITICAL ANALYSIS ON THE DRIVERS OF EMPLOYEE ENGAGEMENT

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Abstract:

Employee Engagement has been the focus in organizations as it directly impacts its performance. Organizations with engaged employees tend to perform better and also the factors like enhanced productivity, less employee turnover and attrition rates, less absenteeism, enhanced loyalty and goodwill towards the organization, positive word of mouth are clearly visible in an engaged organization. In the current business scenario, there has been a sharp increase in the interest in the concept of employee engagement and its role in work performance and competitive advantage.

Key Words: Drivers of employee engagement, Trends in employee Engagement, future of employee engagement, employee loyalty, Employee retention

Definitions and Literature Review :

William Kahn (1990:694) defines employee engagement as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”.

Harter, Schmidt and Hayes (2002) defined employee engagement as "the individual's involvement and satisfaction with as well as enthusiasm for work"

Wellins and Concelman (2005) call employee engagement "the illusive force that motivates employees to higher levels of performance".

The Gallup Organization, potentially the most widely recognized name associated with employee engagement due to their best selling book, “First, Break All the Rules,” defines engaged employees as those who, “work with a passion and feel a profound connection to their company” and “drive innovation and move the organization forward” (GMJ, 2006).

The International Survey Research (ISR) defines employee engagement as, “a process by which an organization increases commitment and continuation of its employees to the achievement of superior results.” The ISR separates commitment into three parts; cognitive commitment, affective commitment, and behavioral commitment or think, feel and act.

In 2001, *N.P. Rothbard's* definition described engagement as a psychological presence with two key mechanisms, attention and absorption. Attention is “cognitive ability and the amount of time one spends thinking about a role” and absorption is “being engrossed in a role and refers to the intensity of one’s focus on a role” (*Saks, 2006*).

Maslach et al provide more clarity concerning this relationship by describing engagement dimensions (energy, involvement, efficacy) and burnout dimensions (exhaustion, cynicism, inefficacy) as complete opposites (*Saks, 2006*).

Employee engagement is the extent to which the workforce is committed to the goal, mission and vision of an organization (*Sharma Baldev R & Raine Anupama, 2011*).

It is the highest form of commitment where each one wants to do whatever he can for the benefit of the organisation (*Schmidt et al, 2003*)

It is how employees feel, think and act with regard to the employer (*Perryman, Robinson & Hayday, 2004*)

Concept Analysis

Review of the above said definitions reveals that Employee Engagement hover around the below mentioned behavioural ingredients. Commitment - cognitive, affective, behavioral

- Commitment - rational & emotional
- Discretionary effort – going above and beyond
- Illusive force
- Profound connection towards their organization
- Role Focus
- Innovation driven
- Drives business success
- Energy, involvement, efficacy
- Passion and profound connection
- Positive attitude toward company
- Psychological presence- attention and absorption
- Shared meaning, understanding- active participation

- Stay, say, strive
- Think, feel, act, during performance
- Translate employee potential into performance

Meere (2005) described three levels of engagement:

1. Engaged - employees who work with passion and feel a profound connection to their organization. They drive innovation and move the organization forward.
2. Not engaged – employees who attend and participate at work but are timeserving and put no passion or energy into their work.
3. Disengaged – employees who are unhappy at work and who act out their unhappiness at work. According to *Meere* (2005), disengaged employees undermine the work of their engaged colleagues on a daily basis.

Drivers of employee engagement:

Effective Organizational and Human Resource policies and Practices:

People are the main resources that organizations have for delivering its services .Strategic Human Resources policies directly link with the policies of an organization's strategic plan and will result in deciding meaningful roles tied to the strategic direction of the organization .Policies and procedures both communicate the values of an organization. Employee friendly policies always have a positive impact and would result in employee engagement. *Maslach et al.* (2001), identified six areas of work-life leading to engagement: workload, control, rewards and recognition, community and social support, perceived fairness, and values. Employees should be aware of the vision statement of the organization and they should be able to evaluate why the organizations exist and what it does. Employees should be emotionally attached to the vision of the organization and believe in what they perform and should remain committed and loyal to the organization.

Good Employers wish to make their organization a best place to work show that they are also differentiated from average companies by having a clearly articulated employee value proposition—building a strong reputation as an employer by delivering on clearly articulated promises to employees. Executive interviews revealed a real contrast between Best Employers and average companies with regard to the employee value proposition.

Corporate Policies and Human Resources Strategies that is conducive to employee growth and development enhances the level of employee engagement. Psychological contract is defined as a set of promissory expectations held by the individual employee perceptual in nature and employee engagement is defined as the physical, cognitive and affective involvement of an employee and the harnessing of organization members' selves to their work roles. Both have significance for the effectiveness of human

resource management practices. Human resource policies and practices facilitate the formation of psychological contract of an employee and also create conditions for employee engagement. It is thus plausible that human resources policies may have a significant impact on Psychological contract and Employees Engagement and thereby impacting organizational outcomes. Human Resources policies moderate the relationship between Employee Engagement and Psychological contract. Although further research is needed to explore if Human Resource Policies moderates the relationship between the two. Therefore it is important for organizations to view employee psychological contract, employee engagement and human resource practices as an integrative whole.

Enabling Performance

Facilitating employees with the tools and resources to do their jobs effectively can make a real difference in employee morale and productivity. The employees of Best Employers state that they have access to the tools, resources, and processes to perform at a much higher rate and pace than employees from average companies. An engaged employee who is not enabled to perform is not likely to stay engaged or stay with the company for long. Executive interviews provide a contrast in the level of importance placed on enabling employees. Process definition, system and procedures enable performance of employees. Sharing of best practices has been the focus of employers of high repute.

Employee survey data of AON Hewitt indicates four key areas for attention: leaders' ownership of improvement in engagement capability; building a strong employee value proposition; strong total rewards; and enabling performance of employees. The above said dimensions of employee engagement points to holistic solutions and processes that become embedded in the organization's culture. It begins with leadership and is delivered through people, processes, technology, and programmes across the organization.



Aon Hewitt 2013 Trends in Global Employee Engagement

Key result areas at work

Framing Job expectations or key result areas of work and enabling the employees to understand the same at the time of hiring will result in individual and organizational effectiveness. A well-written job description sets an employee to gear up for success by outlining his responsibilities and the parameters of his successful performance. Job description also shows how an employee's position contributes to the mission, goals and objectives of the organization. Meaningful work is always enjoyed by employees and challenging tasks provides a sense of accomplishment at the completion of the task (Kahn,1990). Setting up Key result areas would enhance the passion towards work and level of involvement of the employees. 'Passion for work' has been identified as one of the vital factor (Truss et al 2006, Brim 2002, Holbeche and Springett 2003) enhancing employee Engagement. Employees need to know what is expected of them so as to move towards the goals. This is accomplished by giving specific employee goals as well as the relevant training, tools and resources required to perform their job. Employees need to also be held accountable for achieving their goals through a structured performance management process.

Opportunities for Development

Towers Perrins, 2003 have identified the fundamental for engagement as strong leadership, accountability, autonomy, a sense of control over one's environment and opportunities for development (Towers

Perrin,2003). Investing in people in the form of training and development helps them to acquire new skills which in turn enhances their skill levels and facilitates to move to the next level of their career ladder. Training programs helps employees to develop personally and professionally. Skill enhancement makes an employee feel that he is being valued in the organization which would definitely result in performance excellence.

Career development opportunities are essential parts of employee engagement strategy. Analyses of drivers of employee engagement consistently reveal that career development is the second most impactful way of increasing employee engagement next to recognition. If an employee's desire to make advancement in his career is not fulfilled, he will be looking for opportunities elsewhere. Opportunities to move up the career ladder often come down to availability of open positions or waiting for someone to die or retire to move up in the company is a sad reality for many people. When promotions seem like a waiting game to employees, organizations are at risk of turnover. Studies reveal that in recent years, the trend has been to eliminate middle management positions in order to create a structure of fewer managers. In fact, the average number of middle-level positions in an organization's hierarchy has decreased by 25 percent from 1986–2006. What was once the corporate ladder is now the corporate lattice, with more opportunities for employees to move up by actually moving laterally. Employees can consider a flat organizational structure as simply offering limited opportunities for career advancement. Many organizations offer their employees a chance to gain education in their field on the company's dime. Managers should encourage employees to take full advantage of any educational opportunities provided by their organization in their area of operation. Gaining additional certifications and education will allow employees to stay up-to-date in their field, as well as give them the tech knowledge on how tools they need to perform and excel in their jobs. Programmes like mentoring will enhance employee's knowledge and help them in identifying his career priorities. When an organization offers education and training programmes it not only enhances the skills of employees but also helps the organization to grow. When it comes to educational advancement, employers need to remember that by helping their employees grow, they will ultimately help the organization grow. Thus training and development programmes ultimately offers a win-win situation for the organization and employees. Apart from enhancing corporate potential, an organization can build a workforce that is engaged, motivated and experiences long-term value staying with your organization.

The Institute for Corporate Productivity (i4cp) under the guidance of the *American Society for Training & Development (ASTD)* conducted a survey and develop a study on employee engagement. "Learning's Role in Employee Engagement" was sponsored by *Dale Carnegie Training*. The objective was to gain an overview of engagement in today's workplace and to find out how organizations can boost engagement levels, with a focus on learning. It was observed that about two-thirds of respondents expressed that the quality of learning and training opportunities positively influences engagement in their organizations, and 54% have given their feedback that the sheer breadth of such opportunities boosts engagement. Learning and development strategies definitely brings a greater impact on overall organizational engagement. findings from the survey reveals that Highly engaged organizations has more faith in learning and

development practices such as peer coaching, stretch assignments and communities of practice as ways of enhancing engagement. It portrays that they wish to build learning organizations. The research came forward with the following suggestions.

- Organizations should put more effort into training supervisors to coach their employees.
- Managers to be trained on the factors and drivers and the ways to engage employees
- Organizations to consider engagement goals in mind while designing learning programs for managers at all levels

Organizations Should

- Help supervisors to build their engagement and retention skills.
- Link learning and performance management.
- Make learning an engaging process through new technologies and techniques
- Promote engagement learning through technology

Effective Leadership

Leadership has always played a significant role in building employee engagement, especially under contingencies, their role is even more crucial. Aon Hewitt analysis of companies with strong financial results shows that one distinguishing feature is the quality of their senior management. Senior managers' levels of engagement are high and their ability to engage their fellow team members in their organization, particularly those in middle management, is strong and subsequently engaged managers are more likely to build engaged teams. In short, engagement starts at top, and without engaged senior leadership companies it is difficult to engage the hearts and minds of their employees. It is a top to bottom approach. Building trust and honest communication in highly engaged organizations, leaders are perceived as significantly more effective when compared with their counterparts at low engagement organizations. Communication is an important dimension in building the perception of leader effectiveness. Leaders must communicate the reality of the business performance and the impact it has on the organization, while recapturing employees' hearts and minds. Strong leadership and frequent communication are major ingredients of employee engagement, they are always important and crucial during difficult times in order to even maintain employee engagement at current levels, let alone drive it higher. Research and experience by Hewitt indicates that employees are more successfully managed in organizations where

- People friendly leadership / Senior leaders take active role in people agenda
- HR priorities are clearly embedded in the business strategy
- Employee communication is constantly open, honest, and transparent

- Leadership strategy is measured by outcomes
- Best employers research reveals that they prioritize the below mentioned best practices
- establish strong connection with employees
- Effectively communicate the goals and objectives of the organization
- Consistently demonstrate the organization's values in all and actions
- takes efforts to balance the interests of the employees and the organization
- performance focused and put forth clear future for the organization
- Empower managers and employees and instill a culture of accountability
- Set aggressive goals at all levels of the organization
- They are genuinely future and development oriented
- Make time for employees to spend with senior leaders
- Establish and communicate clear career paths and a critical talent management strategy
- Encourage managers to highlight the opportunities and skills developed through project work
- Organizational Reputation Clearly communicate the organization's employee value proposition
- Develop corporate social responsibility programmes
- Invest in people development
- Conduct research to understand the reasons employees join the organisation and why they leave
- Create a culture of innovation through leadership style
- Reward innovation financially and through performance management
- Empower individuals/teams to make decisions and take action

Work Teams and Group Dynamics

When effective teams are developed and supported the morale of the team increases resulting in cohesiveness and every member feels proud to a part of the team. This would instill esprit de corps and camaraderie in the organization. This would result in the increase of belongingness and Trust within the group and organization. *Cooper (1997)* states managed emotions at work can drive trust, loyalty and

commitment and great productivity gains by individuals, teams and organizations. Engaged employees are likely to have a greater attachment to their organization and a lower tendency to quit. (*Schaufeli and Bakker, 2004*) Truss et al (2006) confirmed, engaged employees are less likely to leave their employer. Sigmund Freud has noted the difference in behavior between individuals and individuals as group's members which is termed as individual difference that every individual is unique. Belonging to a particular group or team makes people feel, think and behave in a more perfect manner. Uniform intensity prevailing among the group members during organizational activities increases emotional involvement of the group members and motivates them to be a part of the group. Corporate leaders who foresee the significance of group dynamics to produce a culture of positive employee engagement are able to increase effectiveness, improve performance and provide better business results in their organization. According to *Bachmann (2006)*, the contemporary workplace has become increasingly diverse, multicultural and multifaceted and there is a need for managing groups in a way to enhance group engagement. An organization becomes engaged when the groups in it remain engaged. Supervisors and middle level managers being leaders in smaller groups in the bottom levels of the organizations need to play significant role in designing strategies to cater the engagement needs of their groups.

Performance Management and Employee Recognition

Performance management is an ongoing process where the manager/supervisor and employee work together to plan, monitor and review an employee's work objectives or goals and overall contribution to the organization .Performance against the set Key result Areas(KRAs) and motivates employees to do their best . It facilitates on-going, constructive feedback on performance, identifies plans for improving performance. Skill gap identification and recommendation for training and development helps the employee to feel that he is being valued in the organization. Rewarding high performers motivates others to perform and enhances a positive work culture.

Employees exhibiting high job behavioral engagement are motivated to develop themselves and take the initiative. They are looking to develop and progress in their work but do not necessarily hold the organization they work for in high esteem. High levels of organizational behavioral engagement are found in employees who are proactive in highlighting problems and suggesting improvements to the benefit of the company.

Understanding various dimensions of engagement can help organizations to determine the focus of the performance management system. The research done by Society for Human Resources Management (SHRM) on the link between Performance Management and Employee Engagement in Western multinational corporations operating across India and China found that particular facets of performance management drive different types of engagement. In terms of the performance management process, having a broad range of outcomes which are valued by the employee viz., promotion, training, and reward are associated with all dimensions of employee engagement. Performance management is inferred as an integrated process in which managers and employees come together to set expectations, measure and review results and reward performance, in order to improve employee performance, with the ultimate aim

to positively affect organizational success” (*Den Hartog, et al ., 2004: 557*). Such practices are being recognized as significant in high performing organizations (*Kirby, 2005*). Particularly empowerment enhancing practices have been found to have a significant impact on employee commitment (*Gardner, et al ., 2001*). Despite this idea that performance management practices have particular significance for notions of employee engagement, as yet evidence of the direct linkage is weak (*Guest, et al ., 2003*).

Employee communication

The rapid pace of change in most organizations means it is time for internal communicators to bring in a paradigm shift in the approach on the organization’s internal communication to employees. No longer have Organizations remained as a announcer of quarterly, half yearly and annual performance results, they remain as a custodian of engaging employees through consistent communication with them. New roles of internal communication are developing and it is crucial to get this delivery right. Where practitioners embrace new ways of working there is an opportunity to put internal communication centre stage in an organization and lead on engaging the workforce. Strong strategic narrative, engaging managers, employee voice and integrity are the vital components of employee communication. It results in empowering leadership that provides a strong strategic narrative about the organization on its vision and goals and how far it has been travelling towards it. It aims at engaging managers to have constant communication with them and enabling them to stay engaged towards the goals of the organization. Empowering employee voice plays a significant role as solutions can be arrived at if employees are given chance to voice out their opinions and suggestions. Values of an organization are an implied communication which enhances internal motivation of employees. An organization having consistent communication with its employees tends to strike a balance between the organizational objectives and employee performance.

Compensation and Benefits and Employee Rewards

The survey findings published by World at Work on The Impact of Rewards Programs on Employee Engagement concludes that Organizations that motivates managers to engage employees by making engagement as an important dimension of performance .performance criteria and rewarding engagement through incentive programs indicate that their organizations more effectively foster employee engagement and motivation than those organizations that do not. As such, if compensation professionals wish to encourage employee engagement, organizations should:

- Develop performance metrics that measure the extent to which supervisors or managers encourage engagement among their subordinates.
- Reward supervisors and managers for developing employee engagement among their subordinates and peers.
- Specifically define employee engagement and include it as goal in the strategic plan.

When the impact of different categories of rewards programs on engagement was studied, it was

discovered that base pay and benefits had the overall weakest relationship with the organization's ability to foster high levels of employee engagement and motivation compared to incentives, intangible rewards and quality of leadership on engagement. Quality of leadership had the strongest relationship with effectively engaging and motivating employees. Hence compensation professionals should:

- Plan a good pay packages to attract leaders who have demonstrated their ability on engaging employees.
- Think in terms of total rewards and not just financial rewards. Develop employee engagement resources that are directed toward work environment or organization climate, work-life balance and the nature of the job and quality of the work, and career opportunities.

Though compensation not ranked the most important, it is an important factor in job satisfaction. An employee who feels adequately compensated monetarily is more likely to stay with an organization. Motivating employees through rewards and recognition programmes, instant awards boosts employees' morale and enhances the feel of job satisfaction. Employees would feel that their efforts has been valued and recognized. Internal communications like e-mail updates, newsletters with writings on a "Star Performer" "Star team of the month" will definitely motivate employees. Organizations can improve employee engagement through a total rewards focus. Employee research reveal engagement can be improved by taking a holistic view of compensation, benefits, learning and development, and work environment. Analysis of Executive interviews indicate that performance recognition and performance development are the key areas within total rewards that are most relevant to improving engagement and the data shows a clear 20% average gap between how the "Best Employers" and the "Rest" of companies are perceived to be rewarding their employees. These data suggest that not only it is important to get the basic pay and benefits needs right, but that leaders also need to focus on recognizing performance and developing talent for the future.

Conflict Resolution

In a healthy workplace, there will be conflict .Reporting Managers acting as a counselors help their reportees to find solutions to their work related and personal problems that are shared with him by the reportee. This makes the employees to feel that there is someone to hear them. Supervisors acting as mentors provide vale addition to the work life of employees. It is implied that employee engagement prevents conflict, it would not right to suggest that employee engagement can eradicate conflict completely as both are intrinsically linked and it is evident that disengaged employees are more likely to be in dispute with their employers and with an engaged workforce there is less conflict. Where conflict happen, by communicating and mediating with employees it is possible to deal with that conflict positively and constructively. Positive employee engagement is therefore positive conflict management by integrating the two dimensions. Employee engagement and conflict management are the two dimensions wherein organizations can evolve a virtuous circle of wellbeing, motivation, productivity and

success.

Workplace Wellness Initiatives and safety programmes

A healthy workplace gives priority to the physical, spiritual, environmental, intellectual, emotional, occupational and mental health of employees .Wellness promotion doesn't just benefit the employee but fills an organization with healthy employees and it becomes a productive workplace that retains its employees . A study on the Link between Safety and Organizational Performance by *Towers Watson safety studies* have found that a focus on safety can improve organizational performance in multiple areas. According to a 2005 industry survey by Liberty Mutual, more than 40% of senior executives firmly believe that increased productivity is the main benefit of an effective workplace safety program, with more than 60% reporting that each \$1 invested in injury prevention returns at least \$2.

Harvard Business School Professor Michael Porter expressing his views in *Job Safety & Health Quarterly*, 14(1), supports the notion that these savings are typical for companies focused on improving work place safety. An emphasis on safety not only stimulates employee engagement, but also improves product design, fosters innovation, boosts morale and reduces production costs. In addition to improved organizational performance, a strong safety orientation affects the organizational image both externally with the public and internally with its employees. By focusing on enhancing workplace safety, a company can boost its employee engagement levels and improve its image in the community.

Employees need to be engaged in their work and have to be able to be productive and successful. One of the major tools that organizations have at their disposal is to enhance health condition of their employees to make them productive .The best way to motivate employees is to make them realize that the employer is interested in their health and wellbeing .The approach is applicable to the employee as well as his family. Organizations offer health benefits to the employee and his dependants in the form of medical and health insurance. Healthy employees will be at work and receptive to the firm's goals and objectives . On the contrary unhealthy employees may absent to work and have intermittent break which frequently distracts the alignment of individual effort with the firm's goals and objectives. Employees who are struggling with health issues of their own or family members will struggle to contribute at the work place. A sense of optimum health and wellness among employees and their family members is a powerful engagement factor. Health or lack of health is among the most important elements impacting an employee's performance. Apart from productivity and financial performance, it impacts attraction and retention of talent, customer loyalty, innovation, and enhanced corporate goodwill. Successful wellness programmes provide employees with the motivation and tools necessary to be successful in their jobs. The fact that the organization provides them with tools to improve their health creates a sense of belongingness and a bond with the company .The ability of employers to effectively engage and enable employees to make better lifestyle options helps them to convert them as a meaningful advantage in workplace. Better wellness programmes helps an organization to optimize the contribution of their employees, as well as to mitigate the substantial financial burden that results from employees'unhealthy behaviors. Meaningful feedback from employees helps an organization to design corporate wellness policies which impacts employee engagement to a greater extent.

Work life Balance

Work life balance on an individual level can bring phenomenal changes in his life and can also heavily impact his work life also. A balanced work life is of a great advantage to an employee's health and wellbeing. Stress levels decline drastically to healthy levels. Individuals derive more value from their work in their work place and from personal life that leads to greater satisfaction and is also seen as a mode of self-actualization. Work-life balance can bring a huge transformation as an employee in an organization and as a member of a family. An employee who has less stress tends to perform better and remains productive. He remains engaged and engages his fellow team members' .It gives a sense of intrinsic motivation and helps him to deliver his best .It builds a strong value system that his organization is an employee friendly organization and he remains loyal to his organization. An organization which has conducive atmosphere for work life balance attracts talents from outside and also retains talent. Work life balance measures are retention tools that has significant impact on employee engagement.

Corporate Social responsibility(CSR)

CSR is gaining momentum these days as corporate have recognized the need to serve the community around them. They join hands with the employees in activities like visiting Orphanages, Old agehomes, Distribution and planting tree saplings, providing educational support, Sponsoring health care programmes etc. Employees feel that they are a part of a social initiative and able to contribute to the society in some way. The organization in turn generates goodwill among the employees and society . The role played by CSR enhances the reputation of an organization among its employees, thereby boosting their motivation and engagement. CSR policy of an organization that embeds at the heart of a business can not only enable them to make a genuine difference to society, but also deliver a tangible benefit to the firm in the long term. Organizations that are worried about the cost of implementing CSR policies should find out the ways on how to deliver true win-win situations, engaging and improving brand reputation and goodwill among external and internal stakeholders, contributing to the development of employees and ensuring they are happy and proud of the organization they belong to and motivated to give their best to their organization. Engaging employees in driving CSR initiatives helps them to believe that they are very well a part of their organization and the organization has enabled them to serve the society. Employees get emotionally attached to the organization and tend to remain there for a longer tenure .CSR perception shape the employees' attitudes, value perspective and behavior towards their firms. Performance of an organization is likely to improve because employees perceive a socially responsible organization as a fair organization and reciprocate this fairness through commitment ,loyalty and increased productivity. CSR is linked to employee engagement through reduced costs due to increased employee retention as well as improved reputation in the eyes of employees and society.

Conclusion

Research Reports suggest that employees seek more meaning in their day-to-day work than what they do in their personal lives. This implies that employers should sought to add more meaning to their work life by identifying what matters and important in employee's point of view. Research have revealed the

connection between employee engagement and business performance and for instance the Gallup Organization has cited many examples on the increase in corporate profitability due to the increase in employee engagement. Evidence also suggests that employee engagement is related to emotional experiences and wellbeing (*May et al 2004*). Researchers have also inferred that emotional factors have a correlation with an individual's personal satisfaction they get from their work place and by being a part of their organization (*Towers Perrin 2003*). An individual's intention to leave their organization is one of the fundamental criteria to determine how an employee perceives his work. Engaged employees are likely to have a greater emotional attachment towards their organization (*Schaufeli and Bakker 2004; Truss et al 2006*). Better management of engagement drivers enables an organization to reduce an organization's attrition and recruitment costs. It has been identified that the longer employees stay with an organization, the less become less engaged (*Ferguson 2007 and Truss et al 2006*). Hence organizations should emphasize employee engagement catering to the different needs of employees through Interventions in job design, providing challenging task, autonomy and freedom, career planning, Job enrichment etc.

Organizations that have flexible, but clearly defined career paths along with effective recognition policies in terms of monetary and non-monetary rewards based on performance certainly differentiate themselves from other organizations and impacts higher levels of employee engagement. Apart from this organizations should focus on improving people management capability to enable leaders to conduct meaningful career conversations with their team members. Employee engagement is a prime most factor for enhancing business performance. It helps to mitigate the challenges encountered by an organization during times of economic volatility and drives future growth. Focus on enhancing employee engagement in the recent business scenario in view of the dynamic economic situations is inevitable.

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THE BENEFIT OF STAKEHOLDERS MANAGEMENT IN NIGERIAN INDUSTRIES

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Abstract:

This research analyzed factors affecting stakeholders' management and the rate of stakeholders' significance to the industries. The uses of selected statistical tools were adopted to analyze the objective of this research. From the analysis, it was observed that goodness of fit test and normality test revealed a significance result of 0.000 and 0.038 respectively. The results show that stakeholders' management are highly significance in the banking industry.

Key words: Industries, Stakeholder, management, Normality test, goodness of fit and statistics

1.0. INTRODUCTION

Stakeholder appears in management literature and internal memorandum of Stanford Research Institute, in 1963" (Freeman, 1984). Stakeholder means "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984). Bryson (1995) proposed a more comprehensive definition of the term: "A stakeholder is defined as any person, group, or organization that can place a claim on an organization's attention, resources, or output or is affected by that output."

The stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. R. Edward Freeman initially detailed it in the book *Strategic Management: A Stakeholder Approach* identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those categories. In short, it attempts to address the "principle of who or what counts."

In the traditional opinion of a company, the view of the shareholder only are considered essential because they are perceived as the owners or shareholders (or stockholders) of the company. Their opinion remains valued and essential because the company has a binding fiduciary duty to put their needs first, to increase value for them. Stakeholder theory instead argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. Even competitors sometimes counted as stakeholders – their status derived from their capacity to affect the firm and its stakeholders. The nature of what constitutes a stakeholder is not yet precise and it remains highly contested in various studies (Miles, 2012), the study further suggest that although various definitions are existing in the academic literature, it is important to highlight that the stakeholder view of strategy integrates both a resource-based view, a market-based view, and adds a socio-political level. One standard version of stakeholder theory seeks to define the specific stakeholders

of an industry (the normative theory of stakeholder identification) critically and then examine the conditions under which managers treat these parties as stakeholders (Miles, 2011).

Stakeholder management is a critical component to the successful delivery of any project or activity. Simply base on the above explanation we could safely say that a stakeholder is any individual, group or organization that can affect the organization, be affected by organization decisions, or perceive to be affected by activities (Sowden, 2011).

Effective Stakeholder Management creates positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives. Stakeholder management is a process and regulator that must remain planned and guided by underlying principles.

Stakeholder management within businesses organizations, or projects prepares a strategy utilizing information (or intelligence) gathered during the following standard processes.

It is well acknowledged that any given organization will have multiple stakeholders included, but not limited to customers, shareholders, employees, suppliers, and so forth. Within the field of marketing, it believed that customers are one of the most important stakeholders for managing its long-term value, with a firm's primary objective being the management of customer satisfaction (Mittal et al 2005). Others see employee management, through employee job satisfaction and pay, as the critical issue of satisfaction (Mittal et al 2009). More recently, studies document that organizational stakeholder management could be seen as a multi-faceted activity. Thus, it has been shown that organizations can be more successful if they manage both their customers and employees jointly, rather than in isolation (Evanschitzky et al 2011).

The application of the stakeholder theory in the public sector literature seems to be following the wave of "New Public Management" (Osborne & Gaebler, 1993). This body of theory aims to introduce business-based ideas to the public sector. In this vein, the stakeholder theory can be seen as an approach by which public decision-makers scan their environments in search of opportunities and threats.

Looking at the concepts, one can deduce that the stakeholder theory embeds two distinct approaches: the organization focusing on its stakeholders to propose suitable managerial techniques, and the manner a stakeholder approaches the organization claiming his/her rights. However, just like two polar end of the same continuum: one side of the continuum seems to be related to how a team behaves when dealing with its stakeholders, while the other hand of the continuum appears to be connected to how a stakeholder holds the organization accountable to himself/herself. We could safely say it could be a form of bilateral type of relationship.

The purpose of this study remains to examine the nature of the relationships formed between banking organizations and the stakeholder's ability to participate in their decision-making process by having either power to influence this organization's decision-making or a stake in the organization's operations and outcomes. In doing so, the results of an inductive investigation carried out with banking industries are presented. The study raised a model for demonstrating the types of stakeholder influences involved in the decision-making process of such organizations. From the model, it is clear that there is a variety of stakeholders capable of influencing, alone or in groups, how decisions are made. This fact implies that these organizations have to be accountable to those stakeholders in some way.

Although based on findings from an Anglo-Saxon context, the results presented here indicate that the

decision-making process of banking industries attracts multiple stakeholders, which have different interests and amounts of power, from their environments.

The primary objective of the study is to analyze and to show the effectiveness of the stakeholder's management in banking system

2. Method Applied in the Study

The Methodology section includes several subsections developed to reveal the logic and the framework of the current study in terms of research methods employed. Thus, research strategy, research design and data collection techniques are presented and described in this section which opens with research questions as a starting point for choosing appropriate research methods.

3. Research design

The paper can be classified as a qualitative research due to its focus on qualitative data collection through interviews, observations and literature review. While gathering necessary information for further drawing conclusions or making suggestions for improvements the focus is to be made on analytical procedures and explanatory approach to existing municipal practices by means of qualitative research methods. According to Yin (2003) there are three types of research: exploratory, explanatory and descriptive. All these approaches are used in the current research study.

4. Sample and Sampling Techniques

There is 1193 staff in First Bank Nig. Plc, Diamond Bank Nig. PLC, Access Bank Nig. PLC, Zenith Bank Nig. PLC and United Bank of Africa, Awka. For obvious reasons, the researcher was unable to study the whole population, hence the determination of an objective sample size. For the determination of sample size, the researcher adopted the formula propounded by Taro Yamane (1964). $n = \frac{N}{1+N(e)^2}$

Where n = sample size

N = population size

I = theoretical constant

E = limit of tolerance error

In this study, the researcher used 5% (0.05) as the estimated error.

$$n = \frac{1190}{1 + 1190(0.05)^2}$$

$$n = \frac{1193}{1 + 2.975}$$

$$n = \frac{1193}{3.975}$$

$$n = 299.37$$

$$n = 299$$

The sample size is 299

5. Testing of the Result and Findings

Goodness-of-Fit Test for Poisson distribution

Data column: No of Responses

Frequency column: No of Responses

Poisson mean for No of Responses = 216.739

No of Responses	Observed	Poisson Probability	Expected	Contribution to Chi-Sq
<=212	476	0.390700	586.050	20.7
213	0	0.026452	39.679	39.7
214 - 215	0	0.053799	80.698	80.7
216 - 217	0	0.054167	81.251	81.3
218 - 219	0	0.053544	80.315	80.3
220 - 221	0	0.051970	77.955	78.0
222 - 223	0	0.049539	74.309	74.3
224 - 225	0	0.046383	69.575	69.6
226 - 227	227	0.042664	63.996	415.2
228 - 229	0	0.038558	57.837	57.8
230 - 231	0	0.034245	51.367	51.4
232 - 233	0	0.029892	44.838	44.8
234 - 235	0	0.025649	38.474	38.5
236 - 237	0	0.021637	32.456	32.5
238 - 239	0	0.017948	26.922	26.9
240 - 241	0	0.014641	21.961	22.0
242 - 243	0	0.011746	17.620	17.6
244 - 245	0	0.009271	13.906	13.9
246 - 247	0	0.007198	10.797	10.8
248 - 249	0	0.005499	8.249	8.2
250 - 251	0	0.004135	6.202	6.2
252 - 253	0	0.003059	4.589	4.6
254 - 255	0	0.002228	3.343	3.3
>=256	797	0.005074	7.611	81871.8

N	N*	DF	Chi-Sq	P-Value
1500	0	22	83150.0	0.000

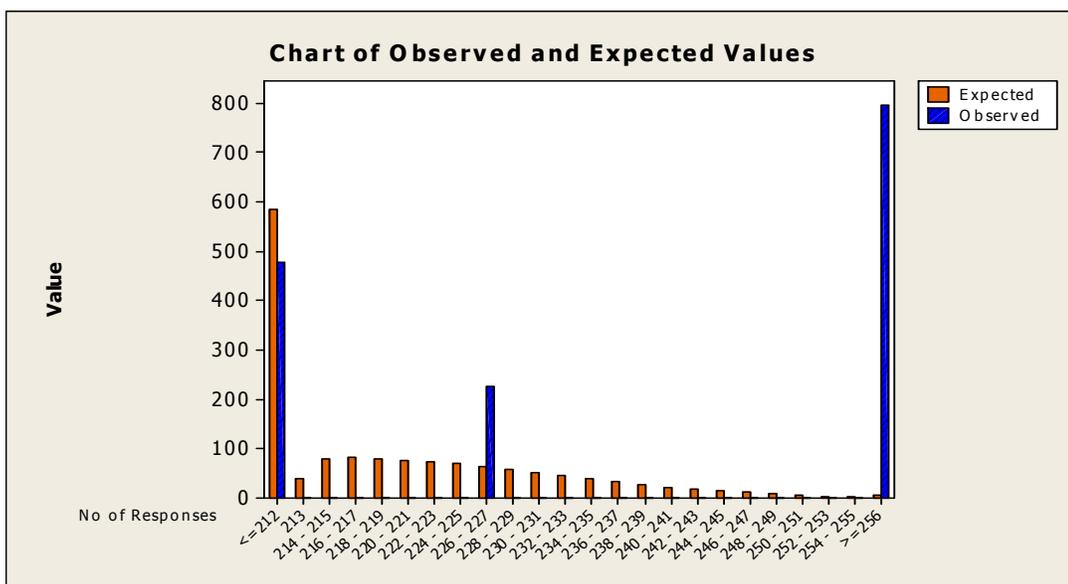


Fig 1: Chart of Observed and Expected Values

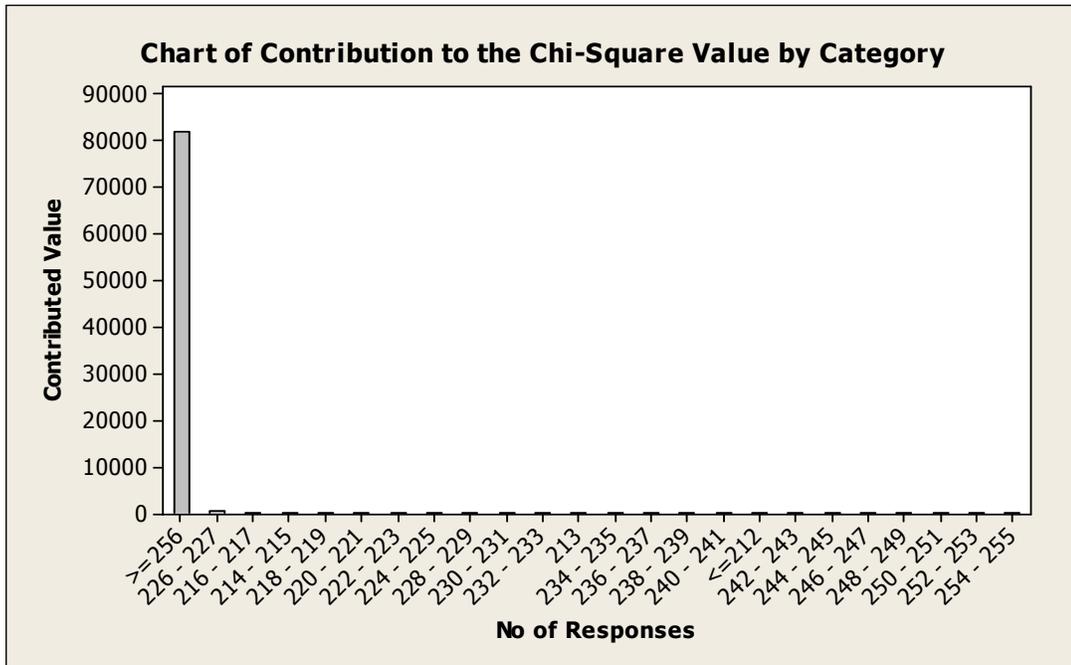


Fig 2: Chart of Contribution to the Chi-Square Value by Category

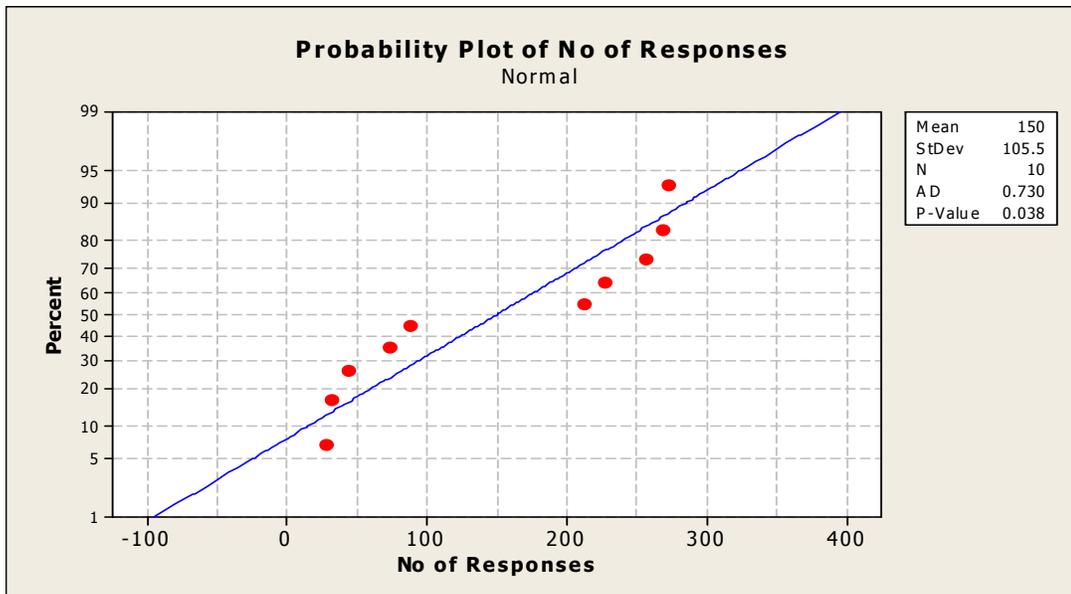


Fig 3: Probability Plot of No of Responses

The research questions were formulated for the testing of the hypotheses and these have to been tested in order to verify and to validate the working hypotheses. The normal probability test and goodness of fit test were employed as an analytical tool. The application of the statistical tools is to test for the significance of the data. From the result, it shows that the data is fit and is significance with the significance level of 0.038. The chi-square test shows that the significance level of the data is 0.000. The

results show that the stakeholders has serious impact in banking system management.

Decision rule

The result is significantly acceptable for the data, if the significance level of the data is less than 0.050. If the significance level is greater than 0.050, the data result will be rejected thereby rejecting the alternative hypothesis and accepting the null hypothesis. Normality test, goodness of fit test and pie chart will be used to explain the statistical analysis of the data which shows the statistical and significance of the data.

It shows that the null hypothesis will be rejected while the alternative is accepted. However, the normal probability test shows that the null hypothesis (Ho) is rejected while the alternative is accepted due to the significance of the results. Therefore, it was concluded that the stakeholders' management has significance influence in the Nigerian banking industries.

6 Discussion of findings and management implication

The discussion of findings is based on the results of the hypothesis test and the statistical analysis of the data. From the findings, the use of goodness of fit statistical testing tool observed that effective stakeholders' management has high significance impact of 0.000. However, the use of Normality statistical testing tool shows that the effective stakeholder's management also has a significance level of 0.038. Based on this argument, the null hypothesis will be rejected while the alternative will be accepted. Finally, the discussion shows the stakeholders managerial implications of the Nigerian banking industries in details.

7. Conclusion

In conclusion, having seen the implication of stakeholders management in the Nigerian banking sector based on the research work conducted, the researcher advice the banking industries to be aware of the stakeholders managerial effect in other to balance their managerial issues and problems for effective growth and development of their companies.

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URBAN DEVELOPMENT - ENGINE FOR ECONOMIC GROWTH: EVIDENCE FOR MACEDONIA AND GREECE

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Abstract:

Cities are the places where unbalance in the use of resources is most evident (they consume more resources than they generate), but at the same time they are the core of economic and societal innovation (Petrevska, 2012). Sustainable urban development makes it necessary to strike a balance, achieving the maximum of development opportunities and preserving at the same time the assets and the intangible elements that constitute the cultural identity of a country.

The growth of tourism refers to the gradual evolution of tourism which is an important factor for the productivity of a country's economy. When is measured the economic impact of tourism, it should be underline the essential causality among real gross domestic product, real effective exchange rate and international tourism. Tourism should be seen as a moving factor with an important contribution for the economies. In addition, the study covers estimation which measured the effect of tourism on economic development in Macedonia and Greece.

Key words: tourism, receipts, economy, benefits, OLS regression, GDP, REER.

1. Introduction

The role of tourism to the economic growth and to the progress of modern societies has become a common awareness in political authorities worldwide. For this reason many attempts are being made in order to develop tourism, being amongst the most important sectors of economic activity, to the benefit of their economies as quickly and as effectively as possible. The contribution of the tourist sector is beneficial for a country's economy due to its influence on sectors other than the foreign exchange sector. Here are included, for example, the employment sector, the business sector, the income sector, the cultural sector and the fiscal sector. Also, there is need to underline the essential meaning of international tourism and trade, which are expected to be quite dependant on the exchange rate regimes. The international trade is another argument commonly used to justify the exchange rate policy. In this sense, more fixed exchange rates are expected to promote international trade and tourism via reduced uncertainty in the international transactions. However, the empirical literature is not conclusive in this task. The evidence about the effect of less exchange rate volatility on trade is mixed (McKenzie, 1999). The results are very sensitive across studies, depending on countries and periods considered.

2. Tourism, Nation Branding and Investment

Tourism can improve the city's environment, enhances the city's image and aids inward investment. Flagship projects for promotion a city as nation brands, ensure the potential for new investment to be attracted due to the fact of promoting a new image by creating a new and attractive physical environment. A new and positive image is seen as a crucial element of attracting inward business investment. As part of tourism strategy, could be developed an agenda for attracting overnight business tourists and to raise international profile of the city.

Thus, tourism strategy in these high-profile projects for promotion a city as nation brand includes:

- encouraging access and movement,
- providing quality tourist information,
- setting up visitor priority areas,
- developing a coherent mixture of visitor attractions,
- encouraging investment in retailing, restaurants and accommodation,
- incorporating with various organizations,
- improving physical environment as a critical role for the promotion of tourism activities,
- creating additional leisure and tourism facilities and major visitor attractions based on the industrial and social heritage,
- encouraging the creation of a cross-city pedestrian walkway, ect.

These major events will attract large numbers of visitors. Consequently, the reputation and perception of the city will effectively enhance. As the number of visitors to the city increases and the city's national and international image through the development of tourism policy along with high-profile projects, does this attract business investment? The quality of high-profile project does not just consist of image, cultural, leisure and recreation issues. It should also include education provision, medical services, housing conditions, criminal justice systems and community services.

Urban planners, often act as if the provision of culture-led initiatives would affect the location selection of potential business investors. They see image perception as a key element to attract inward business investment and business relocation to the city. For these aims are using many different marketing and branding strategies. In theory, there is value in seeing the city in the perspective of marketing principles operating under four key controllable variables: product, price, place and promotion (Kotler, 1991; Middleton, 1994). Thus, high-profile projects can be aligned as product, its capital cost and funding as price, the city centre as place and the city's methods of communication as promotion, together with the city's marketing. Thereby, the city can be seen as a commodity to be packaged and sold (Ward, 1998). In addition, the four key controllable variables offer opportunities to target potential investors in the city, such as: banking, high technology, information communication, hospitality or leisure-based retailing sector. Those tasked with attracting inward business investment to a city will identify products and services that meet the needs of compatible target investors. Every target market consists of groups or segments with dissimilar needs and wants (Middleton, 1994). All types of potential business investor will not be attracted to a particular city. Seeking to attract inward business investment by targeting specific types of industry through effectively operating the four key controllable variables should guide inward investment strategy. In terms of marketing principles, the city is thus seen as the product of assembling its facilities, products and services. The marketing involved in packaging places almost as a commodity to be bought and sold, is not only their physical existence as land, but also their historical and cultural significance. It is impossible to market places or cities in the same way as a defined product or service that is sold to clearly defined users. In addition, unlike most other commodities those are marketed, those doing the marketing have considerably less direct control over the assemblage of products through which the totality of the city is constituted (Barke & Harrop, 1994).

The marketing approach offers some tools for the job that give promotional groups a methodology that enables them to define and target place image (Ward & Gold, 1994). It is a fact that the high-profile projects combined with tourism development will improve physical structure of a city and provide visitor expenditure and tourism related employment for the city. This brings benefits for the city. Urban image should not be seen as an individual factor leading and dominating policy or planning. As to this kind of urban symbolism, Mullins (1991) comments that the work of urban symbolism is conceptually, methodologically and theoretically weak, since it is philosophic, rather than social scientific, in orientation, unless suitable concepts are developed and empirical research undertaken, urban symbolism will remain a vague philosophy and will be of little use for urban social science. Successful places need to be able to attract and retain businesses, based on understanding their requirements. The target investors

that want to settle down in the city will be based on the perception of its advantages that those target investors need. A city's potential advantages for investors would include the existing clusters of businesses, supply of human resources, support of transportation networks and demands of local markets (Porter, 1995).

3. Economic power of the City

Macedonia is a country with enormous tourism potential, with attractive and very diverse scenery in many places, interesting old towns and villages, a good local cuisine and welcoming people. However, tourism, especially international tourism, i.e. the export of tourism services, is extremely competitive, and standards of facilities offered elsewhere, including in neighboring European countries, the most natural competitors for Macedonia, have risen substantially in the past two decades. Macedonia has not matched this progress. Moreover, is not an especially easy country to reach by air, with very few inexpensive flights, and has sub-standard road and rail links with most neighbouring countries. Quite clearly, the 2001 political crisis in the country, a time of serious tension between the country's ethnic Albanian and Macedonian populations, had a major negative impact on tourism. The number of tourists visiting Macedonia was generally over a million for each year of the 1980s, with total bed-nights averaging over 3.5 million per year. In the 1990s there was already some decline, but numbers collapsed in 2001 to 333,000 tourists and only 1.25 million bed-nights. Since 2001, numbers of tourists have come up again, reaching about half a million in 2006, with 1.9 million bed-nights. Even now, therefore, tourist numbers have only recovered to about half their 1980s levels. Moreover, within all the above totals, foreign tourist numbers fell further and have recovered less well than have domestic tourists. However, a study which emphasis the economic influence of tourism in Macedonia is shown by Petrevska (2012). The author's analysis show empirical evidence that tourism contributes to Macedonian economy and might be classified as important industry. The results suggest that Macedonia was not immune to negative shocks and it is normally to continue to face numerous and unexpected challenges in future. The undertaken in-depth analyses confirmed that tourism in Macedonia was infected by the world financial crisis. More specifically, the negative impacts were detected in the GDP created in tourism, as well as within the employees from tourism industry, thus producing series of damaging effects on the overall economy. Also, Petrevska underline that the domestic tourists, as well as the foreign ones, were faced with rapid decrease in consumer landing which consequently led to reducing the tourist inflows and outflows for 30% and 40% respectfully. Although some governments decreased taxes referring tourism and hospitality services in the line of assisting their tourism industries easier and quicker to recover, that was not the case with Macedonia.

Regardless the discouraging shocks of the last financial recession and the declined projections for the current year, the forecasts predict that the upward trend in tourism development in Macedonia will continue.

Given this background, planning a better future for the tourism sector should entail at least the following steps within the framework of the recently adopted tourism development strategy which include

promoting itself actively as a safe and welcoming tourist destination like city; building infrastructure relevant to the tourism industry; upgrading the skills needed for the tourism industry through well targeted training programs focusing on language skills, service standards, etc.as well the financial infrastructure of the country (need for establishing upgrading modern standards that international visitors increasingly expect.

4. Data and Methodology

In the analysis it is used World bank data¹ from 1993 to 2012 to estimate the effect of tourism visits in the capital city on the selected countries in the sample :Macedonia and Greece. As a proxy variable for tourism is used tourist receipts, in the analysis is also included and exchange rate as proxy for international prices this is REER (Real effective exchange rate) and Air departures as a proxy for transport infrastructure which is of importance for the tourism industry and the growth of the country. As a dependent variable in the models is per capita GDP growth variable. OLS regression is applied with country effects and its estimated three models, and also here is used Dickey fuller technique on the residuals from the first model in the OLS regression to check for the co-integration of the variables.

4.1.Definitions of the variables

Definitions of the variables that are being used in our models are given in the following table:

Table 1. Definitions of the variables

GDP per capita growth(annual rate %)	Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is gross domestic product divided by midyear population.
International tourism, receipts (% of total exports)	International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport. Their share in exports is calculated as a ratio to exports of goods and services, which comprise all transactions between residents of a country and the rest of the world.
Real effective exchange rate index (2005 = 100)	Real effective exchange rate is the nominal effective exchange rate (a measure of the value of a currency against a weighted average of several foreign currencies) divided by a price deflator or index of costs.
Air transport, registered carrier departures worldwide	Registered carrier departures worldwide are domestic takeoffs and takeoffs abroad of air carriers registered in the country.

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

¹ <http://data.worldbank.org/>

5. Analyses, Results and Discussion

5.1. Descriptive statistics

Descriptive statistics of the model is of importance to have first insight in the values of the variables and their statistical properties.

Table 2. Descriptive statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
GDP per capita growth (annual rate %)	106	1.361604	2.966469	-7.95	6.21
International tourism, receipts (current US\$)	94	14.16819	9.142885	2.08	35.28
Real effective exchange rate index (2005 = 100)	114	4.581697	0.080826	4.39556	4.900076
Air transport, registered carrier departures worldwide	108	54.5	31.32092	1	108

Source: Author estimations

5.2. OLS regression and country effect analysis

In this section we do OLS regression on three models and we estimate cross-country effects. Three models are reported in the following table. We estimate the following functional forms

$$\gamma = \alpha + Tr + \eta + i + \varepsilon$$

(1)

Where γ is the economic growth in per capita terms variable, α is the constant of the variable and are tourist receipts as percentage to export and η are the other two variables namely infrastructure variable and exchange rate. And ε is the usual error term, that is white noise error term that should follow normal distribution $N(0 \sim \sigma^2)$ for the estimated coefficients to be BLUE(Best Linear Unbiased Estimators). And i are the countries that we control for.

Table 3. Reported regression results

Growth of GDP per capita is dependent variable						
	(1)		(2)		(3)	
Independent variables	Coef.	P> t	Coef.	P> t	Coef.	P> t
Tourism receipts	0.35	0.14	0.51	0.04	0.44	0.09
Exchange rate			-2.76	0.05	-2.85	0.04
Air departures					0.18	0.16
Greece	0.07	0.83	-0.32	0.40	-0.25	0.51

Constant	-0.33	0.68	12.17	0.05	12.09	0.05
Functional form (p-value)	0.0224		0.1921		0.2694	
R²	0.2542		0.3023		0.3272	

Source: Author estimations

*Macedonia is benchmark country in the three regressions

From the results we can observe that tourist receipts in all three models are positive and significant or nearly significant, especially in the presence of exchange rate, and exchange rate influences negative and statistically significant on economic growth per capita, in the presence of infrastructure variable signs on the exchange rate variable and air departures are as expected while infrastructure exerts positive relationship with economic growth. When we examine country effects Greece show negative relationship between economic growth and tourist receipts or more precisely more negative relationship against the benchmark country Macedonia. Coefficients on the other countries are reported in the table above.

5.3. Co-integration of the variables economic growth per capita and tourism receipts

Cointegration refers to the fact that two or more series share a stochastic trend (James, 2007). Engle and Granger (1987) suggested a two step process to test for cointegration (an OLS regression and a unit root test), the EG-ADF test.

From the previous regression we save residuals and test for stationarity. If two series do not contain unit root they are cointegrated¹

Table 4. Dickey-Fuller test for unit root

Dickey-Fuller test for unit root		Number of obs = 50		
Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value	
Z(t) -6.059	-3.58	-2.93	-2.6	
MacKinnon approximate p-value	for Z(t) = 0.000			

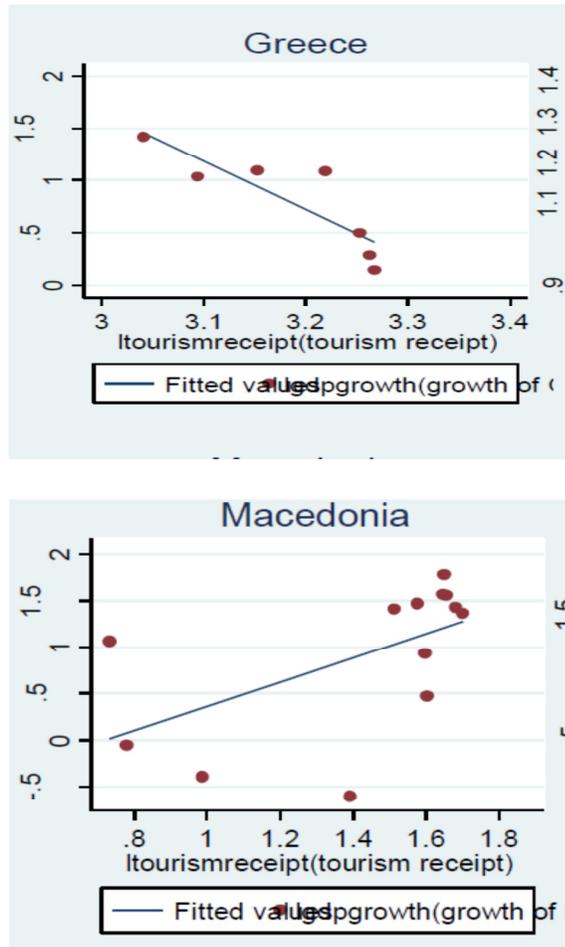
Source: Author estimations

Here could be seen that the residuals do not contain unit root and reject the null hypothesis of unit root and accept alternative of stationarity.

5.4. Trend analysis

On the next graphs we just do visual inspection for a panel of countries to see in which panel we have positive and where there is a negative relationship between economic growth and tourism receipts.

¹ P-value is 0.000



From the above graphs we can see that Greece have negative trends while in Macedonia, there is positive trend between these two variables.

6. Conclusion

From the above analysis, there is statistically significant proof, of the relationship between the tourism receipts and economic growth. This relationship is positive and merely significant. Also the residuals of this regression when tested for stationarity, proved that they do not contain unit root, i.e. that the two series (economic growth and tourism receipts) are co-integrated. This is in line with the proof for causality. On the other hand real effective exchange rate in presence of tourism receipts exerts negative and statistically significant relationship. While air departures as proxy for infrastructure exert positive relationship with economics growth in presence of exchange rate and tourism receipts. The implication is that international tourism expansion plays a relevant role for the economic growth in the economies mentioned above. The intense state intervention for tourism growth and especially for tourist economy, arises either directly from the performance of tourist infrastructure works or indirectly from the mechanism of funds and incentives. Generally, this is a characteristic feature of modern tourism, but also it is factual evidence that the state tries to develop tourism, which is regarded as one of the most important sectors of economic

activity. Also, here is the meaning of the impact exchange rate arrangements on international tourism. All these countries are examples for economies that are moving faster with an important contribution of international tourism. In this way, governments should be aware of the potential positive role of tourism and thus how to gain a comparative advantage from such an economic activity.

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INTEGRATED INFORMATION SYSTEM FOR DISASTER MANAGEMENT: A CREATIVE CASE STUDY

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Abstract

Debate reaction and recuperation endeavors require auspicious association and coordination of open crisis benefits so as to spare lives and property. Today, IT is utilized as a part of this field just to a restricted degree; however there is a huge potential for expanding productivity and viability in adapting to a calamity. In this paper we outline necessities and imaginative innovation for an incorporated fiasco administration correspondence and data framework, tending to specifically arrange, setup, planning and information administration issues amid the reaction and recuperation stages.

1.Introduction

Normal and man-made debacles, for example, quakes, surges, plane accidents, elevated structure crumples, or major atomic office glitches, represent an ever-show test to open crisis administrations. So as to adapt to such fiascos in a quick and exceptionally planned way, the ideal arrangement of data concerning the circumstance is a fundamental pre-imperative. Police, fire divisions, general wellbeing, common resistance and different associations need to respond proficiently and separately, as well as in an organized way. This outcomes in the requirement for both intra and entomb association coordination at a few order levels [1]. Since coordination requires current data, and such data must be imparted upstream and downstream inside and between associations progressively, the need emerges for an incorporated correspondence and data framework for fiasco administration that gives proficient, solid and secure trade and handling of significant data. In this paper, reacting to a call of the German government, we recognize focal outline issues and building ideas for an incorporated catastrophe administration framework, giving a foundation that permits to even and vertical data spill out of the officer or fire fighter on the scene up to the focal operations staff by methods for a multi-level remote voice and information correspondence framework, and in addition coordinated applications that mirror the at present chose authoritative structure sufficient to the protect exertion. At all levels, we should accommodate recording and investigation of the present circumstance, self-loader information total and de-accumulation, asset planning, and access to administrations and databases. Systems incorporate earthbound trunked radio (as imagined for the European open wellbeing division) or satellite innovation for wide territory correspondence, remote LAN adhoc systems for catastrophe site problem areas, and individual or body

range systems for cutting edge work force, enabling them to go about as information sources and sinks by methods for keen associated gadgets, e.g. powerful versatile terminals and sensors. Applications are to be planned around an adaptable data and work process idea in view of formats for quick adjustment to alterations of the hierarchical structure because of circumstance changes. Disseminated, excess, and versatility sufficient databases accommodate data get to even in questionable or low transmission capacity conditions through pre-getting and storing; benefit disclosure and auto-arrangement plans lessen the requirement for manual organization in furious circumstances. GIS and helpful order situations help operations staff in their offices or vehicles. We devise "data condition compactness" for included adaptability and versatile operations. While the concentrate of this paper is on calamity reaction (as characterized by FEMA, the US Federal Emergency Management Agency [5]) and recuperation, satisfactory readiness before a catastrophe strikes is indispensable. Chosen points to address in the pre-fiasco stage incorporate setting up recreations, (for example, clearings of structures) to be keep running with ebb and flow information should a debacle strike, and recognizing and connecting information assets for consistent access amid a crisis. In the most basic period of a catastrophe (i.e. in no time earlier and keeping in mind that it happens) activities vital for limiting harm or sparing lives ought to be performed, to the degree conceivable, naturally, e.g. shutting security valves, controlled shut down of electrical frameworks, programmed opening or shutting of crisis entryways and so on. Besides, an incorporated fiasco administration framework must have the capacity to give applicable information to a post-calamity lessons learned investigation and for preparing purposes.

The structure of this paper is as per the following: Following this presentation, we investigate client necessities and give, in segment 3, a design diagram. Area 4 tends to applications and data stream. Segment 5 portrays in our vision for wide, neighborhood, individual, and body range systems, and segment 6 talks about administration setup. Areas 7 and 8 address information administration and asset planning, separately. Segment 9 finishes up this paper.

2. Client Requirements Analysis

Fraunhofer Gesellschaft directed an investigation on catastrophe and crisis administration frameworks [11], asking specialists in the field what innovation they as of now utilized and what they missed. Aside from correspondence and data administration, the accompanying territories were tended to: advancement and recreation, choice help, perception, geographic data frameworks (GIS), and reenactment and preparing. One of the discoveries is that, in the surveyed specialists' assessment, keeping up correspondences is the "essential test" amid a debacle. Remarking on the best in class in correspondences and data administration, specialists expressed that the accompanying significant prerequisites were not yet met agreeably:

- Integration and linkage of data

- Availability of correspondence, repetition of connections
- Fast information gets to
- Timeliness and refreshing of data
- Standardization of data

Broadening the extent of the examination from Germany to the United States, the effect of the 9/11 occasions on the needs in a fiasco administration was resolved. Prior to the psychological militant assaults, flooding, fire, tremor and risky material mishaps were considered to have "high need", with an innovative concentrate on nearby and versatile correspondence focuses, recreation and preparing, though after 9/11, against fear endeavors were doled out "most extreme need", including digital security, verification, picture handling, sensors, coordination, information administration, and preparing to the mechanical concentration territories [11]. Moreover, we surveyed fire offices for this outline consider. We allude to MESA [10] for necessities and exercises in the territory of portable correspondence institutionalization.

3. Framework Architecture

Figure 1 demonstrates an abnormal state perspective of the proposed correspondence engineering. Police, fire office and other administrations' headquarter (HQ) structures are associated with each other and with government specialists, e.g. the state senator, by earthbound and additionally satellite systems.

In like manner, when fiasco site summon posts are built up, they are associated by earthbound remote or satellite connections to the individual HQ. For "problem area" on location correspondences, a remote LAN (foundation, impromptu, or both) is set up. Firefighters and other staff may be furnished with individual or body zone systems, giving availability to sensors and terminal presentations. The approach taken in [9] is comparable, stressing quick "last mile" organization, lacking however the last "yard". The data stream of utilization can be both level, i.e. between peer substances, and vertical, i.e. along an association's chain of command and past; both push and force data proliferation are to be upheld.

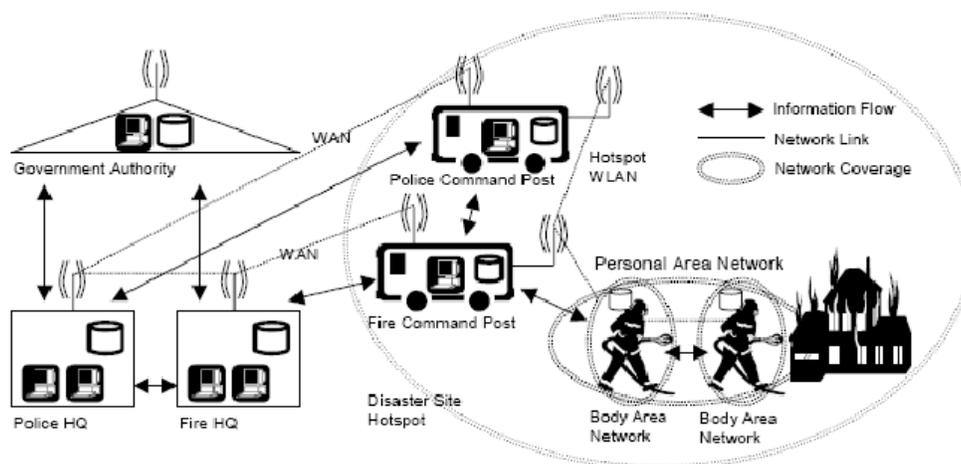


Figure.1: Communication architecture schematic.

4. Applications and Information

In this segment, we adopt a base up strategy and first portray how cutting edge faculty like firefighters or other safeguard specialists working in troublesome territory may profit by the conceived framework. Firefighters' gear frequently incorporates sensors and finders, e.g. for radiation or dangerous gasses. The readings are generally transmitted by voice correspondences to squad pioneers. More prompt and solid information transmission can be refined utilizing shrewd sensors connected, by means of systems, to a PC in the squad pioneer's vehicle, where they are immediately examined and put in setting. Now and again, information might be coupled to the area of the estimation utilizing versatile GPS beneficiaries, so that, for instance, risk zones can be resolved all the more exactly. In addition, the crucial parameters of firefighters and the rest of the measure of pressurized air can be persistently transmitted for checking purposes [10]. In this way firefighters are information sources in our framework, yet they are likewise information sinks: Messages, perilous material notices, maps, and information on missing people might be transmitted to the strong cell phones they are furnished with. Obviously, disconnected operation ability is an unquestionable requirement in troublesome correspondence situations.

So as to adapt to a fiasco, all associations engaged with the safeguard exertion need to communicate nearly at different levels. These pecking order levels relate to accumulation levels at which assembled information is examined, placed in setting, and changed in reports (upstream) and directions (downstream). In the meantime, choices regularly must be taken in a specially appointed way, which requires proficient access to data supporting such choices, or, at times, an online "help work area". Consequently, from squad pioneers upward, our proposed applications enable gathered information to be connected with other data, to be totaled or de-collected, and to be traded with others as indicated by a data stream display considered proper for the circumstance. In like manner, a work process framework that, by utilizing formats and considering the included associations and the quantity of chain of importance levels, effortlessly adjusts to changing hierarchical structures encourages community oriented work inside and

crosswise over administrations. Staff in central command frequently needs to play out a planning and coordination occupation, and they go about as an interface to different organizations and to the general population, so they are, because of their physical separation to the calamity site, especially reliant on cutting-edge data inflow. Then again, HQs for the most part have immense measures of put away information, e.g. on risky materials, which may should be gotten to by on location work force. This call for coordinated applications expanding on wide range information connects between the HQs and site charge posts. On the off chance that a fiasco spreads, even HQs may should be moved, or operations chiefs may choose to draw nearer to the scene, so it is imperative to give a "compact data condition" prepared for migration. This places extra prerequisites on databases and helpful conditions accommodated HQs.

5. Communication Networks

In this segment, we address wide territory interchanges and neighborhood correspondence inside a calamity site. On the off chance that there are extensive or various separate hazardous situations, the WAN likewise goes about as a spine connecting a few site problem areas.

5.1. Wide Area Communications

Indeed, even in some intensely industrialized nations, for example, Germany, general society security segment still uses simple voice just radio frameworks that give just a solitary communicate sort channel per association and area. Hence, radio information transmission is practically inconceivable today, and, because of the absence of prioritization or gathering call plans, over-burden and "mayhem noticeable all around" make correspondence troublesome and temperamental amid significant full-ready crisis circumstances.

The utilization of business remote phone systems has regularly been proposed, however is seen basic on the grounds that these systems are past the associations' control and tend to fall amid calamities because of overpowering interest from private clients, or because of framework harm.

Such systems are consequently satisfactory for unimportant applications or as reinforcement for committed open security frameworks.

European nations are currently in an official choice stage for the appropriation of earthbound trunked radio advanced voice and information systems following the TETRAPOL or ETSI TETRA 25 measures working at 380-400 MHz [12]. With the end goal of this paper, we don't have to recognize these contending frameworks, and we propose to utilize both of them as a WAN correspondence reason for our conceived catastrophe reaction framework. It will subsequently, for instance, profit by TETRA's gathering call, prioritization, and encryption capacities. Be that as it may, because of the constrained transfer speed (< 28.8kbps), information administration must be precisely planned. Satellites are a strong option especially for high transfer speed applications, yet (at any rate for two-way interchanges) their huge expenses debilitate boundless utilize. Order post vehicles go about as doors between the WAN and

problem area site systems.

5.2. Hot Spot Communications

Problem area correspondence in fiasco territories alludes in any event to two unique sorts of areas which can be ordered into basic and informative ranges as takes after:

Most basic zones: these are the focal spots of threat and the central focuses for halting or controlling significant parts of a debacle. Particularly in these most basic regions cutting edge faculty engaged with battling against the catastrophe need to focus however much as could be expected on the wellspring of the fiasco and are clearly in the most risky and basic circumstance. Consequently they should be educated quickly and immediately in the event that the circumstance raises and either ecological parameters approach basic limits or individual particular fundamental parameters wind up noticeably basic. Moreover they have to remain in contact with a boss group giving data accumulated from sources not straightforwardly accessible to the bleeding edge faculty.

Regardless all data must be given to these individuals without expecting them to physically associate with any sort of gadget. Data must be given naturally and mostly discourse controlled by means of reasonable show advances, amplifiers and different pointers.

6. Service and Device Configuration

We have so far contended that the proposed framework needs to have the capacity to oversee immense measures of information at all levels. Trading information continuously between the correct substances is a key test. The data stream must be controlled such that amid the fiasco the framework is hearty also, prepared to be broadened or rearranged effectively. This segment demonstrates that these prerequisites call for auto and self-arrangement of the gadgets and administrations in the manner.

6.1. Motivation for Auto-arrangement

Without appropriate arrangement of hosts in systems, they are not ready to locate each other, or to speak with each other. Gadget design is along these lines of most extreme significance. This should be possible either statically or powerfully. Gadgets that are for all time associated with a controlled organized are typically allotted static system setup parameters by overseers [7]. Different gadgets that are joined to regulated systems can utilize dynamic system setup. The gadgets themselves must be arranged, i.e. all the vital parameters must be doled out to the host (gadget) by a system arrangement benefit. The system setup benefit thus likewise requires setup.

Be that as it may, in a correspondence and data framework gone for debacle recuperation, manual organization of organize has is illogical or incomprehensible. Consequently, programmed design of the hosts is attractive.

6.2. Communication Spheres

As beforehand proposed, there are three sorts of on-screen characters in the framework with respect to their level of portability:

- Stationary performing artists: Police, fire, and so on. HQs, government experts, and even remote specialists or associations (if there should arise an occurrence of calamities influencing a few nations)
- Semi-versatile on-screen characters: portable order posts.
- Mobile on-screen characters: cutting edge faculty, e.g. firefighters.

The correspondence can be viewed as organized in a "organize in arrange" chain of importance too. The versatile on-screen characters may have a few sensors speaking with a handheld gadget. Generally, together the devices frame a little wearable system, or body territories organize. The correspondence to the closest portable performing artists can happen in an individual zone arrange.

As examined in segment 5, the catastrophe site is secured by a WLAN, worked by semi-portable performers. These, in turn, speak with stationary performers through a WAN.

6.3. Configuration of Devices

One part of the arrangement of cell phones is tending to parameters. Information sinks and information sources must know (i.e. be designed) with whom to convey. The gadget interface must be arranged with an exceptional address. Copy address assignments must be identified, and message impacts must be overseen. Ordinarily, a portable on-screen character will work (either physically or, then again naturally) sensor gadgets, which accumulate unique sorts of information. A few information, similar to the measure of hazardous gasses noticeable all around, is pertinent both for him by and by, as well with respect to the order post. Other information, for example, situating data, may not be critical for the portable on-screen character, yet rather for his bosses at the order post.

6.4. Discovery of Services

The disclosure of these administrations can be overseen in different ways. At the best progression layers (stationary and semi-versatile performing artists), the administration data administration can be directed utilizing a stationary administration broker.

Performers offering administrations can enroll them in the administration merchant, and in addition survey it for accessible administrations. For the versatile on-screen characters, a dynamic procedure for beginning what's more, working a (versatile) benefit merchant is an alternative. To adapt to the amazingly powerful circumstance, administrations recorded in this portable administration merchant have an essentially bring down enlistment lifetime, keeping in mind the end goal to accurately portray the system state. Then again, if the quantity of versatile performers at present in contact is underneath a specific limit esteem, no administration merchant would be doled out by any stretch of the imagination. In this case, benefit data can be overseen and traded using multicast.

As sensor gadgets are turned on and off and unique performers come all through reach of each other, the rundown of accessible administrations for every individual on-screen character will most presumably continually be evolving. This reality, in conjunction with the measure of differing data administrations included, proposes a framework that progressively and consequently designs itself. I.e. the gadgets should on a solitary premise discover which administrations are accessible, which other performer to send its readings to, display and depict its own administrations to different gadgets in the region, etc. However much as could reasonably be expected of the design and overseeing of administrations must be robotized, with a specific end goal to encourage the assignments of the different on-screen characters. The objective is to continuously present the correct information to the correct on-screen character at the privilege time with as meager human intercession as would be prudent.

Also, an auto-setup empowered framework can likewise deal with the heap on the system, e.g. through coordinating movements to elective summons posts. In this way, correspondence "bottlenecks" can be dodged, which generally could demonstrate deadly if happening at the off-base time. We will return to this issue in segments 7 and 8.

7. Data Management

As said in the past segments, conveyed applications for catastrophe administration need to manage temperamental correspondence conditions, low information transmission rates, and distinctive preparing and capacity abilities of the gadgets utilized. Consequently quality insurances can't be given for the correspondence. On the other hand, choices in the charge posts depend on data gotten from individuals working in the basic range. The other way around, individuals in such ranges follow up on directions given by the central command. For the two sides it is thus vital to get finish data, as inadequate data conveyance can bring about wrong choices or activities.

Besides, choices must be taken rapidly. This implies data and guidelines must be conveyed quick. Therefore, as sketched out in the accompanying subsection, the primary difficulties for information administration in portable what's more, temperamental conditions, particularly in a fiasco circumstances, are dependability and execution.

7.1. Challenges

Dependability implies that the client dependably gets finish data of the most astounding conceivable portentousness. Fragmented data must be recognized and, if conceivable, must be asked for once more. Generally the application or client must be advised about the transmission disappointment. In less basic circumstances it may be conceivable to reuse data from past transmissions.

The second vital factor is the execution of the framework. Next to the application, the reaction time of the framework relies upon the data transfer capacity of the correspondence channel. Henceforth low transmission rates make it troublesome to convey e.g. complex maps inside a brief span. The information administration needs to ensure the proficient utilization of the correspondence channels. Besides, the reaction time of the framework ought to be generally free of the number of correspondence accomplices in the framework.

Moreover the information structures utilized for information trade must be adaptable in various ways. Sensors can give their information in restrictive arrangements. Consequently they must be changed sooner or later to the standard information structure.

This should be possible at the getting gadget or, if the gadget can't do this, the information must be exemplified into a standard message and changed at some other point.

Moreover, the similarity of various renditions of information constructions must be taken care of. Information patterns can change after some time if new forms of an application are grown, yet it is vital that gadgets with various application variants be as yet ready to convey.

7.2. Suggested Approach

To conquer the already recognized issue, XML [3] ought to be utilized as a standard information exchange design.

XML reports can contain all required data from basic messages to complex maps. Besides it is adaptable in the treatment of developing information structures. A hindrance of XML may be long label names and void area, expanding the report estimate. In any case, the astute choice of label names in the outline stage and pressure will lessen the archive estimate fundamentally.

The proficient use of correspondence channels depends on a constant and adjusted transmission of information to dodge correspondence tops. Subsequently shrewd reserving, pre-getting and determination of XML reports are the center innovation for the execution of versatile information administration. Storing takes into account powerful utilization of correspondence data transfer capacity by maintaining a strategic distance from re-transmission of generally static data. Savvy pre-getting and choice systems are utilized for convenient conveyance of complex area related data, e.g. maps of structures.

The dependability of the framework is expanded by repetitive capacity of XML reports on various gadgets (peers) [6]. Subsequently data must be reproduced in a shared way among close-by gadgets. This declines the likelihood of data misfortune on account of a correspondence disappointment in light of the fact that different gadgets can be utilized as a "data switch". The other way around, along these lines it is conceivable to keep away from the loss of critical sensor data.

For the proposed advances information uprightness and convenience of data are critical. A conveyed

exchange administration, which is adjusted to the extraordinary needs in catastrophe administration, guarantees that directions or specialized portrayals are totally transmitted to the beneficiary. Notices of inadequate transmissions are important. The storing system needs to consider the opportuneness level of data, e.g. static maps must be refreshed less as often as possible than directions.

8. Scheduling Disaster Management Task Forces

We now move the concentration from correspondences and information administration to asset booking and talk about how IT might help utilize assets proficiently to "take care of business."

8.1. The Challenge

While anticipation, readiness, discovery and appraisal of a calamity as a rule occur in stationary situations, response on a catastrophe requires to a high degree the coordination of versatile teams that are dispatched on area for fiasco administration.

An imperative test is the effective use of the conveyed (work force) assets as for the inquiry, where and when which asset is doled out to what errand. This is the issue of asset planning, the topic of asset portion regarding the present errands, their needs, and their shared conditions.

Here, it is likewise important to manage the teams' advance with their task (undertaking progress observing), keeping in mind the end goal to have the capacity to refresh the asset arranging (asset re-allotment) if essential. The difficulties are:

- The current circumstance on area is seen straightforwardly just by the teams themselves.
- Task powers must be permitted to adjust the needs of their appointed assignments to the present circumstance keeping in mind the end goal to take into consideration a quick response on capricious changes.
- Several autonomous associations give teams, whose capacities to act adequately are commonly reliant, and whose accessibility is evolving.

Effective planning of debacle administration teams in view of auspicious on location information is vital for dodging the accompanying run of the mill issues:

- Idling of assets in light of lacking assignments
- Inadequate prioritization of a team's action as a result of lacking circumstance information at the team or at the coordination focus (because of missing nearby or worldwide information, separately)

- Idling of assets due to an indulgent coordination process nearby (who will do what, when?)
- Duplicate work (because of absence of coordination) The objective is to defeat these issues by supporting the asset administration and coordination forms with reasonable IT foundations. Such a framework must:
 - ensure a team part's capacity to act self-rulingly by giving nearby booking ability
 - provide customized plans for team individuals that are adjusted to their individual circumstances, in light of the coordination focus' worldwide procedure
 - support checking and logging of the exercises of a team part, dynamic adjustment of his own timetable, and engendering to the operation community for joining into the worldwide technique
 - allow for observation and recording of circumstance realities and activity necessities by the on location teams and for spread to the operation focus

8.2. Towards a Mobile Task Force Coordination Infrastructure

While the idea of an IT-based coordination of fiasco administration teams itself isn't new, past methodologies, for example, [4] don't sufficiently address all or a portion of the difficulties talked about above. In Figure 2, we give a portray for a framework design, supporting both nearby and worldwide booking, and in addition neighborhood securing of circumstance actualities. On the structural level, a test is the circulated upkeep of the diverse information stores for actualities, errands, and calendars.

Other than a framework design, we require reasonably concrete but by and large material models for depicting catastrophe circumstances, assignments, and circumstance certainties. These models are an essential for empowering (self-loader) i.e., PC based, or PC helped) plan arranging.

At last, the test of the man-machine interface must be tended to – all things considered, the consideration of the team ought to be centered around the present alleviation jobs that needs to be done, not on the cooperation with the individual errand scheduler.

Our work on circumstance mindful individual versatile help and individual errand booking [2] [8] recommends that nearby planning methodologies can be made valuable for supporting the powerful activity of faculty in normal calamity administration circumstances. Nonetheless, a generous test for the future will be the improvement of models and designs that help a really circulated way to deal with team booking.

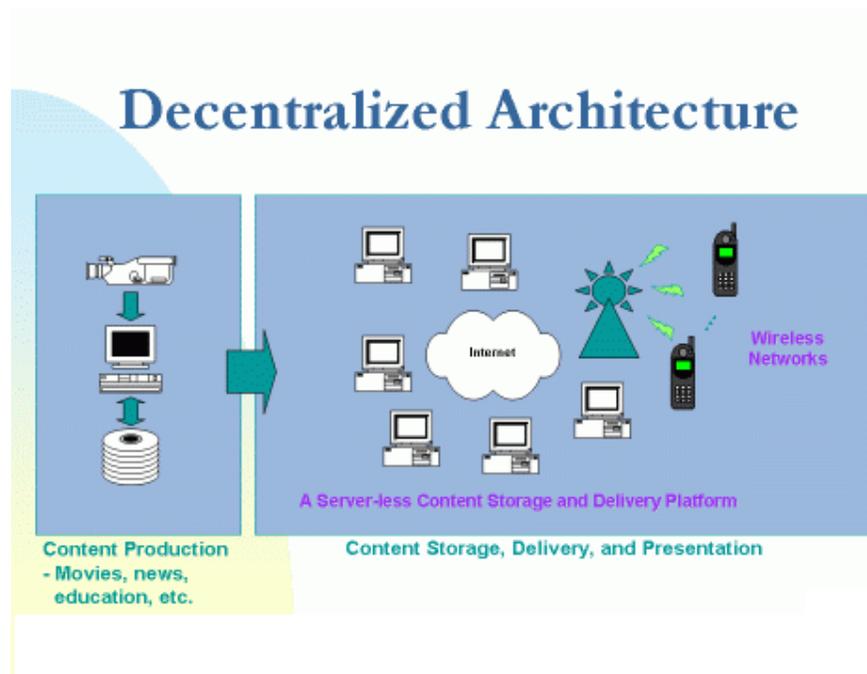


Figure.2: Decentralized architecture

9. Conclusion and Research Agenda

In this paper, we distinguished difficulties and portrayed a coordinated correspondence and data framework for catastrophe reaction and recuperation, tending to specifically systems administration, administration and gadget arrangement, information administration, and asset booking.

So as to execute the depicted framework engineering, a few IT inquires about orders need to cooperate to give a powerful, yet simple to-utilize framework that helps crisis administrations adapt to catastrophes. To give some examples, organizing necessities to give vigorous correspondences at WAN, LAN, PAN, and BAN level, coordinating heterogeneous systems to enable the safeguard push to even in the most troublesome correspondence conditions.

Information administration must to give static and dynamic information where and when it is required. Security is a principal concern requiring answers for encryption, validation, information trustworthiness, and non-disavowal.

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IMPORTANCE OF AGRO-TOURISM FOR DEVELOPMENT OF TOURISM IN NORTHEASTERN MACEDONIA

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Abstract

The aim of this paper is how and in what way to stimulate and activate the villagers bordering areas of Northeastern Macedonia, in order to revive the country for sustainable rural tourism. It is emphasized that tourism can greatly improve the lives of people who live in those areas. When it comes to rural households, often ignored is the fact that many of them in addition to dealing with agriculture and other complementary activities, such as forestry, handicraft processing, services and even tourism. This is especially important for small farms, which are not able to achieve a high enough income with just dealing with agricultural activity, and their education should include these additional activities. With traditional manufacturing and food preparation, equal and rural tourism activity should be included as a supplementary activity and in the restoration of these villages and the overall development of rural areas. When agriculture and tourism are connected, the number of young people not leaving the rural areas would be growing, and the ones already there would rearrange their homes for accommodating tourists. Tourism can be considered as the most appropriate activity that will contribute to the increase of various economic activities in these areas.

Key words: tourist products, rural tourism, touristic destination, agro diversity

1. Introduction

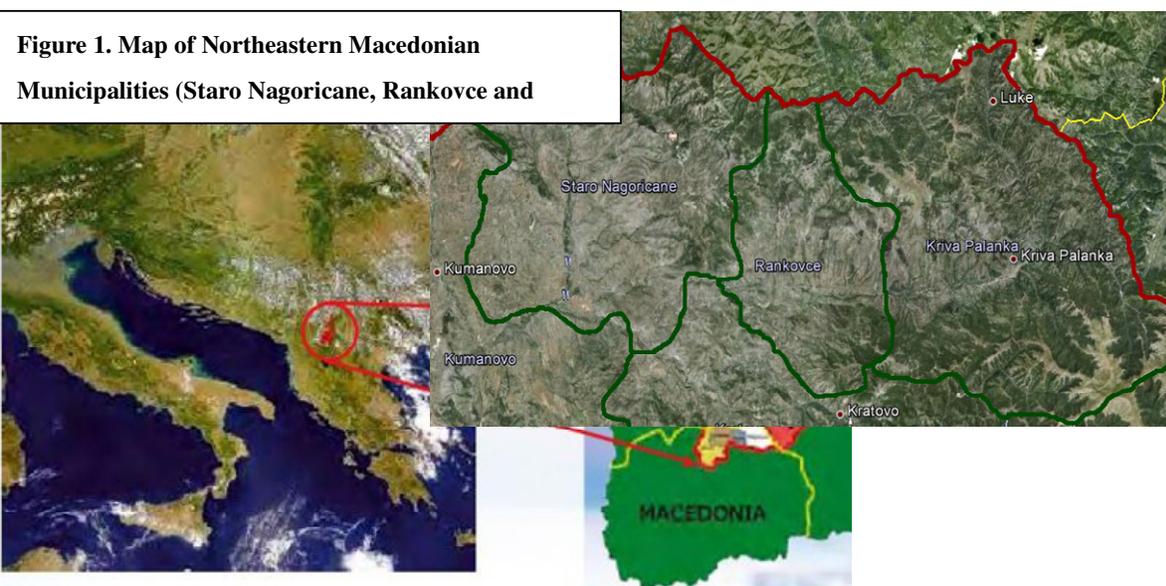
Agriculture and rural areas are developed in a variety of conditions, including its greater or lesser success. This is especially true for so-called marginal areas, where the limitation of natural conditions causes the inability to establish intensive agricultural production that can compete with that which takes place in conditions where soil, climate and other conditions are favorable.

On the other hand, agriculture in those areas traditionally present and she has just designed and

maintained environment for the development of other economic activities for which this area has comparative advantage as an example - tourism. So agricultural production should not be put out, but must increase the diversity of its evaluation of the alignment of its intensity and the product environment - natural, productive and socially.

There have been lots of talks about the development of the villages in the context of the development of rural tourism in Macedonia. This is an aspect that is certainly of interest to the rural economy, but it is a pity that the whole story is based mainly on one-sided view of the matter, without delving into what it truly means to tourism and what is the connection with agricultural production. Agricultural production in the countryside, not that it should be replaced by a tourist activity, but integration in such a way that farming is sized to provide the conditions for the development of tourism, not only in terms of providing food for the tourists but also in terms of maintaining the village atmosphere that appear attractive.

In this paper will be processed one part of Northeastern Macedonian border villages. It is part of the villages in the municipality of Staro Nagoricane (village Mlado Nagoricane), municipality of Rankovce (village German), and municipality of Kriva Palanka (village Ogut).



Agriculture is not only a need in terms of production of products that will meet our needs, but it is needed to maintain the resources and this is particularly visible in areas that are depopulated, mountain areas, such as these, where there is a lot of abandoned land, which is reliant directly on agriculture, human influence and his animals. One cannot expect that there is a mountain pasture resource if there is no cattle on it and man that affects its appearance. On the other hand, this appearance is exactly what is valorized as tourism potential. This is perhaps the lawn high value for biodiversity conservation with many scientifically or economically interesting species whose presence is conditioned by the presence of man and his livestock, conducting proper selection and recreate natural conditions to sustain this kind there.

There is a danger in large areas to lose valuable due to the lack of natural agricultural production. The interactions between nature and agriculture are very complex, and without knowing them the sustainable development of villages and agriculture it is not possible.

2. Research methods

During the research, method used is PLA (participatory learning and action). It is a complex method composed of more resources related to the situational analysis and planning, and it was made possible to acquire an authentic picture of the situation seen by the eyes of residents in rural communities. By applying this method they were allowed to identify their problems and options for improving their situation, together with the identification of potential, scope and type of assistance required. This method assumes that the members of the community and the PLA facilitators need to be active participants in the development process, and we should point out that the members of the community are the key. Their standards of value and ideas to improve their own situation, prejudices, hopes, fears, needs and resources, are the basic starting point for entry into the development process.

PLA method allows the systematic situation analysis of the village. This method provides an unbiased and transparent processing problems and needs of the village, and an overview of natural resources and potential for development of traditional rural activities whose reactivation is justified in view of sustainable rural development. Recorded are testimonies of former normal way of living, traditional crafts and traditional land use and livestock etc. providing the basis for an analysis of their options in light of global trends in the open market. The aim of the PLA method, however, is not situational analysis per se, but to initiate a sustainable development process in the villages.

3. Multifunctional agriculture and rural tourism in northeastern Macedonia

The tradition of agricultural activity in Macedonia is very long. Old almost as the human race. For some ancient civilizations it is known that they were based exclusively on the breeding success of some crops. So the old Mexican civilization is based on corn and ancient Chinese and ancient Egyptian on rice. Animal milking should be emphasized, particularly nomadic, which also enabled high-ups of some of the people.

Agriculture has always been a crucial economic sector, enabling cultural or civilizational rise. Today's issue of agriculture is largely eclipsed by other branches of the economy, such as industry however we are witnessing just today, in the era of lack of food, the importance of agriculture for the planet, as well as the fact that the significance is very complex and multifunctional.

Multi functionality of agriculture in rural development today means a complex tangle of agricultural production in rural development and, conversely, the impact of rural development at the start of some aspects of agricultural production, which until now were not attractive ^[1]. Functions of agriculture in feeding the population it is its first and most important role, because it is the only agriculture that is able to produce food. Agriculture and food are therefore often used as synonyms. This fact, too, defines the fundamental importance of agriculture for each country.

Young people leave rural areas because of lack of employment opportunities and poorer living conditions than in the cities. The trend cannot be stopped even with the present awareness that life in rural

^[1] International conference, multifunctional agriculture and rural development, Belgrade, 2005

areas is one in higher environmental quality environment than in urban areas. Traditional rural farm-based agriculture does not provide sufficient opportunities for employment, and employment outside the farm is usually very difficult or impossible. Many rural communities that have endured and that have developed are turning to rural tourism as one of the solutions to alleviate poverty, the slow migration of the young and revive small rural households who are perishing.

We still think that is enough to feed and accommodate the person when he or she comes to our tourist-oriented household. However, this person wants to see something after the meal and sleep. No matter how good and healthy the food was, he would like to sleep. A horse or donkey can do the role of entertainers and earn for their survival on the mutual satisfaction of the holder and the animal's owner.

4. Agro-tourism as a form of direct connection for tourism and agriculture in northeastern Macedonia

Agro-tourism - a form of sustainable tourism development. Implemented around the farm and activities related to farms, such as, agricultural activities, food processing and sheep shearing. Agro-tourism was popular in the late 19th century and by the end of the 20th has become even more attractive as a possible option for the farmers, who required additional and increased revenue from the property. The benefits of agro-tourism include life extension of agricultural land because it helps agricultural producer and his family to keep the farm. Agro-tourism is common in many parts of the world and is becoming increasingly popular as the primary farm income from properties decrease, and Macedonia.

Agro-tourism is not an acceptable form of business activities for all farmers in this region. Those who want to succeed must possess specific personal characteristics as well as some resources within the building in which they want to engage in this activity. First of all, it is necessary to have the necessary physical and natural resources the people who will take care of the quality of services; there must be an appropriate legal system that will allow for such facility operations as well as the existence of the necessary support of the local community. As far as personal characteristics, entrepreneurs, farmers first of all must be open, highly motivated for this job and willing to share the day, every day with their guest's even strangers and possess some business, primarily managerial skills. Moreover, a necessary initial capital, accessible location and appropriate resources related to the character of service offered. In fact, studies have shown that tourists are interested in this type of tourism, largely urban population with the primary reasons for choosing this form of tourism being (Ou, F., Shih, A., 2002):

- Strengthening of family ties - to be isolated from everyday life from the family,
- Improve health - outdoors and physical activity,
- Rest and relaxation - peace,
- Adventure - the need for new adventures and experiences,
- Running away from it all,
- Learning about local rural culture, particularly food and nutrition,
- Special events and celebrations
- Saving time and money compared to other forms of vacation,

- Nostalgia - frequent users of agro-tourism services are people who descend to the village, but no longer have family ties and contact.

For guests who usually come from highly industrialized areas, rural activities are things that can be seen only on TV, in the zoo or the Internet. This way returns them the past, to produce products that were previously only found on the shelves of major supermarkets and perhaps for the first time in my life to have a chance to try a really fresh vegetables, fruits, eggs, milk, cheese... As for the host, whose majority of income derives from agriculture, this represents an additional source of funds to make them less dependent on the movement of market prices for agricultural products, the communication with the visitor opens a window into the events and trends in the world and provides the evidence for the importance of local culture and its preservation in the processes of globalization.

Agro-tourism is a real chance to revive the border villages in this part of Macedonia, through developing as a tourist destination and as a pleasant place to live, work, visit and invest. It should become a brand of high quality in the field of agro-tourism and offers other products (organic food, medicinal plants, native species, cheese, crafts ...), that would be available during the whole year, taking advantage of the diversity, uniqueness and authenticity of its natural and cultural resources. These products and services are to be offered to local, national, regional and international markets intended for tourists who behave responsibly towards nature and which support nature protection, conservation of biological diversity and cultural heritage.

Agro-tourism as the integration of agriculture and tourism represents a realistic chance of reviving and developing the region as a tourist destination. Admittedly agro-tourism is only one form specific tourism, and can be a good complement to other traditional complementary activities that correspond to the territorial characteristics, but it is certainly one of the basic activities that can help the adequate diversification of rural economy in this part of Macedonia. Ensuring a sustainable economic base and protecting the natural and cultural resources, agro-tourism is a necessary complement, which can provide the proper evaluation of traditional production systems and thus conserving natural resources. Trends indicate that alternative tourism forms are becoming increasingly popular and this attitude is justified in the global scope.

Agro-tourism however, can adversely affect the farmers, because the impact of agricultural production season often coincides with a high peak in tourism. In this way, the manufacturer is torn between growing crops and meeting the needs of the visitors so combining these two activities requires management and quality of labor within the household or even some of its members to specialize in one or the other work. In addition, agricultural production requires different skills, which are often complementary, not reflected in the skills required to be successful in tourism.

When a farmer is successful in tourism then there's no time for the production of food. His agricultural land becomes attraction, not a place to grow food. There can be a negative and a positive side to this, that small farmers, who develop skills for organizing visitors will be able to maintain a lifestyle based on the farm, while the manufacturers who increased the size of their estates could be successful in the market of agricultural products. Those farmers who are unable to develop skills of organizing visitors, and are forced to deal with and work outside the farm to survive, will be at a loss.

The best chance of combining the two activities are based in livestock grazing, where the household member can animate the tourists while being in the field. The problem is that in these areas carrying the cattle is performed by the weaker household members, and their training in terms of providing tourism services almost unthinkable. There are good examples too. Their use can be linked to a common conception of tourism programs at the level of the village or a few communities but it can be a stand-alone offer a household. It is rare to have schooled and younger members of the local community, capable of the traditional herding and other agricultural activities.

5. Transfer of stories through the tourist experience (Case Study in the border region of Macedonia)

People want to see and experience the natural areas, historic sites, cultural issues, recreational activities, agriculture, indigenous tribes of animals, the architectural characteristics of the community, special people, schools, health centers, museums, art centers and similar, less through classical guided bus tours, but by a walk with the owners, local guide, alone or with family. In the village there is always something to be seen. Every tourist could find something interesting that he can do. It could be sports activities in nature (hiking, biking on terrain of Osogovski mountains), cultural activities (singing, playing, making pottery, making cheese and other cheeses, weaving, cooking), as well as agricultural activities (collecting hay, milking, cleaning stables, bathing animals, cleaning weeds, planting, sorting or sampling products on the estate). It is necessary; however, to help the local inhabitants realize that their life as it is interesting to someone, it may be dull to others. However, one should bear in mind that not all tourists want to be active. A large part of them wants to take some time to relax, read a book, listen to a presentation, see a show or just sleep in the shadow of the woods, so bids must be flexible and the tourists never considered domestic workers.

6. Conclusion

No passenger can pass through the village and be unwelcomed. Every traveler and guest is welcome. There are lots of reasons to go to this village. Nature in the villages in this part of Macedonia is still intact and the local's villagers still live traditionally in harmony with nature. Diverse forests, pastures and natural meadows with an abundance of medicinal plants, wild strawberries, blueberries, raspberries, blackberries and mushrooms are just part of what binds these villages. Rural areas are beautiful and interesting in every season. Residents often present many skills from the past that are related to the nature and its healing powers, bound by traditions, ancestors to preserve their musical heritage - songs, games and costumes.

The most beautiful image of the village is the one that carries the charm of its environment, an environment of youth and family - grandparents from villages etc. Reconstruction of emotional connection and the environment that supports it is a good starting point for the development of rural tourism, especially when it targets the domestic tourists from urban areas.

Plays on emotions and creating relationships between the inhabitants of towns and villages in the villages

are a realistic option because of the traditional hospitality to greet the traveler, making it possible to bring tourists to the village. However, this setting can only be made in small villages with mixed households where guests can experience it and wake up with a lamb bleating, roosters and skim milk, a cow and a piece of fruit and sleep on hay. It is a village atmosphere that cannot consist of with modern, but only traditional agriculture. Only in such a household tourists can enjoy the entire meal in a local setting, which is poured from early childhood in the memory as a synonym of a village (Đorđević Milošević S., Milovanović J., 2012).

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EU MARKET PERSPECTIVES FOR MACEDONIAN COMPANIES

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Abstract

We live in a world of globalization, where markets have opened up for the trading of goods and services, and therefore huge profits. Without a market there is no trade, and without trade there is no profit, economic growth and development. Therefore, all economies, especially small ones, are "searching for" and fighting the restless spirit of competition and "hoping" the hope of being a "link" in this international trading concept and supply chains. This large single European market with huge absorptive power has been opened in front of Macedonia, especially attractive for our Macedonian small and medium enterprises, through which they will raise the level of well-being.

In this paper I discuss first for the conditions in Euro zone, then in Greece, Croatia and Bulgaria and then follow the statement for Macedonia regarding the EU market perspectives for Macedonian companies.

Key words: EU, Market, companies, economy, SMEs internalization.

1. Introduction

Examination of the process of economic convergence is very important, because Macedonia wants to join into the EU. Also, evaluation in terms of the economic criteria of the EMU, the analysis of the Maastricht convergence criteria are with exceptional importance for creation of economic and political decisions in Macedonia. Thus, Macedonia with aim to become a full member of the EU and EMU, must meet the first step to "acqui communautaire" and the second step, known as Maastricht economic criteria for membership. In order to give an answer about Macedonian economic capacity in meeting the economic criteria for EU and EMU membership, there is targeted analysis of the main Macedonian macroeconomic challenges.

This large single European market with huge absorptive power has been opened in front of Macedonia, especially attractive for our Macedonian small and medium enterprises, through which they will raise the level of well-being. Experts clearly, with statistics point to the situation and challenges that this Single European Market offers for Macedonia. In fact, reading their text, the recommendations should

be visible to everyone - both for the academic "business" and for business makers. It's a fact that all this policy and action should get a more dynamic pace and reinforced efforts and demands to succeed in this convergence and exploit the potentials.

The developments in the European Commission, on May 6, 2015 gave a proposal that goes far beyond the creation of their policy, i.e. a vision of deepening the market by utilizing digital tools. The intention of even greater functionality should increase our seriousness for "catching up" with the European integration process. The Internet and digital technologies have transformed the world and the way of life. Existing online barriers mean that citizens miss goods and services, Internet companies are limited, and businesses and the government can't fully benefit from the benefits of digital tools.

2. Review of Europe's economic and social sustainability

Today, regulated services are becoming more important for Europe's growth and its economic and social sustainability. Thus, the EC focuses on the "Energy Union" and "Digital Single Market". While the old single market of goods and unregulated services has been satisfactorily solved through the harmonization of harmonization standards, the new single market challenge is the existence of regulatory enforcement agencies.

In the context of this, the EC has the idea to adapt the European single market to the digital age and all 28 national markets to become truly one market. Their calculations show earnings of € 415 billion per year and accordingly, the number of jobs will grow. In short, the EC is referring to the moment that all this will work by creating standards as an important tool for all different systems to integrate and work together and to take advantage of the power of the digital market that has more than 500 million people in Europe. The first suggestions were given in June 2015, stating what are the users of the benefits - consumers, small and medium-sized enterprises, the creative sector, the industry. At the same time, the EC clarifies the solutions to all possible electronic problems, how the EC facilitates e-commerce, how the rights of consumers will be respected and protected, how will be regulated the prices, value added tax, plagiarism, etc.

So, EU policymakers analyze how businesses can develop a digital single market that: provides confidence through "smart" regulation and by raising awareness of the positive potential for using data; guarantees free flow of data; provides conditions for investment in digital infrastructure to improve access and connectivity; encourages continuous investments in quality digital content for consumers; develops skills, encourages and promotes talent and innovation; and fosters e-commerce by raising awareness of its benefits.

2.1. Euro zone situation

Domestic demand in many parts of the currency bloc will be constrained by elevated unemployment, fiscal austerity and high debt levels. The unemployment rate across the 19 Euro zone member states was 11% in August, down from 11.5% a year earlier. But the labour market is particularly weak in the Euro zone periphery; compare, for example, the low jobless rates in Germany (4.5%) with the rates in Greece (25.2%)

and Spain (22.2%). Moreover, youth unemployment is still above 50% in some regions of Southern Europe, which is a potential source of social instability and low productivity growth for decades to come. Progress in reducing unemployment will remain slow. Unit labour costs have fallen significantly in these countries. This has boosted companies' competitiveness and, crucially, these countries' external positions. Regulatory reform has improved the business environment, for example by increasing labour-market flexibility, boosting investment incentives and opening closed professions.

2.2. Neighbours' trading-partners countries of Macedonia which are part of EU?!

The erosion of trust between Greece and its euro zone partners means that implementation risks have intensified significantly. Once the pretence that membership is irrevocable is removed, attention will turn to other highly-indebted countries in the single-currency area. The conclusion is that countries leaving the Euro zone under duress would suffer large devaluations and be unable to service euro-denominated debts. The global financial system would suffer huge losses and the world economy would be plunged into recession.

After six years of recession, the Croatia's reports are optimistic and it could be expected for investments. There is positive contribution from net exports, as the recovery of the Euro area boost exports and imports will still be subdued due to stagnant private consumption. In 2016, there was broader recovery with a growth rate of 1.1% due to rebounding domestic demand and another year of positive stimulus from net exports. Private consumption finally recovered on the back of improving labor market conditions and higher credit growth. Public consumption, however, is still constrained by consolidation efforts. Given improved utilization of EU funds, investment growth is expected to turn positive.

Today, the main characteristic for Bulgaria is gradual revival of domestic demand. While Bulgaria managed to avoid a pronounced slowdown in economic activity despite last year's failure of Corporate Commercial Bank (CCB) – one of the largest domestically owned banks – there are no signs of a significant acceleration of growth beyond 2% until the end of 2017. At the same time, the labor market has continued to stabilize on the back of declining unemployment and rising employment rates. Declining energy prices have been the main reason for consumer price deflation in Bulgaria since August 2013. Also, it is expected exports to accelerate gradually over the forecast horizon. Monetary easing in the euro area and the resulting depreciation of Bulgaria's anchor currency stimulate its exports. Import growth outpaces export growth, reflecting resurging domestic demand and moderate FDI inflows in recent years.

3. Conditions and policy measures for Macedonian companies

If we get analyzed the statistics above, we can discuss about Macedonian companies perspectives to be part of EU market as to create policy measures. So, what are the benefits for Macedonian companies from EU market integration and what should they implement as SMEs strategy to be more attractive

trading country?

In January 2014, Macedonian government published a Programme for the Support and Development of SMEs. The Programme identifies three policy areas of major importance for SMEs:

- internationalization;
- the reduction of administrative burdens, especially as regards licensing procedures; and
- improved access for financing micro-firms.

This underlines the essential meaning of a) creation of new and innovative firms and graduation of as many informal enterprises as possible into the formal sector, b) SMEs have to become more competitive and productive at their home base and c) SMEs have to achieve a level of competitiveness that will enable them to integrate into the global value chains through trade (exports and internationalization) and investment, including linkages with FDI.

In some direct or indirect way, competitiveness is embodied in the characteristics of the firm for several reasons:

- the current efficiency and effectiveness of the use of resources,
- the willingness and the ability to relate profitability to growth of capacity (i.e. the willingness to invest), and
- the ability to innovate to improve technology and organization and thus improve efficiency and effectiveness.

Notwithstanding such specificity, past and present experiences and practices of developed countries offer a menu of lessons and best practices for Macedonian SMEs. In this way SMEs in Macedonia always should think on few “moments”:

- Peace and stability is a key requirement for the development of SMEs and for attracting foreign investment.
- SME development requires a crosscutting strategy, (i.e. its success depends on the ability of governments to implement sound macroeconomic policies, the capability of stakeholders to develop conducive microeconomic business environments, and the ability of SMEs to implement competitive operating practices and business strategies).
- Dialogue and partnerships between the stakeholders is essential
- Investments in physical infrastructure and business services and the implementation capacity of policy makers, local level administrators and support structures determine success. Continued dialogue and partnerships between stakeholders into implementation and review of supportive measures, particularly, those related to capacity building in institutions at all levels, yields improved outcomes.

4. Effect of internationalization for Macedonian SMEs

Why is important to support greater internationalisation for Macedonian companies? Could be

mentioned several reason:

1. international SMEs create more jobs
2. international SMEs are more innovative
3. public support goes largely un-noticed
4. European SMEs are more internationally active than US and Japanese SMEs. Overall, European firms are more active than their counterparts in Japan or the US. Even if only extra EU exports are considered they still perform better;
5. most often SMEs start international activities by importing.

Another point of view is that all SMEs benefit to some extent as higher exports raise:

- a) overall income levels, and hence the demand for goods and services sold by domestic demand facing SMEs, and
- b) the demand for goods and services originating from exporting-oriented enterprises.

If we take a look on reports and analysis, SME performance forecast for 2015 showed that total value added generated by SMEs in the EU28 has returned above its pre-crisis level and is expected to continue to rise by another two percentage points by 2015, expanding by 2.8% and 3.4% in 2015. Employment in EU28 SMEs is also expected to increase, growing by 0.7% in 2015. Moreover, the number of SMEs is predicted to increase by 0.38% in 2015. All three groups of SMEs are predicted to expand in 2015, with micro SMEs expected to grow somewhat less rapidly than small and medium-size SMEs. The estimate of annual growth in SME value added in 2013 and 2014 are little changed from the forecasts shown in the 2013 report. This reflects the fact that firms, large and small, focus much more than previously expected on improving their productivity.

Macedonian output growth accelerated in 2014, driven by exports of foreign investors and public infrastructure investment. Solid gains in household spending further bolstered domestic demand. Given high investment- and trade-related import demand, the foreign balance weighed down on economic activity. Further gains in domestic demand are likely to set GDP growth at an even higher pace in 2015 and 2016, while the negative contribution from net exports is expected to diminish. The government remains supportive, with plans for further infrastructure projects, and increases in entitlement spending, relaxing its mid-term fiscal consolidation strategy. The government is expected to continue providing a positive fiscal impulse to domestic demand this year and next, by further increasing social transfers, pensions, and public wages.

At the same time, significant budget funds, and financing by state-owned enterprises, are earmarked for further public infrastructure investment. The recent and envisaged increases in entitlement spending are already leaving their mark on budget performance - in the first two months of 2015, the accumulated budget deficit amounted to some 25% of the full-year budget target, or 0.8% of projected GDP.

Regarding the analysis, the key components of an SME strategy which Macedonia should consider to be competitive on EU market, includes :

- the ability of SMEs to implement competitive operating practices and business strategies.
- Increase efforts to develop and strengthen enabling legal, regulatory and administrative environments at local, regional and national levels, where property rights are clearly recognized, contracts are easily enforced, transaction costs in setting up and doing business are financial, judicial, and other governance systems and procedures.
- Facilitate availability of and access to loan and equity finance, particularly medium to long-term opportunities to improve trade and investment capacity of SMEs.
- Strengthen infrastructure services delivery to facilitate market access and reduce the cost of doing business. More investment is needed in key areas such as energy, transportation and communications.
- Reinforce support structures for private sector/SME development, particularly institutional support. SME development strategy should be coordinated and monitored at the central level through a lean, but high level institution and progress should be reviewed jointly by public and private sector. SMEs need business services to improve their competitiveness (*i.e.* information, consulting, training, accounting, legal, advertising, marketing, courier services, technical and technology services, including testing for standards and certification requirements abroad, product upgrading, etc.).
- Enhance policy coherence at regional, national and international level and actively manage aid effectiveness by: 1) joined-up government nationally; 2) country-based and international donor coordination and pooling of technical and financial resources at appropriate levels; and by 3) complementing official development assistance (ODA) made available to transition and developing countries for capacity building in trade and investment with appropriate market access.

Regarding nominal convergence, Macedonia is facing with challenges that are common for the most economies in the region and beyond. Thus, uncertainty regarding the movements of prices and expectations of pressure caused by the process of real convergence, are the main challenges for monetary policy in the medium term. Further, Macedonia is facing with significant transition challenges and only through effective decision of these challenges the country will be able successfully to compete on the EU market. To formulate effective policy, it is necessary researching of the growth of total factor productivity in Macedonia as well as the reasons for low business investment. Macedonia's membership in the EU can improve the industrial situation only if access to a large extent makes Macedonia location from which foreign investors can serve to the EU market. This means that the domestic industry, with FDI must make the necessary changes to its output. These long-term structural shifts in employment and output, can be accelerated through the accession of Macedonia to the EU, *i.e.* sectoral change can be an important driver of change in aggregate factor productivity and income of workers in different sectors of the economy.

Given the large gap in price and income per capita between Macedonia and the EU, price accepting will be an important source of inflationary pressure, as it faces the existing price distortions in the energy, municipal services, etc. Before accession it can move this factor as inflationary engine around the time of

access where the effect of real convergence on inflation is combined with negative short-term effects of EU accession on fiscal balance, falling interest rates and so on. This will require careful management of the exchange rate. This means that, if the Macedonian real growth accelerates, Macedonia will be more attractive candidate for EU membership, but it will face with more intensive pressures to the exchange rate regime and macroeconomic policies. Labor, capital and product market, all these are transmitters of the monetary and fiscal policy, i.e. creation of a functioning and flexible markets is important, not only in terms of meeting demand competitive single market but in terms of creating a more effective government macroeconomic policy. Regarding Republic of Macedonia, it is important to keep in mind that the economic policies and reforms should be consistent with the reforms and policies of convergence and integration with the EU, as long-term strategy.

5. Conclusion: Macedonia and European Single Market, mission (im)possible?!

However, returning back to Macedonia and the challenge of the European Single Market, we could help much more if we ask the issue of improvement first of all to regional trade integration. Namely, is its improvement possible for the economies of the Western Balkans, including Macedonia, for the challenge called the European Single Market?

Regional trade integration in the Western Balkans and trade cooperation with European countries is an important prerequisite for increasing regional trade flows and economic development in the region. The fact is that in the last few years significant measures have been implemented in the direction of market liberalization. But it is noted that asymmetric liberalization has not yet contributed to improving the position of the Western Balkans, emphasizing Macedonia on the European market. This is precisely what can give the right to consider CEFTA as a pre-accession financial instrument in the light of future integration with the European Union.

If we perceive the structure of Macedonian exports, we will notice a lack of insufficient diversification and dominance of products with a low level of processing, which in fact makes it difficult to get involved in regional clusters (and European) production and distribution. It is precisely because of these facts CEFTA is an important instrument that can contribute to trade growth and regional trade integration. Thus, Macedonia will be a better prepared country in the face of competitive pressures on the European market.

Consequently, the challenge we see in a more active inclusion in the European integration process is accompanied by a premise that emphasizes the importance of regional trade integration and trade growth.

Of course besides CEFTA, additional policies that accelerate trade integration is SAA. The significance and effects that result from them do not mean a solution, because the problem of low competitiveness of domestic products and the weak link between export activities and the promotion of economic growth of the country can be resolved through the domestic policy and by intervening on the

supply side, or the producers and exporters of the Western Balkan countries. Changes in the export structure, referring to the greater added value of the products is the main condition for growth of export competitiveness. Macedonia's trade policy should continue to be complemented with competition policies and additional infrastructure to promote exports and increase productivity in all sectors of the economy.

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BLUE OCEAN STRATEGY FOR MICROENTERPRISES

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Abstract

Microenterprises often struggle when attempting to compete directly against other small businesses, large corporations, and ecommerce's due to their limited resources. Instead of offering similar products or services in the same price range to the same customer segments as their competitors, microenterprise owners should identify new marketplaces with limited or even no competitors. This marketplace is called the Blue Ocean. Conducting business in the Blue Ocean is more productive and cost-effective for a microenterprise since they are able to capture more refined target segments. The six paths of identifying the Blue Ocean and examples for micro businesses are examined.

Keywords: blue ocean strategy; microenterprise; small business strategy

Introduction

Small businesses have long been a staple in the U.S. economy. These are some of the smallest businesses but are also major contributors to local economies. The Small Business Administration estimates that 99.7% of all US companies are small businesses (SBA, 2017). Small businesses contribute to the growth and innovation in local economies and employ people who may not be employable to larger firms (Brown, 2017). A small, but growing subset of this small business sector is the microenterprise, which has fewer than six employees (Viek, 2014). These microenterprises can have businesses in any industry such as food truck vendors, farmers, artists, hairdresser, or software coders. From 2004 to 2013, microenterprises in the U.S. created 5.5 million jobs while the largest businesses in the U.S. lost 1.8 million during this same time period (Viek, 2014).

The marketplace for these small businesses is increasingly competitive. Microenterprises have to compete against firms who receive institutional support, tax credits for employing certain types of people, and have a large pool of business assistance programs to draw from (Stiglitz, 2016). These small businesses cannot compete with the large corporations with their stockpiles of resources and the ability to pivot their strategy when needed to offer cheaper prices, add to their product line, or institute an aggressive marketing campaign (Winterhalter, Weiblen, Wecht, & Gassmann, 2017). The Blue Ocean strategy can be used by microenterprises to circumvent these obstacles and thrive and excel in a competitive market place.

Overview of the Blue Ocean strategy

Kim and Mauborgne (2005) described two different methods business can use to compete in an aggressive business environment. The first strategy is to apply the Red Ocean strategy where companies are competing against each other directly. This could also be called the small fish in a big pond strategy where a large market is full of companies offering similar products and services (Heivly, 2015). Companies who use the Red Ocean strategy jump right into a competitive market and hope their resources, marketing strategies, and modifications to their product or service offering is enough to distinguish them from all the other companies competing for the same market. Companies in the Red Ocean offer similar products and services with similar pricing, targeting, and segmentation strategies (Sherman, 2017). Competition in the Red Ocean is too fierce for most microenterprises to compete. They do not have the resources to go head to head with large companies which have hefty financial and human resources. It is next to impossible for microenterprises to be a price leader or offer a wide range of products in these Red Ocean markets as inventory costs are too high (Sherman, 2017). Not only do microenterprise shops have to compete with brick-and-mortar retailers, but they also have to contend with threats from ecommerce companies such as Amazon. These online companies can offer low cost or even free shipping. They also have warehouses spread across the country and a massive supply chain allowing customers to click a button and have a package arrive at their door in a matter of days. How is a small microenterprise supposed to compete with that? We propose by using the Blue Ocean strategy. It is a smaller field which means it also has fewer (and sometimes no) competitors (i.e. big fish in small pond). In the next section, the path for accomplishing this is presented.

Introduction to the Six Paths Framework

To avoid such fierce direct competition, Kim and Mauborgne (2005) recommended companies focus on finding a Blue Ocean with very few competitors. In the Blue Ocean, organizations create a new marketplace through value innovation. Businesses identify untapped markets through new product offerings and pricing. They target different segments that are outside of what competitors are currently offering in the Red Ocean. Instead of competing in the Red Ocean, which is direct competition with similar products, services, distribution, pricing, and branding, Blue Ocean goes in a different direction. Nintendo did this when they launched the Nintendo Wii in 2006. While PlayStation and Xbox competed for a chunk of the hard-core gamer market, Nintendo focused on non-gamers or those who had not been interested in video games since the Atari age. While PlayStation and Xbox were deeply entrenched in the Red Ocean, Nintendo moved into the Blue Ocean by focusing on the untapped market of non-gamers for their Wii system (Osterwalder, 2007).

Microenterprises can use this same Blue Ocean strategy to create their own competitive advantages. Kim and Mauborgne (2005) suggested that to identify a Blue Ocean, owners have to look across alternative industries, strategic groups within industries, the chain of buyers, complementary product and service offerings, functional or emotional appeal to buyers, and/or look across time. By examining beyond the well-defined boundaries among sectors, supply chain, consumer groups, and trends, microenterprise owners can identify opportunities in unexploited markets with a limited number of competitors. Owners should focus on “creating new aggregate demand through a leap in buyer value at an

accessible price” (p. 216). While Kim and Mauborgne (2005) applied their strategy to larger firms, the same concepts can also be applied to microenterprises. Table 1 illustrates a framework for applying the Blue Ocean strategy to small firms. Examples and explanations of each of the paths is further explained in the next section.

Table 1: The Six Paths framework in Formulating Blue Ocean Strategy for Microenterprises

Path	Explanation	Considerations
Across alternate industry	Look beyond the current sector and compete within an outside industry.	Offer products/services that overlap several industries. Add on services from another sector.
Across strategic groups	Strategic groups are determined by price and performance.	Lower prices by removing features customers do not value.
Across buyer groups	Purchasers who pay for the products or services but may not be the actual user.	Identify the chain of buyers in an industry. Target influencers instead of end users.
Across complementary scope of products and services	Understand how products and services are used prior, during, and after purchases.	Identify constraints, or pain points customers experience. Locate the untapped value.
Across functional emotional orientation	Identify the emotional appeal and differentiate it from the rational appeal.	Balance the functional and emotional appeals of your products or services. Remove appeals that customers do not value.
Across time	Look across trends that are decisive to a business, irreversible, and have a clear trajectory.	Identify trends in the industry which are making an impact.

The Six Path Framework Untangled

Across alternate industry

Businesses can compete within an outside industry. A false assumption is that an organization should compete in a well-defined and unchanged industry with a narrow view of the environment (Kim & Mauborgne, 2005). Microenterprise owners can start by thinking about who the industry competitors are. What are some products or services that can be substituted for the offerings? In other words, what are the alternatives to the products/services already in this sector? Parking garages are a mature industry with a non-descript operation as customers pay to park their cars. Garage owners can add on automobile services such as mobile oil change/tire rotation, windshield repair, car wash/detailing, inspections, or even minor repairs while cars are parked there. These owners are adding value to the parking garage and to the

customer by expanding services that are not traditionally offered in the parking garage industry. Looking across alternate industry is an effective way to find the Blue Ocean.

Across strategic groups

Strategic groups are determined by price and performance, and to create a Blue Ocean across strategic groups, microenterprise owners need to determine what it is specifically their customers value (Kim & Mauborgne, 2005). Why would customers trade up for a higher group or trade down for a lower one? An example would be in clothing manufacturing. Mass clothing is produced and sold inexpensively at big box retail stores and online. These products are easily obtained and duplicated. The other side of the spectrum is custom made couture wear which is expensive and takes a long time to receive since it is tailor made for an individual. A custom dress maker could move across strategic groups by using technology to offer a custom shopping experience which allows customers to get original outfits created quickly for less money and without the long wait. Custom dress makers and other artisan microenterprise owners can think about other strategic groups to focus on to find the Blue Ocean.

Across buyer groups

The chain of buyers includes purchasers who pay for the products or services (Kim & Mauborgne, 2005). This may be the actual users, influencers, intermediate buyers, and regulators who influence the buying decisions. It is important to consider who the chain of buyers is in an industry and which groups are currently the focus. Owners can consider if shifting groups would create new values. If the market is saturated with certification training companies targeting companies with employees who need certifications, consider switching the focus to members of a trade organization or graduate students or members of a college alumni group. Training companies can offer these organization's institutional rates so they can offer members free training. By focusing on groups people belong to instead of directly to employees, the value of these training programs has been shifted. Targeting a different group on a buyer chain is a great way to locate a Blue Ocean to compete in.

Across complementary scope of products and services

Understanding how a product and service is used can help identify constraints, or pain points customers experience (Kim & Mauborgne, 2005). Think about what happens before, during, and after customers purchase specific products or services. What can be done to solve the pain points? Microenterprise owners can create a Blue Ocean by thinking about how they can enhance their service in order to ease the pain points. A woodworking supply store could offer introduction to woodworking classes to attract new hobbyists. They could offer advanced workshops for experienced woodworkers demonstrating how to use more advanced tools or processes which experienced woodworkers may have been reluctant to try. Woodworking shops can swim away from the highly competitive Red Ocean by offering additional services to their customers.

Across functional emotional orientation

Emotional appeal is the emotional utility a buyer receives when using a product or service. Rational appeal is the functional utilities customers enjoy (Kim & Mauborgne, 2005). Considering how to balance the functional and emotional appeals of a microenterprise's products or services can help create a Blue Ocean. Can owners remove appeals that customers do not value in order to lower costs? For example,

Microbreweries can create a strong brand to encourage customers to support local businesses. Local businesses have closer ties to the community and are better able to target and support the local economy. They can also offer unique beer flavors different from those at large chains. Increasing the emotional appeal is not only a way to differentiate a business from its competitors, but also a way to find the Blue Ocean.

Across time

Microenterprise owners can create a Blue Ocean by looking across trends that are decisive to a business, irreversible, and have a clear trajectory (Kim & Mauborgne, 2005). What trends in an industry are making an impact? What external trends are shared overtime? There are many housing contractors who offer similar services. Instead of competing based on price, contractors could focus on building green, environmentally friendly structures and using green construction practices which align with sustainability trends. More consumers are environmentally conscious and they want to live in homes that are energy efficient. This includes installing water harvesting systems, solar hot water heaters, and making homes LEED compliant. While specific home renovation techniques and environmental standards might change, these contractors could establish themselves as the green expert who understand the latest options and trends.

More examples

These Blue Ocean concepts can be applied to microenterprises just as easy (and some may argue easier) than larger firms. For example, consider the nail salon industry. There are traditional nail salons in strip malls, hair salons and even Walmart stores. Choosing to open a nail salon in a community crowded with competitors is jumping into the Red Ocean. The salon will be competing for customers who get their manicure and pedicure as part of their weekend errands run. There is a lot of competition for these weekend salon visitors. Convenience and location are usually the key deciding factors. Customers want to squeeze a manicure in after picking up the dry cleaning but before completing their weekly grocery shopping. The salon needs to be located within their errand path and available when customers want it. Competition is fierce for these clients. Instead of competing in the Red Ocean, a Blue Ocean nail salon strategy would be to open a mobile pedicure service for elderly clients servicing them in their homes or assisted living facilities. Many elderlies cannot visit nail salons because of mobility issues or lack of transportation, and a mobile nail salon owner can utilize across complementary scope of products and services to reach customers' homes. This proprietor can charge more for the same service and they do not have to compete with other nail salons based on price, location, or clients. They are offering the same service but have completely changed the target market and solving a pain point, taking them out of the Red and into the Blue Ocean.

For artists, craftspeople, and performers, maintaining a steady income might be difficult since they are self-employed. They might not get commissioned for their work on a regular basis (Au & Anthony, 2016). Competition for painting, custom goods, and musical performance can be fierce since demand is not high as these items are not necessities that consumers purchase regularly. Instead of competing in the Red Ocean of fighting for a small pool of customer, many artisans swim away and are teaching their skills through in-person workshops or online classes using the across buyer groups strategy. Customers who

buy custom goods or enjoy musical performances are often interested in the art behind it. For example, a custom bicycle framebuilder can offer workshops to teach these bicycle enthusiasts how to build their own bicycle frames. A guitar player can give lessons to audience members who are interested in playing the instrument. Using the across buyer groups strategy to create a Blue Ocean opens new revenues streams for these artisans.

Another example would be a video or book store carrying highly specialty items which cannot be located by streaming or ordered online. This might include hard to find art house films, Christian bookstores with religious items, or an LGBTQ bookstore. Many independent book and video stores host game or trivia nights, sponsor community events, or have authors or director meetups to bring people with similar interests together. This is an example of the across alternate industry path. These stores are serving as a gathering place instead of merely renting out videos (which are almost obsolete) and selling books, which cannot compete with large ecommerce's.

This Blue Ocean strategy is not limited to small organizations. In fact, it is the large organizations such as Barnes and Noble who were the early pioneers of this strategy (Wunker, 2011). When Barnes and Noble opened their superstores, they pivoted their focus from product (books) to the customer experience. They opened coffee and pastry shops within their stores. They had rows of magazines with lounges nearby and encouraged patrons to browse and explore. This strategy allowed them to make their competition irrelevant and capture new demand which are classic Blue Ocean strategies (Wunker, 2011). Microenterprises can use these same techniques to compete in a competitive environment such as bookstores.

In business, if you are successful, you can count on imitators. Eventually, competitors will recognize the Blue Ocean and enter it, turning it into a Red Ocean. That is why a critical component of the Blue Ocean strategy is to understand that, like the real ocean, is always moving and never static. It is important to continue to look for new opportunities, create new value for customers, and swim toward the Blue Ocean. Microenterprise owners can choose one or more of the six Blue Ocean paths to gain competitive advantages. With that in mind, microenterprise owners need to examine their internal and external operations, and visit the six paths when competition is becoming too fierce. The marketplace is fast changing and so is the ocean. With creativity, owners can swim toward and conquer the Blue Ocean.

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MANAGEMENT STYLES AND PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN MALAYSIA

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ABSTRACT

Management style as a concept and practice continue to attract much attention in the literature. As a field of study, the review of past research reveals that previous studies that examined management styles have mainly focused on large companies. Despite the importance of management style to small and medium-sized enterprises (SMEs), not many studies have attempted to investigate the management styles embraced by these firms, especially in the Malaysian context. This study investigates the relationships between management styles and performance of SMEs. Using structured questionnaire, the data was collected from 186 SMEs operating in the manufacturing sector. The results of the study show that management styles are associated to the performance of the SMEs.

INTRODUCTION

Different organizations tend to adopt different styles of management and also the styles influence the way they are being managed. The manner in which the organizations are being managed will in turn determine the performance of organizations. With regard to the performance of organizations, some continue to sustain their success while others appear to be less successful. Most often, the successful organizations are able to perform well and sustain their operations due to effective management styles. Nonetheless, in the case of the unsuccessful organizations, most frequently, these organizations fail because of mismanagement or they may have adopted ineffective styles of management.

Numerous management styles have been identified as well as presented in the literature over the years. At the same time, various research attempts have been made to examine the kind of management that managers need to improve their organizational performance. However, these studies have mainly focused on investigating the styles of management adopted by great companies. These studies scrutinize the way these companies are being managed and also attempted to identify as well as learn the styles of management needed to make them successful companies (Meggeneder, 2007; Ogbeide & Harrington, 2011; Uche & Timinepere, 2012; Foss & Klein, 2014).

Although there is increasing evidence that suggests the relationship between certain styles of management and organizational performance, there are studies that indicate the management style adopted by each successful company tends to differ from each other. Results of previous studies that investigated the management styles of successful companies also unveils that these companies do not necessarily adopt the same style of management. This finding in turn has raised the question as to whether there is only one particular type of management style that is suitable to be practiced by all types of organizations in order to become successful (Foss & Klein, 2014; Hamel, 2012; Mintzberg, 2011; Hiltrop, 1996; Capon, Farley, Hulbert & Lei, 1991).

Notwithstanding the enormous amount of literature and increasing research attention on management style in recent years, empirical studies in this area seemed to be not only limited but also neglected, especially in the Malaysian context. The review of the management literature in Malaysia appears to indicate not much is known about the management styles adopted by Malaysian companies and also little research in this area. One specific area worthy of research would be to investigate the management styles adopted by small and medium-sized enterprises (SMEs) in Malaysia. This study specifically attempts to examine the relationship between management styles and the performance of SMEs.

LITERATURE REVIEW

Over the years, there are many different definitions of management style presented in the literature. Both as a concept and practice, management style has been defined differently by different authors. For instance, in a more recent study, Dundon and Rollinson (2011) referred to management styles as not only the managers preferred approach to handling matters concerning employees and employment relations but also the styles reflect the manners in which the managers exercise their authority as well as make decisions in their organizations.

As an area of research, the literature suggests studies on management styles began in the 1960s and 1970s. Previous studies however primarily focused on investigating the styles of management adopted in unionized organizations. These earlier studies found that the management styles of these organizations emphasized on consultation and negotiation when dealing with their employees and unions. Nonetheless, following the decline of the number of the unions in the 1980s, organizations began to search for new forms of management practices that their managers need in order to manage their organizations efficiently and effectively as well as in maintaining the relationships between employees and employers (Bacon, 2008; Dundon & Rollinson, 2011).

In realizing the importance of management styles to organizational performance, over the decades, numerous research attempts have been made to investigate the types of management styles adopted by different organizations. The review of the findings of past studies indicate that organizations not only adopt different types of management styles but also the styles of management vary between different

organizations due to various external environmental factors as well as internal organizational factors (Dimmock, 1999).

Among the earliest management styles presented in the literature included the styles identified and proposed by Likert (1967). The author developed the Likert's System 4 that consisted of four specific types of management styles. The four specific management styles involved; System 1 (exploitative authoritative style), System 2 (benevolent authoritative style), System 3 (consultative style) and System 4 (participative style).

In another early study, Poole (1986) identified another four types of management styles based on the unitary and pluralist perspectives. The four types of management styles introduced in the study include; authoritarian, paternal, constitutional and participative management styles. According to the study, the unitary framework is represented by the authoritarian and paternal management styles. On the hand, the constitutional and participative management styles are closely associated to the pluralist approach.

The study by Purcell (1987) was able to single out the following two additional styles of management; individualism and collectivism management styles. The individualism style focused on the extent to which personnel policies emphasized on the rights and capabilities of individual employees. While, the collectivism style underscored the extent to which management policies are directed toward inhibiting or encouraging the development of collective representation by employees as well as allowing employees to participate in management decision making.

Syed Abdullah (1991) further investigated management style based on the unitary and pluralist approaches. According to the study, the unitary management style postulated one source of authority as well as stressed on employees' loyalty. In contrast, the pluralism management style considered many separate and competitive interests of stakeholders in the organizations and also featured on the role of management in ensuring harmony at the workplace.

In an analysis of previous studies on employment relations, Blyton and Turnbull (1994) were able to identify five types management styles adopted by organizations. Among the five management styles identified in the study involved; the traditional style, the sophisticated paternalists/human relation style, the consultative (sophisticated modern) style, the constitutional (sophisticated modern) style and the standard modern style.

Khandwalla (1995) proposed two broad styles of management that included; the best and worst management styles. According to the author, the best management style consists of the following four specific styles; participative style, altruistic style, professional style and organic style. Meanwhile, the worst management style includes; the defective intuitive style, the defective conservative style, the defective authoritarian and the defective professional style. In the study, the author further highlighted two fundamental reasons why styles of management vary from one organization to the other. First, each

organization differs in term of their characteristics such as types of organization, purpose, size, environment and history. Second, there are many different ways to manage the various managerial functions in organizations. In addition, due to their different characteristics and the availability of various ways to manage, organizations have to make a choice in establishing their goals as well as developing their strategies. With regard to this, each organization needs to adopt a distinctive management style that specifically suits its business requirements and environment.

The study by Menkhoff and Kay (2000) attempted to investigate the management styles adopted by small firms in the Southeast Asia region. According to the findings of the study, the small firms in the Southeast Asia countries, especially among the Chinese owned small firms, tend to exercise the benevolent autocratic management style, emphasized on paternalism to ensure employees loyalty and at the same time stressed on centralized decision making.

The subsequent study by Deery and Jago (2001) examined management styles adopted in medium-sized hotels. In the study, the authors focused on four types of management styles. Evidence from the study suggests that the management of the medium-sized hotels used the following management styles; autocratic style, decisive style, consultative style and the democratic management style.

Matlay (2002) investigated the management styles among SMEs in Britain. Findings of the study indicated that the SMEs in Britain adopted five types of management styles. Among the five types of management styles include; the formal style, the informal style, the mixed formal and informal style, the professional style and the external or agency. According to the study, the SMEs used these five styles to not only manage and control their organizations but also their employees.

According to Scase (2003), the two common management styles found in small organizations involved the egalitarian style and the autocratic management style. Owners and managers of small firms that followed the egalitarian style or also known as participative management style (Kennedy, 2002) tend to work alongside their employees. More specifically, this particular style established the duties and responsibilities of employees based on mutual adjustment, emphasis on commitment, teamwork and profit sharing. On the other hand, the autocratic management style has an inclination to exploit their employees, particularly in SMEs where their employees are unskilled and have no union to represent them. Employers that used this style are more likely to offer low rates of pay, poor working environment and unfavourable terms and conditions of employment.

Ansari, Ahmad, & Aafaqi (2004) proposed another type of management style in their study that may replace the participative management style. The style of management presented in the study is known as nurturant-task (NT) management style. The emphasis of this style is on the balance between work as well as the relationships between employees and their superiors. This management style was first introduced in the context of organizations in India. According to this study as well as the study by Jayasingam & Cheng (2009), the NT management style is also relevant and applicable to firms in Malaysia due to certain

similarities in the working environment of organizations in both countries.

In another study, Ahmad (2005) examined the management styles among SMEs in Malaysia. Findings of the study suggest that not only majority of the Malay employees in these firms perceived paternalistic management style as important to them but also revealed that the Chinese and Indian employees as well viewed paternalistic management style as crucial, particularly in terms of fulfilling their needs and protecting their rights.

The subsequent study on management in SMEs conducted by Edwards, Ram, Gupta, and Tsai (2006) identified two types of management styles adopted by these firms. The two styles included; the authoritarian and participative management styles. However, the study cautioned that since SMEs are heterogeneous, these firms may not necessarily adopt only these two styles of management. These firms are also known to have used other styles of management. According to the study, the paternalistic style of management also appeared to be useful to manage employees in the SMEs.

Interestingly, the study by Mikhailitchenko and Lundstrom (2006) made an attempt to survey the management styles embraced by SMEs in the United States of America, China and Russia. According to the evidence from the study, the SMEs in the three countries adopted four types of management styles. The four types of management styles identified in the three countries include; the supervision style, the decision making style, the information sharing style and finally, the paternalistic orientation style.

Trask, Rice, Anchors and Lilieholm (2009) indicated that information and knowledge concerning management style used by owner-managers in SMEs are also useful in understanding how decisions are made in their organizations. According to the study, the decisions made in SMEs are influenced by the management style adopted by their managers and that the decisions have implications on the success as well as failure of these firms. The study found almost similar types of management styles adopted by small firms that included; the autocratic style, the authoritarian style, the bureaucratic style, the democratic style and the participative style.

Jain and Premkumar (2010) in their study also attempted to determine the styles of management adopted by companies in India. According to the results of the study, the companies adopted four specific types of management styles. Among the four management styles uncovered in the study include the following; the participative style, the altruistic style, the professional style and the organic style.

In a more recent study, Uche and Timinepere (2012) examined the management styles of firms in the private sector in Nigeria. The results of the study showed that the private firms in Nigeria used at least six styles of management. Among the six management styles identified in the study included; participative, paternalistic, authoritarian, entrepreneurial, conservative and bureaucratic management styles.

RESEARCH METHODOLOGY

Sampling Frame and Procedure

The small and medium-sized enterprises (SMEs) that participated in this study were selected from the manufacturing sector. In the study, the SMEs were classified as those manufacturing firms that have between 10 to 300 full time employees. Based on this general definition, the study identified 1,867 firms from the 2014 Federation of Malaysian Manufacturers (FFM) Directory of Malaysian Manufacturers. Following this, the data was collected by mailing the structured questionnaires to the senior managers of the 1,867 selected sample firms. Of the total of 1,867 questionnaires posted, 186 usable questionnaires were returned, yielding a response rate of 9.96%.

Questionnaire

In the study, the structured questionnaire was divided into four parts. The first and second parts contain 34 items that were used to obtain the general information concerning the background of the respondents (12 items) and profile of the SMEs (22 items). In the third part, 30 items were adapted from previous studies to capture the five types of management styles examined in the study. The five styles included; autocratic, participative, nurturant task, paternalistic and laissez-faire. By using a five-point scale that ranged from Least like you (1) to Most like you (5), the respondents were asked to rate the management styles. Next, nine measures of financial and non financial performance were included in part four of the questionnaire. Of the nine measures, four measures were used to determine the financial performance which include; sales, gross profit, assets and equity. The remaining five non financial measures were used to examine the workplace performance (productivity, employee turnover, employee absenteeism) and workplace harmony (number of disciplinary actions and number of grievances). The questionnaire was tested and the coefficient alpha scores for the five types of management styles range from 0.79 to 0.88.

THE RESULTS

Profile of the Respondents

Of the 186 respondents that were involved in this study, 94 (50.5%) were managers, 60 (32.3%) were owners cum managers, 18 (9.7%) were owners as well as Chief Executive Officers, six (3.2%) were owners and the remaining eight respondents (4.3%) were executives. In terms of race, the Chinese constituted 77.4% of the respondents. This was followed by the Malays (15.1%), the Indians (3.8%) and other races such as Eurasian and Japanese (3.8 %). Most of the respondents were male and married. The age of the respondents ranged from 26 years old to more than 40 years old.

With regard to their education, 155 (83.3%) of the respondents had a bachelor degree, five (2.7%) had a master's degree, one (5%) had a PhD degree, 18 (9.7%) had a diploma, and seven (3.8%) had only a secondary school certificate. Most of the respondents had been with their companies for more than a

year. As for prior work experience, majority of the respondents (87.1%) have less than 10 years of experience.

Characteristics of the Sample Firms

Out of the total number of 186 companies, 46 were private limited companies, 67 companies were partnerships, and the remaining 73 companies were sole proprietors. In terms of employment, 73 companies (39.0%) employed between 10 to 50 employees, 57 companies (30.5%) employed between 51 to 100 employees, 25 companies (13.4%) employed between 151 to 200 employees, 10 companies employed (5.3%) and the remaining 4 companies (2.1%) had between 251 to 300 employees.

The SMEs in the study were involved in various manufacturing activities. Of the 186 SMEs, 30 firms (16.1%) were involved in metal products industry, 22 firms (11.8%) operated in the plastic product industries, 19 firms (10.2%) represented the food and beverage industry, 19 firms (10.2%) were involved in motor vehicles industries, 16 firms (8.6%) operated in the chemical industry, 15 firms were involved in the electrical industry and the remaining 65 firms represented the other industries such as ceramic, concrete, customer products, fertilizer, furniture and fixtures, hardware and machinery, textile, motor vehicles, non-metal products, paper products, printing, pharmaceuticals, wood, vegetable and animal oils and fat products, and rubber products. Of the 186 SMEs, 98 firms (52.7%) had been in operations for more than 10 years and the remaining 88 firms (47.1%) had been in business for more than 20 years.

Management Styles and Performance of SMEs

The following Table 1, Table 2 and Table 3 present the results of the correlations between the five styles of management and performance of the SMEs that participated in this study. As shown in Table 1, the results show significant positive relationships between the five management styles (autocratic, participative, nurturant task, paternalistic and laissez-faire) and the financial performance of the SMEs as measured in terms of sales, gross profit, assets and equity.

Table 1: Correlations between Management Styles and Financial Performance

Management Styles/Financial Performance	Sales	Gross Profit	Assets	Equity
Autocratic	.264**	.261**	.308**	.238**
Participative	.366**	.345**	.308**	.245**
Nurturant task	.318**	.295**	.290**	.313**
Paternalistic	.443**	.393**	.283**	.409**
Laissez-faire	.264**	.203**	.197**	.349**

The results in Table 2 indicate significant positive relationships between the five management styles (autocratic, participative, nurturant task, paternalistic and laissez-faire) and the non financial performance

of the SMEs as measured in terms of workplace performance. In the study, productivity, employee turnover and employee absenteeism were adopted to measure workplace performance.

Table 2: Correlations between Management Styles and Workplace Performance

Management Styles/Workplace Performance	Productivity	Turnover	Absenteeism
Autocratic	.193**	.330**	.234**
Participative	.288**	.198**	.286**
Nurturant task	.303**	.305**	.366**
Paternalistic	.313**	.296**	.380**
Laissez-faire	.303**	.176*	.227**

The results of the relationships between management styles and workplace harmony are presented in Table 3. As indicated in Table 3, the results suggest significant positive relationships between the five management styles (autocratic, participative, nurturant task, paternalistic and laissez-faire) and the non financial performance of the SMEs as measured in terms of workplace harmony. The study used number of disciplinary actions and grievance as measures of workplace harmony.

Table 3: Correlations between Management Styles and Workplace Harmony

Management Styles/Workplace Harmony	Disciplinary Actions	Grievances
Autocratic	.088	.177*
Participative	.105	.255**
Nurturant task	.241**	.312**
Paternalistic	.227**	.394**
Laissez-faire	.222**	.224**

DISCUSSION AND CONCLUSION

The purpose of this empirical study was to examine the relationships between management styles and the performance small and medium-sized enterprises (SMEs) in the Malaysian manufacturing sector. The results of the correlation analyses of the data gathered from the 186 SMEs indicate statistically significant positive relationships between the management styles and the performance of the SMEs. The results of the study add support to previous studies that suggested the relationships that existed between management styles and organizational performance. The results appears to be consistent with the findings of past research conducted by Khandwalla (1995), Menkhoff and Kay (2000), Matlay (2000), Deery and Jago (2001), Kennedy (2002), Scase (2003) and Ansari et. al, (2004).

The following findings can be summarized from this study. First, the empirical information resulted from this study suggest that management styles are positively related to the performance of SMEs as measured in terms of financial measures as well as non financial indicators such as workplace performance and workplace harmony. Second, in terms of the management styles adopted by the SMEs, the results of the study also suggest that the 186 firms in the study appear to follow the styles of management as advocated in the literature. Third, at the general level, the findings of the study indicate that the 186 firms that participated in the study practiced management styles that are associated to their organizational performance.

These findings offer the following managerial implications to SMEs in Malaysia. The findings of this study suggest relationships exist between management styles and performance of SMEs. The positive relationships between management styles and performance of SMEs suggest that the style of management is important for SMEs to perform. Therefore, in order to ensure that their firms would continue to perform, in particular owners and managers of SMEs need to be concerned with practicing the style of management that can stimulate their organizational performance.

Lastly, this study empirically demonstrates the existence of the linkage between management styles and performance of SMEs. Given the findings of the present study, approaches to enhance style of management appear to be worthwhile. If small and medium-sized enterprises are to be more effective, efficient and productive, their owner and managers need to intensify their efforts, particularly in terms of training and development. By emphasizing on training and developing, they would be able to not only further improve their skills, knowledge and attitudes but also their styles of management. This greater commitment and efforts may present SMEs with additional opportunity to enhance not only their level of performance, but also their competitiveness.

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ACTIVITY ANALYSIS OF CONTROL FOR MICRO LENDING ON BANK NAGARI PASAR RAYA BRANCH PADANG

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Abstract

The purpose of this study was to determine whether control activities affect the provision of micro credit in Bank Nagari Pasar Raya Branch Padang. The object of this research is to control activities on the implementation of the provision of credit at Bank Nagari Pasar Raya Branch Padang, in particular regarding the use of documents, accounting records are used, the relevant organizational units and procedures for granting credit. Data was collected through secondary data. Logistic Regression data analysis technique was adopted for analysing. This study shows that the control activities (policies/procedures) has a significant influence on total micro-credit.

Keywords: Activity, Control, Micro Credit, Bank Nagari, Pasar Raya

INTRODUCTION

The extension of credit is one of the very many services that attract people and become a mainstay of a bank. Because it is not surprising if some say is the heart of business loans bank. It is the people, whether individual or corporate / business groups are no doubt to borrow from banks, to meet all the necessities of life or accelerate the business. But sometimes reality does not match the expectations of the bank itself. Many banks in general have difficulty with the credit arrears, meaning that the money lent experience congestion in the billing (Sutarno, 2003: 2). With the risk assessment and control activities which are components of the internal control of credit security which will occur will be useful to minimize the risk - credit risk so that banks can overcome bad credit.

Table I

**List Total Customer Bad Debt (Micro)
On Bank Nagari Pasar Raya Branch Padang
Year 2005 – 2009**

No	Type of Micro Credit	YEAR				
		2005	2006	2007	2008	2009
1	KMK Multipurpose	7	8	6	10	11
2	KMK Multipurpose Longterm	5	5	14	20	21
3	KUMK Sup 005	-	1	1	-	1
4	KUKI	-	-	-	6	8

5	KPUM	-	-	-	-	1
Total Customer		12	14	21	36	42

Source: Bank Nagari Pasar Raya Branch Padang (processed data)

Bank Nagari Raya Pasar Branch Padang provides services to customers, one of these services is the provision of credit in various facilities. Types of loans offered are Personal Loans and Credit Commercial that in this study the author focuses more on micro credit. With the aim to empower people economically weak or small business sector is to provide an affordable source of business financing. One of the financing strategy for this group is a micro-enterprise credit (Sabirin, 2007: 125).

From table 1 above we can see that the Bank Nagari Pasar Raya Branch Padang has increased bad debts for the last 5 years. This is evident from the data obtained in 2009 showed that the number of customers have bad credit as many as 42 customers. The problem faced by the Bank is What control activities affect the provision of micro credit in Bank Nagari Pasar Raya Branch Padang?

Referring to the problems mentioned above, then the goals will be achieved in this study is to determine whether control activities affect the provision of micro credit in Bank Nagari Pasar Raya Branch Padang.

Based on the description above writer is interested to analyze the extent of control activities can affect the provision of credit, especially in micro-credit in Bank Nagari Pasar Raya Branch Padang.

LITERATURE REVIEW

Control Activities

Definition of Control Activities

According to Arens and Loebbecke (2000:295), Control Activities are the "policies and procedures other than the four other components to help provide assurance that the actions which must be completely implemented in achieving the goals of the organization in question".

According to the COSO (the Committee of the Sponsoring Organizations) reports, control activities must involve the entire staff of the Bank, including Directors. Therefore, control activities will be effective if planned and implemented in order to control the identified risks. Control activities include establishing policies and procedures for control and verification process early to ensure that policies and procedures are consistently adhered to, and is an integral activity of any functions or activities of daily Bank.

As components of the control procedures in the internal control structure categories according to IAI is also an additional control procedures, control activities can be anything, but usually associated with one of the five general categories as follows:

1. Proper authorization of transactions and activities.
2. The existence of adequate segregation of duties.
3. The existence of adequate documentation and records.
4. The existence of adequate controls over access to and use of company assets and records.
5. The existence of checks on the performance conducted independently.

Type of Management Control

According to the COSO reports, management control systems can be divided into 5 types:

1. Prevention control
2. Detection control
3. Correction control
4. Direction control
5. Compensative control

Details of the above five types of control can be explained as follows:

1. Preventive controls

Prevention controls intended to prevent the occurrence of a fault. Control is designed to prevent unwanted outcome before it happened. Control of prevention is effective when the function or personnel carrying out its role. Examples of preventive controls include: honesty, competent personnel, segregation of duties, reviews the regulatory and dual control. However, preventive controls can not guarantee no errors or iniquity, and other controls are still needed to complete it.

2. Detective controls

As the name implies detection controls are intended to detect an error that has occurred. Reconciliation of bank balances on the books match the bank with the cash balance is the key organization book detection control over cash balances. Control of detection is usually more expensive than preventive controls, but still needed on the grounds:

- a. Control detection to measure the effectiveness of prevention.
- b. Some mistakes can not be effectively controlled through a system of preventive controls should be treated with the control of detection when the error occurred.

3. Corrective controls

Corrective control the problems identified by the detection control. The goal is to make errors that have occurred do not happen again. Problems or errors can be detected by its own management or by auditors. If the problem or error is detected by the auditor, then the correction is a form of control in the form of follow-up implementation of auditor recommendations.

4. Directive controls

Directive controls are carried out at the time of controlling the ongoing activity in order for the activities carried out in accordance with the policies or regulations. Examples of this control is the supervisory activities undertaken directly by superiors to subordinates or supervision by the foreman of the workers' activity.

5. Compensating controls

Compensating controls intended to strengthen controls for neglect of a control activity. Direct supervision of business owners against their employees activities on small businesses because of lack of separation of functions is an example of compensative control.

Understanding Micro Business Loan

According to the definition used in the Microcredit Summit (1997) in Wijono (2005), Micro Credit is a "small amount lending program to the poor to finance productive activities which he did himself in order to generate income, allowing them to care for themselves and their families".

Grameen Banking (2003) defines micro-credit as the "Development of small amounts of loans to entrepreneurs who are too weak to qualify for access to loans from traditional banks.

In granting loans to micro businesses conducted in stages. Starting from the stage of rescue, recovery, and development. However, in its development and then adapted to field conditions and in order to meet the demand for developed members of the fourth stage, named entrepreneur. Customers can not directly get a loan at this stage of the entrepreneur, but must go through the rescue, recovery, development, can the new entrepreneur. And that's to be seen installment notes and business development.

Micro Business Lending Criteria

Micro business loans are loans granted to businesses, where business has criteria for small businesses.

Criteria for micro-enterprises and micro credit are:

1. Productive micro-enterprises are family-owned business or individual Indonesian citizen, the sale of at most Rp. 300,000,000.00 per year.
2. Micro-enterprise is a business that has a net worth of at most Rp. 50,000,000.00 not including land and building and has annual sales revenue of Rp. 300,000,000.00 (Law No.20 of Chapter IV of Article 6 of the micro, small, and medium)
3. Microcredit is lending under the Rp. 50,000,000.00 (Definition of Indonesia Bank)
4. Micro-credit lending program amounted to little for the poorest citizens to finance projects that he is working on its own to generate income, allowing them to care for themselves and their families (Microcredit Summit 1997)

Procedure

Understanding Procedures

Definition of procedure according to Mulyadi (2001: 5) that "A sequence of clerical activity, usually involving several people in one department or more, are made to ensure uniform handling corporate transactions that occur repeatedly."

Related Functions

In the procedures for granting credit for not centered only one part only, then formed several functions. These functions will coordinate with each other to achieve the goals set by the bank. The related functions include:

1. Secretariat functions, this function is responsible for the acceptance of credit application and mail notification.
2. Billing functions, this function is responsible for collection of accounts receivable directly to the debtor based on a list that will be billed receivables.
3. Cash function, this function is responsible for receiving and spending money.
4. Accounting Function, this function is responsible for cash receipts and disbursements, and organizing financial reports.
5. Internal Audit function, this function is responsible for checking the accuracy of cash records held by the accounting function.

Documents Used

Documents are the forms used to record the transactions. Documents used in the lending system (Mulyadi, 2001: 3) among others

1. Credit application form
This form contains the writing ability of the borrower and the signature of the board as proof of delivery that the loan application in accordance with demand and working conditions.
2. Receipt
Made in triplicate receipt by the treasurer as proof of savings and loans have to spend money.
3. Evidence of cash
Created as a proof of cash from the bank after the loan disbursement.
4. Evidence of cash receipts
As proof of cash receipts from debtors when pay credit installments.
5. Credit card
Credit card was made to record the loan installment every month.

Accounting records Used

Accounting records are all records relating to all accounting transactions that occur, such as journals, ledgers, ledger and financial statements. The accounting records used in credit delivery system, among others:

1. Public Journal

Accounting records were used to record the reduction in accounts receivable from the elimination of transactions that are no longer collectible.

2. Cash Expenditure Journal

Used to record the granting of loans and transactions, cash disbursements.

3. Cash Receipts Journal

Cash receipts journal is used to record cash receipts from the return credit.

4. Card receivables

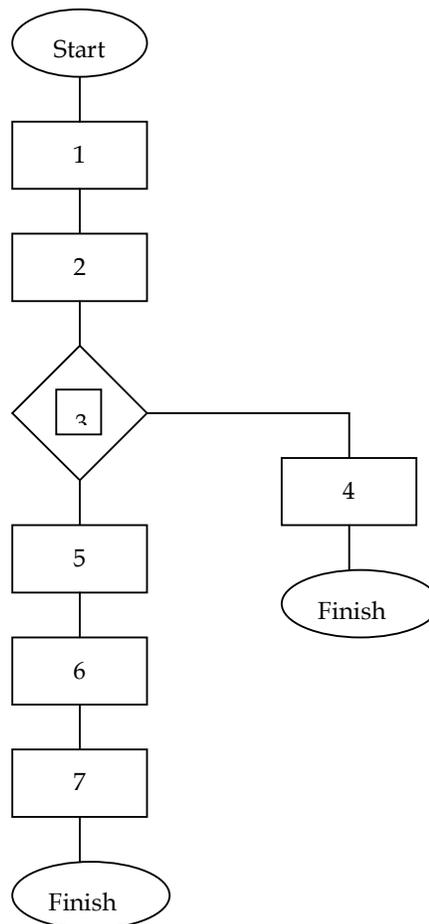
To record the receivable balances to each debtor.

Meanwhile, according Djumhana (2000: 394), a reference in the framework of analysis and research in getting the confidence that the debtor has a bankable classification, including 5C, 4P and 3R.

1. Character (the properties of the prospective borrower such as honesty, behavior etc), in order to obtain the data on the character of the debtor, the bank can do it by gathering information from other bank reference.
2. Capital, it is a concern in terms of this capital is about the large and capital structure, including the performance results from the capital itself from the company if the debtor is a company, and in terms of revenue if the debtor is an individual.
3. Capacity (ability), attention is given to the debtor that is concerning leadership abilities and performance within the company.
4. Collateral, namely the ability of borrowers to provide collateral which is good and has value both legally and economically.
5. Conditions of economy, ie the condition that is rapidly changing, now that his concern include government policy, political, social, cultural and other aspects that can affect the economic condition itself.
6. Personality or the personality of the debtor is a subjective aspects, but an important one in determining the provision of credit, and thus need to be collected the data on the prospective borrowers.
7. Purpose or objectives, which became the spotlight of this aspect that is concerning the intended use of the loan whether to use the activities that are consumptive or productive or used for activities that are or contain speculative elements.
8. Prospect or future financing of the activities that get the credit, while the elements that can be an assessment of the prospects are among the areas of business, business management, government policies and so forth.

9. Payment or method of payment, it is a concern for the example on the smooth flow of funds (cash flow). Return or reversal means that outcomes will be achieved from the activities that get the financing.
- 10.Repayment or refund calculation of activities that get financing or credit.
- 11.Risk Bearing Ability of the calculation of the ability of the debtor in the face of unexpected risk.

Figure I: The Procedures of Lending Implementation



Note: The average time used is 21 working days

Source: Faried Wijaya (1996: 288)

Description:

These steps can be identified by crediting see picture below lending procedures.

1. Contact the credit Applicants express intent Executing Bank orally.
2. Examine the application executing bank credit.
3. What is the executing bank's decision:

- 3.1 Rejecting the loan application
- 3.2 Process credit applications
4. Executing bank sends a rejection.
5. Bank executive to discuss the loan application from the applicant.
6. Executing bank approved the loan application.
7. Implementing the bank's decision notified to the customer.

Procedures that form the network lending system, among others:

1. Credit application procedures:
 - a. Applicant to contact the bank executive.
 - b. Applicants fill out a credit application.
2. Application verification procedures:
 - a. Credit application is inserted into the credits for verification.
 - b. Investigated by officers of credit analysis.
 - c. Head of Credit Department approval.
3. Rejection notification procedures:
 - a. Credit analysis officer considers that the loan application is considered not feasible.
 - b. Officers went to the credit applicant to notify the reason for rejection of credit.
4. The procedures for processing approval
 - a. Part administrative type of credit slips.
 - b. Requested verification of the credit administration staff.
 - c. Requested authorization of directors and the Head of Marketing.
 - d. Customers hand over the terms of the completeness of credit.
 - e. Customer signed a loan agreement and supporting documents.
5. Credit disbursement procedures
 - a. The terms of credit completeness investigated truth by the administration.
 - b. The administration submitted the necessary documents to the cashier.
 - c. Part cashier create and issue money receipt.
 - d. Customer signed a loan receipt, accept the money and documents submitted.

Review of Recent Research

From the results of previous research conducted by Shahputra on the analysis of the internal control structure of the credit delivery system and return to the Bank of West Kalimantan . When analyzing the existing internal control structure in the Bank of West Kalimantan, more discussion centered on the control environment and control activities undertaken by the Bank of West Kalimantan, especially in terms of granting and repayment of credit. From the analysis, the study revealed basically the Bank of West Kalimantan has been implementing sound internal control structure in accordance with the guidelines COSO, only difference may lie in the field. In this case seen some strengths and weaknesses of

internal control processes that have been conducted by the Bank of West Kalimantan, both in terms of the control environment and control activities.

Relationship control activities with the provision of micro credit

Control activity is the establishment of policies and procedures in addition to four other components its means to help provide assurance that the actions which must be completely implemented in achieving the goals of the organization in question (Arens and Loebbecke, 2000: 295).

Lending is one of very many services that attract people and become a mainstay of a bank. Because it is no wonder if some say business credit is the heart of this bank. In this time society, both individuals and corporate / business groups are no doubt to borrow from banks, to meet all the necessities of life or accelerate the business. Provision of micro credit loans are loans granted to businesses that are categorized middle class who meet the criteria. In lending these types of loans also establish procedures and policies set by the bank concerned.

One component of the system of internal control is a control activity that contains the policies and procedures to provide reasonable assurance that corporate objectives will be achieved. Control activities aim to find the mistakes, but more aimed at the prevention and reduction of risk of error in order to improve the effectiveness of the company / bank, especially in the provision of credit. So that can reduce the risks that arise if there are arrears of credit or bad credit opportunities, the control activity has positive influence on provision of micro credit.

Ha 1: Control activities have positive influence on the provision of micro credit.

METHOD

Research Sites

The author conducted research at Bank Nagari Pasar Raya Branch Padang, located at 2nd Floor Plaza Koppas Pasar Raya Padang.

Object of Study

Study object is the object that be a focus of research. The authors focus the object of research on control activities on the implementation of the provision of credit at Bank Nagari Pasar Raya Branch Padang, in particular concerning:

1. Documents used
2. The accounting records used.
3. Unit-related organizations

4. Lending procedures

Measurement Variables

The variable is the object of research or something that becomes a focal point of research (Arikunto, 2002: 96). Variables are divided into two independent variables and dependent variable. Variabel free (x) are the variables that influence and the dependent variable (y) is a variable that is affected. The variable in this study are:

Activity Control (Y1)

Control activities are policies and procedures other than the four other components that is intended to help provide assurance that the actions which must be completely implemented in achieving the goals of the organization concerned (Arens and Loebbecke, 2000: 295). Control activities are dependent variables where measurement is measured by indicators of policy for the provision of micro credit.

To measure how important the influence of variable control activities in the provision of micro credit, so the writer took the data from changes in policies established by the bank in the last 5 years ie from 2005 to 2009 by the Bank Nagari Pasar Raya Branch Padang.

Micro Business Lending (X1)

Provision of micro credit loans are loans given to entrepreneurs who are categorized middle class who meet the criteria. In lending these types of loans also establish procedures and policies set by the bank concerned.

The system of credit by the banking world in general inter-bank that one with the other banks are not much different. The difference may only be located from the enactment of procedures and requirements with their respective considerations. Lending procedures in general can be distinguished between personal loans with a loan by a legal entity. While in the provision of micro credit in Bank Nagari Pasar Raya Branch Padang intended as development loans to entrepreneurs in small quantities that are too weak qualifications to be able to access the loans from traditional banks. Provision of micro credit is an independent variable in which the measurement is taken from the total data provided in micro-credit banks in the last 5 years and the data bank's asset quality in the last 5 years ie from 2005 until 2009 at Bank Nagari Pasar Raya Branch.

Data Collection

Data used in this research is secondary data is the data obtained from the object of research. The data

obtained from the documents concerning the micro-credit delivery system.

Data Analysis Techniques

The data analysis technique that is used as follows:

Descriptive Analysis

This analysis is a description or explanation by making the tables, organize and analyze data. Descriptive statistics to explain or describe the various characteristics of the data. This method is used to assess the variables that exist in this study may thus be known level of effectiveness of control activities in the provision of micro credit for the variable measuring credit control activities. In order to find the best model to be used in the study, the authors tested the hypothesis by Binary Logistic Regression.

Data Analysis Techniques

Binary Logistic Regression

If p_i declare an individual an opportunity to- i has a value of $Y = 1$, then the logistic regression model with k independent variables can be written as:

$$\text{logit} (p_i) = \beta_0 + \beta_1X_1 + \beta_2X_2 + \dots + + \beta_kX_k \dots\dots\dots(1)$$

with $\text{logit} (p) = \log (p/1-p)$

Logistic regression model is a linear model of $\text{logit} (p)$ with explanatory variables X . Just as in linear regression, we can get the values of intercept and slope of the model.

Analysis & Discussion

Descriptive Analysis

Data used in this study is micro credit data within the last 5 years ie from 2005 to 2009 on each type of micro-credit, which is described in the data about:

1. The presence or absence of changes in policies established by the bank for each type of micro credit in the last 5 years.
2. What is the total disbursed microcredit bank for each type of credit in the last 5 years.
3. Data quality earning assets ratio (KAP) of banks in the last 5 years.

The data above is that it can be viewed in the following table:

Table II
The Policy /Procedur Changing Data of Giving Micro Credit Bank Nagari Pasar Raya Branch Padang 2005 -2009

No	Type of Micro Credit	Year				
		2005	2006	2007	2008	2009
1	KMK Multiguna	1	0	1	1	1
2	KUMK Sup 005	1	0	1	1	1
3	KUKI	1	1	1	1	0
4	KPUM	0	0	0	1	1

Source : Bank Nagari Pasar Raya Branch Padang

From table 2 above explained that there are 4 types of micro-credit disbursed by banks, namely:

1. KUMK Multifunction (Micro Business Loans Commercial Multipurpose)
2. KUMK Sup 005 (Micro Small Credit and Small Sup 005)
3. KUKI (Informal Small Business Credit)
4. KPUM (Micro Care Credit)

Inside there are tables of probability value of each type of credit in 2005 until 2009, where 0 means no change in policy, while 1 means there are changes in policies.

Table III
The Total Distribution of Credit Micro on Bank Nagari Pasar Raya Branch Padang
2005 – 2009 (in thousand rupiah)

No	Type od Micro Credit	Year									
		2005	%	2006	%	2007	%	2008	%	2009	%
1	KMK Multiguna	354,000	58.51	385,000	47.24	392,501	36.72	422,000	29.35	525,250	44.62
2	KUMK Sup 005	251,000	41.49	276,000	33.87	179,000	16.74	250,000	17.39	190,000	16.14
3	KUKI	0	0	153,988	18.89	497,504	46.54	765,984	53.27	452,000	38.39
4	KPUM	0	0	0	0	0	0	0	0	10,000	0.85
Total		605,000	11.85	814,988	15.97	1,069,005	20.94	1,437,984	28.17	1,177,250	23.06

Source : Bank Nagari Pasar Raya Branch Padang

Furthermore, table 3 in explain that the total micro-credit on each credit type from 2005 to 2008 as a whole continued to increase in the distribution of credit, except in 2009 which decreased by Rp.. 260 734 000, - while the percentage increase that is in 2005 with a total microcredit Rp. 605 000 000, - at 11.85%, in 2006 with a total microcredit Rp. 814 988 000, - amounting to 15.97%, in 2007 with a total microcredit Rp. 1,069,005,000, - at 20.94%, in 2008 with a total microcredit Rp. 1,437,984,000, - at 28.17%, in 2009 with a total microcredit Rp. 1,177,250,000, - at 23.06%. Means it can be said that the provision of microcredit in the last 5 years at Bank Nagari Pasar Raya Branch Padang is good.

Table IV
The Data of Micro Credit Productive Asset Quality on Bank Nagari Pasar Raya Padang 2005 – 2009

No	Year	Ratio KAP
1	2005	2,36 %
2	2006	2,37 %
3	2007	2,97 %
4	2008	3,53 %
5	2009	2,94 %

Sumber : Bank Nagari Cabang Pasar Raya Padang

From table 4 can be seen that the ratio of bank accounting firm from 2005 until 2008 continued to increase this, except in the year 2009. Because the bank's rating as stipulated by Bank Indonesia if the ratio of asset quality (KAP) is smaller than a health assessment criteria for banks that is equal to 10.35%, banks are categorized in the healthy group. So to say the Bank Nagari Pasar Raya Branch in the last 5 years is healthy.

Thus, the data is processed above will produce how much influence the level of effectiveness of control activities conducted on the provision of micro credit in Bank Nagari Pasar Raya Branch in the last 5 years.

Descriptive Statistics

Descriptive statistics provide information about the data being processed is the number of samples, the minimum value, maximum value, mean value and standard deviation where the standard deviation is a deviation from the independent variable. Descriptive statistical results are presented in Table 5 below:

Table V
The Descriptive Statistic Testing Result

	N	Minimum	Maximum	Mean	Std. Deviation
TKM	5	.1185	.2817	.199980	.0631782
KAP	5	.0236	.0353	.028340	.0048840
KP	5	.00	1.00	.8000	.44721
Valid N (listwise)	5				

Descriptive statistical test results for 5 samples in the form of measurement is the average value of total micro-credit (TKM) = 0.199980 with a standard deviation = 0.0631782 lowest value of total micro-credit to 5 samples = 0.1185 and credit scores micro for 5 samples = 0.2817. This means the value of microcredit to total micro-credit per year on average for the sample of 5 years amounted to 0.199980 with a homogeneous size distribution (below the average value) that is equal to 0.0631782 of 5 years that happened.

The average value of the test results of descriptive statistics for the variable quality of productive assets ratio (KAP) amounted to 0.028340, the standard deviation of 0.0048840 with the lowest score is 0.0236 and the highest value = 0.0353. This means earning assets to total earning assets by an average of 0.028340 with a homogeneous size distribution (below the average value) that is equal to 0.0048840 of 5 years that happened.

The average value of the test results of descriptive statistics for the probability variable policies / procedures amounted to 0.8000, with standard deviation of 0.44721, the lowest score is 0.00 and the highest score is 1.00. This means an average probability of 0.8000, with a homogeneous size distribution (below the average value) that is equal to 0.44721 from 5 years to happen.

Partial Correlation Test Analysis

In the hypothesis stated that there are significant control activities on micro lending means for each independent variable is the total micro-credit and asset quality is influenced by control activities in the form of policies in the provision of micro credit itself. For that variable correlation table above will be explained by the following:

Correlations

Control Variables			TKM	KAP
KP	TKM	Correlation	1.000	.977
		Significance (2-tailed)	.	.023

	Df	0	2
KAP	Correlation	.977	1.000
	Significance (2-tailed)	.023	.
	Df	2	0

Based on the above analysis of the correlation table can be valued at 0.977 significant variable is the total micro-lending micro-credit and asset quality has a positive relation to control activities (policies / procedures). This means that in the presence of control activities, the greater the total micro-credit banks, which are distributed and also the quality of productive assets, the bank will get better, so vice versa. While the result of a significant level of correlation coefficient of 0.023 < 0.05 sig which means the total micro-credit and asset quality has a significant relationship to the activities of bank control.

Test of Binary Logistic Regression Analysis

Policy Probability Influence to Total Micro Credit

The test results of Binary Logistic Regression can be seen from the table below:

1. Binary Logistic Regression Model

Variables in the Equation

	B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1 ^a TKM	4.825	2.115	5.204	1	.036	7.591
Constant	-1.546	.819	3.563	1	.042	.143

a. Variable(s) entered on step 1: TKM

Results of testing the binary logistic regression model with dependent variable control activities in the form of policies (Y) obtained the following equation:

$$Y = \ln \left(\frac{\pi}{1-\pi} \right) = \beta_0 + \beta_1 X_1$$

Where :

Y = Y = bound binary variable (Y = 1 and Y = 0) which indicates the variable control activities (policies / procedures) were coded 1 = no change and 0 = no change

$\ln \left(\frac{\pi}{1-\pi} \right)$ = Log odds

X₁ = independent variable

the research model.

While the results of the Hosmer and Lemeshow Goodness-of-Fit Test is a significance of 0.029 which indicates that $0,029 < 0.05$ sig so that H_0 is rejected which means a significant difference between control activities to the total micro-credit disbursed by banks .

3. Binary Logistic Coefficient Test

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	TKM	4.825	2.115	5.204	1	.036	7.591
	Constant	-1.546	.819	3.563	1	.042	.143

a. Variable(s) entered on step 1: TKM

In binary logistic regression, t test was replaced with a Wald test. Signifiknasi Wald reported in the SPSS printout. In the results above Wald value for the variable X (the total micro-credit) = 5.204 to 0.036 or 3.6% signifiknasi. This means the possibility of receiving 3.6% H_0 and accept H_a likelihood of 96.4%. It could also be said the effect of X on Y logistics variables significant at $\alpha = 5\%$.

a. coefficient for variable X (the total micro-credit):

$$= \left(\frac{B}{S.E.} \right)^2 = (4.825 / 2.115)^2 = 5.204. \text{ P-value} = 0.036 \text{ is smaller than } \alpha = 0.05, \text{ regression coefficient}$$

for the variable total microcredit significant.

b. for constants:

$$= \left(\frac{B}{S.E.} \right)^2 = (-1.546 / 0.819)^2 = 3.563. \text{ P-value} = 0.042 \text{ is smaller than } \alpha = 0.05, \text{ then the regression}$$

coefficients for significant variables constant.

Thus, the explanation of data processing results can be concluded that the dependent variable ie control activities had a significant influence on the independent variables (total micro credit).

Effect of Probability Policies / Procedures on the Quality of Productive Assets (KAP)

The test results Binary Logistic Regression on SPSS output results can be seen from the table below:

1. Binary Logistic Regression Model

Variables in the Equation						
	B	S.E.	Wald	df	Sig.	Exp(B)

Step 1 ^a	KAP	9.385	4.112	5.210	1	.042	6.266
	Constant	-43.750	21.586	4.107	1	.048	.583

a. Variable(s) entered on step 1: KAP

Results of testing the binary logistic regression model with dependent variable control activities in the form of policies (Y) obtained the following equation:

$$Y = \ln = \beta_0 + \beta_1 X_1$$

Where:

Y = bound binary variable (Y = 1 and Y = 0) which indicates the variable control activities were coded 1 = no change and 0 = no change

$$\ln \left(\frac{\pi}{1-\pi} \right) = \text{Log odds}$$

X₁, X₂ X_k = independent variable

β₀, β₁ = regression coefficient logit model.

$$\beta_0 = - 43.750$$

$$\beta_1 = 9.385$$

X₁ = KAP (asset quality)

So:

$$Y = \ln \left(\frac{\pi}{1-\pi} \right) = - 43.750 + 9.385 \text{ KAP}$$

Or

$$Y = \frac{\pi}{1-\pi} = \exp (- 43.750 + 9.385 \text{ KAP})$$

2. Accuracy Test Binary Logistic Regression Model

Omnibus Tests of Model Coefficients				Model Summary			
	Chi-square	df	Sig.		Cox & Snell R Square	Nagelkerke R Square	
Step 1 Step	7.121	1	.015	Step	-2 Log likelihood		
Block	7.121	1	.015	1	2.883 ^a	.680	.897
Model	7.121	1	.015				

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	4.103	3	.045

From the above data can be output omnibus test states that the results of chi-square goodness of fit is 0.015, which means less than 0.05 indicates that Ho is rejected which means if a significant difference between control activities to quality productive assets (KAP) bank.

The result of Cox and Snell R Square is the size of R2 in multiple regression based on likelihood estimation techniques with a maximum value of less than 1 (one) so it is difficult to interpret. Nagelkerke R Square is a modification of the Cox and Snell coefficient to ensure that its value varies from 0 (zero) to one (one). This is done by dividing the value of Cox Snell R square with its maximum value. Nagelkerke R2 value can be interpreted as the value of R2 in multiple regression. Viewed from SPSS output with a value of Cox Snell R Square of 0.680 and Nagelkerke R2 value is 0.897, which means the variability of control activities in the provision of credit that can be explained by variability in the quality of productive assets (KAP) of 89.7%. and the rest 10,3% influenced by other variables outside the research model.

While the results of the Hosmer and Lemeshow Goodness-of-Fit Test is a significance of 0.045 which indicates that 0.045 < 0.05 sig so that Ho is rejected which means if a significant difference between control activities on the quality of productive assets (KAP) bank.

3. Binary Logistic Coefficient Test

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	KAP	9.385	4.112	5.210	1	.042	6.266
	Constant	-43.750	21.586	4.107	1	.048	.583

a. Variable(s) entered on step 1: KAP.

In binary logistic regression, t test was replaced with a Wald test. Signifiknasi Wald reported in the SPSS printout. In the results above Wald value for the variable X (KAP) = 5.210 to 0.042 or 4.2% signifiknasi. This means the possibility of receiving 4.2% Ho and accept Ha likelihood of 95.8%. It could also be said the effect of X on Y logistics variables significant at $\alpha = 5\%$.

a. coefficient for variable X (the total micro-credit):

$= \left(\frac{B}{S.E.}\right)^2 = (9.385 / 4.112)^2 = 5.204$. P-value = 0.042 is smaller than $\alpha = 0.05$, regression coefficient for KAP variables significant.

b. for constants:

$= \left(\frac{B}{S.E.}\right)^2 = (-43.750 / 21.586)^2 = 4.107$. P-value = 0.048 is smaller than $\alpha = 0.05$, then the regression

coefficients for significant variables constant.

Thus, the explanation of data processing results can be concluded that the dependent variable ie control activities had a significant influence on independent variables (KAP).

Conclusions & Suggestions

Conclusion

Based on the research and discussion on this research, it can be concluded as follows:

1. The existence of control activities conducted in the form of changes in policies / procedures in the provision of micro credit have a significant effect on total micro credit which the Bank Nagari Pasar Raya Branch Padang. Where the contribution of variability in control activities in the provision of credit that can be explained by the variability of total micro-credit amounting to 80.1% and the remaining 19.9% are influenced by other variables outside the research model. Meanwhile, if viewed from a significant level of coefficients in the test via t test or Wald test also called for the variable X (the total micro-credit) = 5.204 with signifknasi 0.036 or 3.6%, which means the possibility of receiving 3.6% Ho and accept Ha possibility amounted to 96.4%. It could also be said the effect of X on Y logistics variables significant at $\alpha = 5\%$, where Ho is denied the means to control activities significantly influence the total micro credit in Bank Nagari Pasar Raya Branch Padang.
2. The existence of control activities conducted in the form of changes in policies / procedures in the provision of micro credit have a significant effect on the quality of productive assets (KAP) which is in Bank Nagari Pasar Raya Branch. Where the contribution of variability in control activities in the provision of credit that can be explained by the variability of KAP of 89.7% and the remaining 10.3% are influenced by other variables outside the research model. Meanwhile, if viewed from a significant level of coefficients in the test via t test or Wald test also called for the variable X (KAP) = 5.210 with signifknasi 0.042 or 4.2%, which means the possibility of receiving 4.2% Ho and accept Ha possibility of 95, 8%. It could also be said the effect of X on Y logistics variables significant at $\alpha = 5\%$, where Ho is denied the means to control activities significantly influence the quality of productive assets (KAP) in Bank Nagari Pasar Raya Branch Padang.

Suggestion

In the banking activities of credit is one important activity for the bank and make a significant contribution, especially in micro, then based on discussions and observations of the author in Bank Nagari Pasar Raya Branch Padang there are a few suggestions to be conveyed, among others:

1. In this research shows that the presence of control activities that have a significant effect on the total provision of microcredit and quality of productive assets (KAP), Bank Nagari should further enhance control activities in micro-lending bank's financial performance for the better.
2. Improving control activities such as the precautionary (prudential banking) in micro-lending procedures because it is very important in the assessment of appropriate creditor to give credit to bad credit can be overcome by the bank.
3. Conducting training specifically to bank employees involved in micro credit delivery system of how to control activities that can run effectively is to increase understanding and skills of bank employees so that later will automatically improve the performance of the employees themselves.
4. Intense competition in the world of business including banking, then you should Bank Nagari innovations on the type of micro credit which will actually help people so that middle to lower economic growth, the better.
5. For other researchers who want to conduct similar research using a broader population so the results will be responsibility.

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www.banknagari.com

EFFECT OF LIQUIDITY AND PROFITABILITY TO BANK STOCK RETURN IN INDONESIA STOCK EXCHANGE (IDX)

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Abstract

The purpose of this study was to obtain empirical evidence about the impact of liquidity and profitability of bank stock returns are listed in Indonesia Stock Exchange (IDX). The population in this study were all banking companies listed in BEI in the period 2009 to 2010 ie by 29 banks. Of the entire population by 29 banks listed on the BEI the number of samples obtained as many as 26 banks. Data analysis technique used is multiple linear regression analysis. The result of these studies show that liquidity and profitability have a significant effect on stock returns.

Keyword: Liquidity, Profitability, Stock, Returns, BEI

Introduction

The government's policy to liquidate banks that are less healthy, so it can be felt increasingly sharp competition in the banking world. The banks continue to develop, especially banks that go public. Development carried out either in bank management and customer service. To develop business and closing the bank's losses could be experienced by the bank at any time, so that until recently many banks have market shares in both the local bourse and in the world stock exchange. Bank management should be able to keep costs as effectively and efficiently as possible and to develop income from assets (earning assets), each in full, in order to obtain survival advantage for the bank. One way of good bank management is to pay attention to liquidity, solvency, and profitability of banks.

As an overview, the following conditions of development in Indonesia liquidity as measured by the assessment Investing Policy Ratio (IPR), profitability measured by ROA, and stock return can be seen from several banks on the Stock Exchange from 2009 to 2010.

Table 1
Growing of Liquidity, Profitability and Stock Return on some Banking in IDX
(In Percent)

No.	Bank	Likuidity		Profitability		Stock Return	
		2009	2010	2009	2010	2009	2010
1.	CIMB Bank	12%	11%	2,75%	2,1%	43%	169%
2.	BCA	29%	8%	3,4%	3,5%	37%	32%
3.	Argoniaga Bank	21%	9%	0,18%	0,67%	11%	33%
4.	NISP Bank	21%	14%	1,79%	1,09%	31%	42%
5.	Permata Bank	12%	10%	1,4%	1,9%	63%	124%

Source : www.idx.com

Based on Table 1 above, it is known that several banking liquidity on the Stock Exchange the average has decreased from 2009 to 2010. This indicates that the ability of banks to meet obligations to its depositors also declined. Bank should be able to manage its liquidity in order to secure the debt and guarantees the customer savings could pay the customers at any time requested. Therefore the bank can be trusted. Similarly, the Bank should be able to manage its profitability, so that the bank makes a profit and be able to survive in a tough competition and evolved following the development of the market. So the impact on the growing number of clients and investors in the bank. With the high price of the shares and the amount of investment will strengthen the bank's solvency. Liquidity and profitability have an influence on stock prices. Therefore companies need to improve liquidity and profitability of the bank to attract investors to invest in the bank. With many investors looking for shares of the company will impact on the increase in bank stock returns.

Based on the above description which is the case in this study is how to influence liquidity and profitability of the bank stock returns in Indonesia Stock Exchange?. As for the research purposes in accordance with the problem above is to obtain empirical evidence about the impact of liquidity and profitability of bank stock returns are listed on the Indonesia Stock Exchange.

Literature Review

Previous Research

Research conducted by Primadoko (2005), Hidayat (2009) and Nurmalasari (2010) regarding the effect of liquidity and profitability of the bank stock returns are listed on the Jakarta Stock Exchange (JSX). The research results show that liquidity and profitability have an influence on stock returns.

Liquidity

Liquidity is the ratio to measure the ability of banks to meet short-term obligations at the time billed (Kasmir, 2007: 272). The greater this ratio the more liquid. To make the measurement of this ratio is used as follows Infesting Policy Ratio (IPR) as follow:

$$\text{IPR} = \frac{\text{Securities}}{\text{Total Deposit}} \times 100\%$$

IPR is the ability of banks in meeting their obligations to their depositors by liquidating securities it has, the higher the IPR will be higher bank liquidity to depositors. (Abdullah, 2004:269)

Profitability

According to Brigham & Houston (2001: 89), suggesting that profitability ratios show the combined effects of liquidity, asset management, and debt on operating results. Sartono (2001: 122), also said the same thing, namely the ratio of profitability is the ability of the company makes a profit in relation to sales, total assets, as well as their own capital.

Indicators used to analyze the profitability is the Return On Asset (ROA) as follows:

$$\text{Return On Assets} = \frac{\text{Net Income}}{\text{Total Asset}} \times 100\%$$

This ratio is used to measure the performance of bank management in managing the bank's finances are available to generate a profit after tax. The higher the ROA, the greater the level of bank profits are achieved so that the possibility of a bank in error will be smaller as well.

Stock Return

Return is the return of the results obtained from an investment. Stock return is divided into two kinds of return realization and expected return. Return the realization of a return that has occurred and is calculated based on historical data. Return important realization because it is used as one measure of performance of the company. Historical returns are also useful as a basis for determining the expected return in the future.

Return expectations of a return can be expected in the future investors. Unlike the return realization that nature has occurred, its expected return has not occurred. Return the stock can be obtained from the form of dividends and capital gain / loss. capital gain / loss is the difference more or less than stocks. Dividends are used to measure the performance of stocks based on dividend distribution, the greater the dividend the stock more attractive to investors. The higher the stock price indicates that the stock is more attractive to investors because the higher the stock price will result in a greater capital gain. Return realization used in this study is the capital gain / loss is often also called the actual return. According Jogianto (2000: 108), the magnitude dihitug acrual can return to the formula as follows:

$$R_{it} = \frac{(P_t - P_{t-1})}{P_{t-1}} \times 100\%$$

R_{it} = The level of profit share i in period t

P = The closing price of stock i in period t (period closing/last)

P_{t-1} = The closing price of stock i in the previous period

Research Methods

Population and Sample

The overall population who were the subjects of research (Arikunto, 2006: 130). The population in this study were all banking companies listed on the Indonesia Stock Exchange in the period 2009 to 2010 that as many as 29 banks. Sample is representative of the population studied. Sampling in this study using the technique of sampling purpose. Sampling technique is the purpose of sampling is based on a certain criteria in accordance with the purposes of research. Where these criteria must be met by the sample, such as: banking companies listed on the Stock Exchange from 2009-2010, the banking company which publishes the complete financial statements, banking firms have fiscal years ending on December 31 and the sample had no delisting (not listed) and conduct the initial offering for the new year of data collection. Of the entire population of 29 banks listed on the Stock Exchange of the obtained sample number as many as 26 banks. Because of the limited completeness of the data such as stock prices can not find a specific period because of new companies going public or have delisted. Thus the total sample to be used during the years 2009-2010 the 26 banks, then the sample (n) is $26 \times 2 = 52$. Here are the names of the banks are taken into the sample:

Table 2
Research Sample

No.	Banking Name	Code
1	Agromiga Bank	AGRO
2	Arta Graha Internasional Bank	INPC
3	Bukopin Bank	BBKP
4	Bumi Arta Bank	BNBA
5	Capital Indonesia Bank	BACA
6	Central Asia Bank	BBCA
7	CIMB Niaga Bank	BNGA
8	Ekonomi Raharja Bank	BAEK
9	Himpunan Saudara Bank	SDRA
10	ICB Bumi Putera Bank	BABP
11	Internasional Indonesia Bank	BNII

12	Kesekawaan Bank	BKSW
13	Mandiri Bank	BMRI
14	Mayapada Internasional Bank	MAYA
15	Mega Bank	MEGA
16	Negara Indonesia Bank	BBNI
17	NISP Bank	NISP
18	Nusantara Parahyangan Bank	BBNP
19	Pan Indonesia Bank	PNBN
20	Pundi Indonesia Bank	BEKS
21	Permata Bank	BNLI
22	Rakyat Indonesia Bank	BBRI
23	Swadesi Bank	BSWD
24	Tabungan Pensiunan Nasional Bank	BTPN
25	Victoria Bank	BVIC
26	Windu Kentjana Internasional Bank	MCOR

Source: www.idx.com

Types and Sources of Data

The data used secondary data, namely Indonesia Capital Market Directory of banking that has been listed on the Indonesia Stock Exchange and the nature of the data used is quantitative data. Sources of data in this study is the financial data on each bank of each end of the period during the analysis period of 2009 through 2010. Data obtained from the information center or reference Indonesian capital market through www.idx.com and www.finance.com that includes the issuer's annual financial statements and monthly individual stock prices.

Operational definition and measurement of variables

Dependent variable (Y)

Stock return is the return of the results obtained from an investment by calculating the difference in the current period's stock price with previous period. The stock return calculation uses the formula according to Jogianto (2000: 108) as follows:

$$R_{it} = \frac{(P_t - P_{t-1})}{P_{t-1}}$$

R_{it} : The level of profit share i in period t , P_t : The closing price of stock i in period t (the period from the closing / last) and P_{t-1} : The closing price of stock i in the previous period.

Independent variable (X)

a. Liquidity (X1)

Liquidity ratios measure a bank's ability to meet liabilities when billed. Liquidity is calculated by using IPR. The calculation is done using a formula according to Abdullah (2004: 269) as follows:

$$IPR = \frac{\text{Securities}}{\text{Total Deposits}} \times 100\%$$

b. Profitability (X2)

Profitability is the company's ability to generate profits. Profitability is calculated by using Return On Assets (ROA) as follows:

$$\text{Return On Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Asset}} \times 100\%$$

Data Analysis Techniques

Data analysis technique used is multiple linear regression analysis. Regression analysis is used to observe the effect of liquidity and profitability of bank stock returns. The model used is as follows (Algifari, 2000: 85):

$$Y = a + b_1 X_1 + b_2 X_2 + e$$

Where : Y = Stock Return
 X_1 = Likuidity
 X_2 = Profitability
 b_1, b_2 = Coefisien X_1, X_2
 a = Constanta

e = Error

Determination Coefficient Test (R^2)

According to Ghozali (2006: 83), the coefficient of determination (R^2) was used to measure how far the ability of the model in explaining the variation in the dependent variable. Seen the value of the coefficient of determination adjusted R^2 values ranging between zero and one. This correlation coefficient measures the percentage of variability in Y that can be explained by the variable X. independent In essence, the coefficient is a portrait of how far the variability of Y is affected by the variability of X. Symbolized by the coefficient of determination R^2 is defined as follows:

$$R^2 = 1 - \frac{\text{Deviation of the unexplained}}{\text{Total Deviation}}$$

hypothesis testing

t test statistics

This test aims to test the partial effect of independent variables on the dependent variable, assuming other variables are constant. The test results of the t-statistic performed using one-tailed test with α of 0.05 with the following criteria:

- If $T_{hit} > t_{tab}$ or $\text{sig.} < \alpha$ then H_0 is rejected and H_a accepted. This means that there is a partial influence of the independent variable on the dependent variable.
- If $T_{hit} < t_{tab}$ or $\text{sig.} > \alpha$ then H_0 is received and H_a rejected. This means that no partial effect between the independent variable on the dependent variable.

F test statistics

F test was conducted to examine the overall effect of the independent variable on the dependent variable, the following test criteria:

- If the $\text{sig.} < \alpha$ then H_0 is rejected and H_a accepted. This means that all independent variables have a

significant effect on the dependent variable

- If the sig. $> \alpha$ then H_0 is received and H_a rejected. Means that all the independent variables did not significantly influence the dependent variable.

Analysis & Discussion

Descriptive Statistics

Before getting into the research, need to know in advance the idea of descriptive statistics. Based on data obtained from the financial statements of each bank at the bank listed on the Indonesia Stock Exchange, it is known that the descriptive statistics in Table 3 below.

Table 3
Descriptive Statistics

	Mean	Std. Deviation	N
Stock Return	61,79	52,633	52
Likuidity	18,46	15,427	52
Profitability	1,2204	1,140	52

Source: SPSS processed

Based on Table 3 above, shows that the average stock return is equal to 61.79 while the deviation of stock returns is 52.633 so that the deviation is smaller than the average value of data that show that small deviations. The average value of 18.46 with a deviation of liquidity was 15.427, so that the deviation is smaller than the average value of the data showed a smaller deviation. While the average value of the profitability deviations are sebesar 1.220 with 1.140, so that the deviation is smaller than the average value shows a data deviation of the used small.

Analysis of Research Results

Multiple Linear Regression Analysis

To know the value of each variable in determining the regression equation, then the data processing

performed using the SPSS program, so the values obtained in the following table:

Table 4
Multiple Regression Analysis
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	78,670	16,522		,413	,165
	Likuidity	-,924	,234	-,447	-1,745	,014
	Profitabilit y	,151	,065	,410	1,739	,021

a. Dependent Variable: Return

Source : SPSS processed

Based on Table 4 above, note the multiple linear regression equations for the variables of this study are as follows:

$$Y = 78.670 - 0.924 (X_1) + 0.151 (X_2)$$

The numbers generated from the model above can be explained as follows:

a. Constant (b_0)

Constant values obtained at 78.670. This indicates that if the independent variable is zero, then the amount of stock return is 78.670

b. Regression coefficients (X_1)

Coefficient value of the variable X_1 (liquidity) of -0.924, meaning that if the liquidity variable increases by 1 unit then the return value of the stock would decline by 0.924, assuming other variables are zero independent. This means that liquidity is not proportional to a straight or negatively related to stock returns.

c. Regression coefficients (X_2)

X_2 coefficient value (profitability) of 0.151, meaning that if the variable profitability increased by 1 unit then the return value of the stock will also rise by 0.151, assuming the other independent variables

are zero. This means that profitability is directly proportional or positively related to stock returns.

Test coefficient of determination (R^2)

The coefficient of determination (adjusted R^2) is a useful test to determine the contribution of independent variables in explaining the dependent variable. The greater the value of the coefficient of determination will show the greater the influence of independent variables on the dependent variable. The value of the coefficient of determination shown in Table 5 as follows:

Table 5
Determination Coefficient
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,888 ^a	,789	,763	21,83800

a Predictors: (Constant), Likuidity, Profitability

Source : SPSS processed

Based on Table 5 above, it is known that the coefficient of determination value of 0.763 or 76.3%, which means that the contribution of independent variables in explaining the dependent variable is equal to 76.3% and the balance of 0.237 or 23.7% described for other variables that are not included in the regression model.

hypothesis testing

t test Statistics

Statistical t test was conducted to examine the influence of the partial between the independent variables on the dependent variable, assuming other variables are constant. This test is conducted by comparing the value t_{account} with t_{table} . To find out the value of a TTable can be seen in table t, with $\alpha = 0.05$ and degrees of freedom (df) = n-2 or 52-2 = 50. Results obtained from this test to a t_{table} by 1.676 to determine whether independent variables affect the dependent variable, it can be seen in the table as

follows:

Table 6
t test statistics
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	78,670	16,522		,413	,165
	Likuidity	-,924	,234	-,447	-1,745	,014
	Profitability	,151	,065	,410	1,739	,021

a Dependent Variable: Stock Return
Source : SPSS processed

From multiple regression models derived in table 6 above then, the following will explain the partial effect of independent variables on the dependent variable.

Liquidity

From the results of data analysis, values obtained $t_{\text{account}} > t_{\text{tab}}$ ie $-1.745 > 1.676$ at $\alpha = 0.05$ or $\text{sig} < \alpha$ ($0.014 < 0.05$), consequently H_0 rejected H_a accepted. This indicated that there was a significant effect between the level of liquidity on stock returns.

Profitability

From the analysis of data obtained value $\text{Thit} > \text{ttab}$ ie $1.739 > 1.676$ at $\alpha = 0.05$ or $\text{sig} < \alpha$ ($0.021 < 0.05$) consequently H_0 rejected H_a accepted. This shows that there is significant influence between the profitability of stock returns.

F test statistics

Based on Table 7 below, it is known that F_{account} value of 13.461 with a significant level of $0.000 > 0.05$. This means that the liquidity and profitability variables have a significant influence on stock return

variables.

Table 7
F test Statistics
ANOVA^b

Mode		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10339,826	2	5169,913	13,461	,000 ^a
	Residual	337902,8	49	6895,976		
	Total	348242,7	51			

a. Predictors: (Constant), Likuidity, Profitability

b. Dependent Variable: Stock Return

Source : SPSS processed

Liquidity and profitability influence on stock returns

Based on the analysis of the data that F_{account} value of 13.461 with a significant level of 0.000 < 0.05. This means that the liquidity and profitability variables have a significant influence on stock return variables. Banks that have high liquidity are also more likely to have assets that can be withdrawn at any time without decreasing its market value (selling securities). If you obtained the profitability high enough, it can be assumed that they operate effectively. This will impact the share prices of these companies will also increase. In other words, the profitability will affect stock prices. These results are consistent with findings Ariyadi Primadoko (2005). Research results that liquidity and profitability has a significant influence on stock returns.

Conclusion

Based on the results of research and discussion it can be concluded that the liquidity and profitability has a significant influence on stock returns.

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CHANGES IN ATTORNEY IN THE PROCESS OF PRELIMINARY EXPLORATION AND INVESTIGATIONS ACCORDING TO CODE OF CRIMINAL PROCEDURE ADOPTED IN 2013 IN THE ISLAMIC REPUBLIC OF IRAN

Mohammad Habibi¹

Abstract

The degree of a lawyer's intervention as a specialist aware of judicial delicacies who attends as an attorney along with the accused in trial, has always been a conflicting point for a lot of scholars. Accordingly, in the previous law, the legislator following amendment to Article 128 of the General and Revolutionary Courts Procedure Code in Criminal Matters adopted in 1999, considers the presence of an attorney in the investigation stage in three cases and takes it subject to the prescription of the court. However, the legislator, in 2013, amended a lot of problems in the previous law in the new one and in Article 190 of Code of Criminal Procedure, considers the defense rights of the accused. Accordingly, "the accused can have with him or her one attorney in the preliminary investigations".

Keywords: attorney, Code of Criminal Procedure, Preliminary investigations.

Introduction

The occurrence of liberal and democratic revolution in Europe and America since the 17th century against the dictatorship of kings, resulted in the turn of attention of scholars to the issue of respect to humans' natural rights, implementation of a fair trial and protection of the right to defense for the accused. Following this issue, thinking to develop and expand individuals' rights and freedoms, the global society took effective steps and in 1948 and 1968, by adopting the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights, clearly declared the right of having an attorney in different stages of proceedings as one of the basic guarantees supervising the right to defense in the mentioned documents is predicted and countries members are obliged to observe it and comply their rules and regulations with these principles. The procedure of organizing the present article is in such a way that after stating the introduction, the review of literature is to be discussed and in the next stage, internal and international studies conducted on this subject are to be investigated and at last, the investigation of the role of an attorney in Code of Criminal Procedure is presented and finally, the article reaches some conclusions.

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Review of literature

The advent of attorney in Iran as other countries such as Greece, France, and Italy refers to the advent and establishment of rules and judges in the society in such a way that in Ancient Iran (before Islam) and also in the periods before Sassanid Government, no rule was adopted for attorney, but with some investigations, it can be clear that in the justice sector to the Achaemenid Period and particularly in Cyrus's Government, there were some people familiar with rules and judicial system and were able to defend others (Razi, 1983) in such a way that they are referred to as speakers of law (Durant, 1997).

The degree of the intervention of an attorney as a person specialist and aware of judiciary delicacies and attends the court as the lawyer of the accused in proceedings has been always considered as a conflicting area for scholars. Traditionally, an attorney have been prohibited to participate in the stage of preparing documents, i.e. the stage of preliminary investigations (police investigations) and primary investigations (prosecutors' investigations) due preventing the occurrence of hindrance on the path exploding truths. But in recent decades and under the shadow of the principle of equality of arms also known as the principle of correspondence, between the pursuing institution and the accused, the right to have lawyers in this section of proceedings remained undoubtedness. Therefore, the significance of the role of lawyers in criminal procedures can be referred to (Mazaheri, 2006). Code of Criminal Procedure is considered as a branch of general civil rights and takes the role of a legal vitrine in the legal system of each country. Code of Criminal Procedure in Iran has a longer life than other laws and regulations (Fahimi, 2013).

The first Iranian Code of Criminal Procedure was approved in the Constitution Era under the title of "Rules of Criminal Procedure" in Ramadan 9, 1330 AH which was adapted from the Code of Criminal Investigation adopted in France in 1808. This law was regularly amended and under the conditions and situations current in Iran before and after the Revolution among which one can refer to amendments before the Revolution in 1311 (1933)¹, 1335 (1957)², 1337 (1959)³, 1339 (1961)⁴, 1341 (1963)⁵, 1352 (1973)⁶, and 1356 (1977)⁷. In addition, after the Revolution, this law was frequently amended. For example in 1361 (1982)⁸, 1363 (1984)⁹, 1373 (1994)¹⁰, 1381 (2002)¹¹, and 1392 (2013)¹² (Bagherpour, 2005 and Fahimi, 2014).

In this line, in the previous law, the legislator following the amendment to Article 128 of the General and Revolutionary Courts Procedure Code about criminal affairs adopted in 1999, in three cases makes the presence of lawyers in the investigation stage exceptional and depends it to the prescription of the court. However, the legislator amended a lot of problems of the previous law in adopting the new law in 2013 and in the Article 190 of the Code of Criminal Procedure, it considers defense rights of the accused based

¹ Frequent incorporation of Article 59

² Bill to amend Part of the Code of Criminal Procedure (Article 8-162)

³ Bill of amending the Code of Criminal Procedure (Article 169 until the end)

⁴ The trial in absentia

⁵ Fair house law

⁶ Amendment to Article 40

⁷ An Act to amend the Criminal Procedure Code, amended 30 articles of amendment 318

⁸ Reformation of laws amending the Criminal Procedure Code and its appendices

⁹ General and Revolutionary Courts of law with 38 articles and 21 amendments

¹⁰ Public and Revolutionary Court bill amending Article 158 to Article 308

¹¹ Act to amend the Public Courts

¹² Amending the Code of Criminal Procedure Article 700

on which “the accused can have with him or her one attorney in the preliminary investigations and this right should be communicated and explained to the accused before the beginning of investigations by the persecutor. If the accused is summoned, he has this right is written in the subpoena. The lawyer of the accused can declare those issues necessary for obtaining the truth and defending the accused or enforcing the law. The lawyer’s statements are written in the agenda”.

In the Code of Criminal Procedure adopted in 2013, the presence of lawyers in investigations has been mentioned so that the word lawyer has been mentioned more than 80 times in the new law. This issue indicates the particular attention of the legislator to the necessity of lawyers’ intervention in the proceedings. In the Article 190 of the Code of Criminal Procedure adopted in 2013, the intervention of lawyers in the primary investigation stage has been mentioned in such a way that the accused has the right of having lawyers from the stage when he or she is under the control of police or security forces to the end of primary investigations (Articles 48 and 190 of the Criminal Procedure Code Act adopted in 2013).

Kai (2003) in a research titled as “International Code of Criminal Procedure: adversarial, inquisitorial or mixed” investigated this issue that whether International Code of Criminal Procedure are adversarial, inquisitorial or mixed. The results indicated that the mentioned rules have been developed with frequent amendments in the Procedure and Evidence of the International Criminal Tribunal for the former Yugoslavia and Draft Statute of Rome from an adversarial system into a truly integrated justice system. This rules have mixed elements written in the Common Law with an international Criminal procedure and stated that the criminal procedure is truly mixed and requires this issue that prosecutors, attorneys and judges have sufficient information of both the Common Law and written law.

Al-Ghazat (2007), in a research investigated professional authorities in inspection for in the Code of Criminal Procedure of Jordan. The results indicated that in the Code of Criminal Procedure of Jordan, the only resources which can hear conversations is the attorney general and the Article 88 emphasizes it. In addition, it stated that the problem of the legislator is that the law has not identified the duration of hearing phone calls. Finally, it concluded that controlling phone calls whether via phone or via devices for eavesdropping is not considered prohibition however it has been recorded on a tape.

Maleki (2002) in a study investigated the attorney and its deficits in the Code of Criminal Procedure Act adopted in 1999. The results of this investigation indicated that attorney in criminal procedures faces a gap and existing laws have deficits in taking their role as a complementary one along with international attitudes as well as principles and aims of the Institution, while it was expected that the Public and Revolution Courts Procedures in Criminal Matters Act adopted in 1999, after 20 years of legislation experiences can present comprehensive regulations coordinated with judicial needs.

Mirkamali (2011) investigated the status of victims in the Code of Criminal Procedure of Germany. The results of the present study indicated that presenting a definition of victims and explanation of its status in the process of criminal procedures may result in the transformation of the existing meaning of criminal procedure. In fact, determining the status of victims in the criminal procedure is very important. It is an issue to which the German legislator has paid little attention and the reason can be the commitment of the legal system of Germany to the traditional inquisitorial judiciary system.

After more than ten years from preparing the first draft of the new Code of Criminal Procedure with

Article 570 and 230 adopted by the meeting dated 2013 Judicial and Legal Commission of the Islamic Consultative Assembly, according to Eighty-fifth Article of constitution submitted to the Assembly as a bill, after the approval of the Assembly and with its trial for three years as well as the confirmation of the Guardian Council in 2013, it was published in 2014 under the number 20135 in formal newspapers in Iran. According to the Article 569, it should be enforced after six months spent from the history of its publication in formal newspapers. Finally, this law was enforced in 2015.

Primary investigations

Article 90 of the Code of Criminal Procedure Act adopted in 2013 states that “primary investigations is a set of legal measures on the part of a persecutor or other judicial authorities for preserving documents and collecting evidences of crimes, as well as identifying, finding, and preventing fleeing or hiding the accused”.

Another legal innovation of the new law was the separation of the persecution authority (the persecutor) from the investigation authority (interrogator) because according to Article 92 and its amendment, doing primary investigations of all crimes is the duty of the interrogator and in specific conditions, it can be done by the persecutor or the assistant prosecutor. It should be noted that the position of assistant prosecutor is used for affairs such as reference and presence in the court (Articles 23 and 88 and 92 and 451 of A.D.K. Law).

Article 19 of Code of Criminal Procedure adopted in 1999 states that “primary investigations is a set of measures used for exploring crimes and preserving documents and evidence of their commitment as well as persecuting the accused from the beginning of prosecution to surrendering to the judicial authorities”.

Article 90 of the same Article 19 of the former law which is mentioned in the new law without any change, but the problem which is in the definition of primary investigations is that the issuance of the command of criminal supply and final statement signifying the prohibition of prosecution or seizure for proceedings at the end of investigations is available in the final stage of primary investigations and it has not been stated. It should be noted that in the former law, if an interrogation authority believed in a defendant's fault, he would impeached against the accused (A paragraph of Article 3 of the General and Revolutionary Courts adopted in 2002).

However, in Article 265 of the Code of Criminal Procedure Act of 2013, it has been mentioned that “the interrogator, in case of the criminality of the committed act and the existence of sufficient evidence for assigning the crime to the accused, the command of seizure is issued for the persecution and ...). Therefore, the conversion of the command of culpability into the command of seizure and persecution is among other innovations in the new law because the court is the resource of doing investigations and as far as a final judgment is not issued for the conviction of someone, no one can state about the culpability of him, otherwise it is contrary to the presumption of innocence. Under the shadow of this principle, all people are considered innocent (Article 4 of the Code of Criminal Procedure adopted in 2013 and Article 37 of the constitution).

In the former law, the attorney had not the right of physical presence in investigations and also he or she did not have the right to comment. These deficits and problems were amended in the new law and the

world attorney is mentioned in the new law for more than 80 times. This issue indicates that the special attention of the legislator to the necessity of attorneys' intervention in the process of proceedings. In Article 190 of the Code of Criminal Procedure adopted in 2013, the attorney's intervention in the primary investigation stage is predicted so that the accused has the right to have a lawyer from when he or she is under the supervision of enforces to the end of primary investigations (Articles 48 and 190 of the Criminal Procedure Code adopted in 2013).

Right to be aware of rights

According to Article 5 of the new Code of Criminal Procedure, the accused should be aware of the subject and evidence of alleged accusation and have the right to have lawyers and other defensive rights in the mentioned law. Article 6 of this law states that the accused, victims, witnesses, and other parties must be aware of their rights in the proceedings and the mechanisms of observing and guaranteeing this rights must be provided". Furthermore, according to Article 7 of the mentioned law, in all stages of criminal procedures, observing citizenship rights mentioned in the law of respecting legitimate freedoms and preserving citizenship rights adopted in 2004 are necessary for all judicial authorities, officers of justice, and other individuals intervening in the proceedings. Violators, in addition to compensating damages, are condemned to the penalty prescribed in Article 570 of the Islamic Penal Code (sanctions and deterrent penalties adopted in 1996), unless in other rules, more severe penalties are prescribed". This is while that so far, there is no mention if the accused's right to be aware of his or her rights including having lawyers with him or her and only in the law of preserving citizenship rights, it has been mentioned. This law has not have enforcement and it seems that it is advisory. However, fortunately the legislator to make proceedings more adversarial and observing the preservation of rights of litigants, has developed new commands. Undoubtedly, the presence of lawyers in the process of primary investigations and realization of fair proceedings can provide the decision of the legislator in preventing the lengthening of criminal procedures via clarifying the limits of accusation, the quality of evidence, and the creation of the space of obtaining evidences about potential evidence for judicial authorities in line with exploring truth and awareness of people and even the interrogators' authority rom individual's rights in the society.

The under supervision stage is the one which the accused is under custody by the police in such a way that this stage of seizure is due to the specific conditions governing it about the accused's rights has great significance (Ashouri and Sepehri, 2013).

The presence of lawyers in the under supervision stage

By a new measure, and according to Article 48 of the A.D.K. adopted in 2013, "by starting the supervision of the accused, he can demand the presence of a lawyer. The lawyer should visit the accused by observing and considering the confidentiality of investigations and negotiations and the end of visiting the accused which cannot be more than one hour, he or she should provide his or her written submissions for recording it in the case". However, according to the amendment of this article, "if a person is under supervision according to Article 302 of this code due to committing one of the organized crimes or crimes against the domestic or foreign security, theft, trafficking drugs, or crimes related to paragraph A (crimes

which result in death”, B (crimes results in life imprisonment, and C (crimes related to amputations and intentional crimes against physical integrity with the third of the blood money or more), until one week after the beginning of the supervision, there is no possibility of visiting the lawyer”. Although the mentioned limitations are contrary to the accused’s defensive rights, this time, while the law has not been enforceable, amending the Code of Criminal Procedures was presented in the Assembly in 2015 and then approved by the Guardian Council. According to this law, the mentioned amendment was deleted and instead it was mentioned that “in case of crimes committed against national and foreign security as well as organized crimes whose penalties are included in Article 302 of this law, in the primary investigations stage, litigants select their lawyers from among official lawyers approved by the Head of the Judiciary. Names of mentioned layers are announced by the Head of the Judiciary.

Among the most important upheavals created in the new law of the Code of Criminal Procedures is that as long as a person as an accused is under supervision, he or she can demand to visit his or her lawyers. In this visiting which should not prolong for more than one hour, it is necessary that the confidentiality of investigations and negotiations should be considered and finally, the lawyer can present some points providing his or her client’s rights for recoding in the judicial file. Although the deletion of the former amendment to Article 48 was an appropriate measure, the approval of the new amendment and creation of a new layer of lawyers as those confirmed by the Judiciary Power is contrary to the status of lawyers’ community because on the one hand, lawyers to be a lawyer, during formal and spiritual ceremonies, are burdened to swear in the “Inauguration”. The question is that what difference is between inauguration of judges with that is of lawyers conducted in line with respecting rules and sanctities of the Islamic society and protecting property and lives of people based on the law that the legislator considers the confirmation of the Head of the Judiciary Power as the confirmation of the qualification of lawyers? On the other hand, lawyers, legitimately, legally, and morally consider themselves as loyal to professional principles such as keeping secrets of the society “whether in security or non-security crimes” and people. Therefore, if we want to limit lawyers in these regards, it is contrary to the philosophy of inauguration and assignment of enforcement for confidentiality. In fact, one of the important tasks of a lawyer in criminal affairs is to help exploring truths and contributing to the judicial system in regard. Cooperation of judges and lawyers can provide criminal justice appropriately in the society, victims, and the criminals.

The presence of lawyers in primary investigations

Contrary to Article 128 of the former Code of Criminal Procedure, Article 190 of the new Code states that “the accused can have a lawyer in the primary investigations stage. This right should be explained to the accused before the beginning of investigations by the interrogator. If the accused is summoned, this right should be mentioned in the summon sheet and he should be announced of it. The lawyer can states some issues for exploring truths and defending the accused or enforcing the law by obtaining information from the accusation and its reasons. Lawyer’s statements should be written in the agenda”. This article is among the innovative and advancing cases in the new law which is compatible with fair justice principles, while in the former law, the legislator has not considered such a right for lawyers.

The amendments of this article contain new terms in Iranian Legal System. According to Amendment 1,

“denial of the right of having a lawyer or no explanation of this right to the accused result the incredibility of investigations”. It should be noted that this amendment was deleted in legal amendments and instead, it was mentioned that “denial of right to have lawyers and no explanation of this right to the accused result in penalties grade 8 and 3”. Although the legislator determines enforcements for not observing the right of the presence and intervention of lawyers in primary investigations and considers denial of the right to have lawyers as a penalty, and there have been no guarantee about supporting lawyers in none of former laws in Iran, the deletion of former enforcement indicating nullity of the investigation and its replacement with light enforcement for different judicial authority are unexpected issues. It appears that the presence of lawyers during investigations has not been considered significance yet. In addition, light punishment grade 8 for a judge cannot guarantee the right to have lawyers in all investigations.

Amendment 2 of Article 190 states that “in crimes whose punishment is death or Life imprisonment, if the accused does not introduce any lawyer in the primary investigations state, the interrogator select a public defender”. According to amendment 3, “in case which this article and the accusation is against chastity, the provisions of Article 191 are enforced”. As follows, Article 191 which to some extent has created some limitations for the investigations of suits by lawyers is referred to. According to this article, “if the interrogator consider investigation or access to all or some part of documents and evidences of the case as contrary to the necessity of exploring truth, or the issue is among crimes against domestic and foreign security with mentioning reasons, he issues the command of their inaccessibility. This command is announced to the accused or his/her lawyers in person and in three days, it is contestable in court. The court is obliged to investigate the contest and decide in extraordinary time. “The necessity of issuance of the command of inaccessibility to the judicial file which must be with mentioning reasons and also the possibility of protesting it, can prevent a lot of arbitrary actions of judges which may result in violating rights of the accused and guarantees the accused’s rights in a more completed way. Even, the legislator has decided that in case of empathic questions or other cases violating the law by interrogators, the lawyer can warn him (amendment 11 of Article 195). All these upheavals in the new law indicate the significant attention of the legislator to the accused’s rights and exerting efforts for making the primary investigations accusatory.

Now, it is worthy that other changes about the status of lawyer in the process of criminal procedure in the new law be investigated. The right to select an “appointed lawyer” and to have public defender and assistant lawyer” indicates the significance of the role of lawyers in determining the fate of realizing rights in the society and the undeniable effect of it in fair trial emphasized in the new law. According to Article 371 of the new law, “before the end of trial, if the private plaintiff has a new issue about the complaint, it should be heard and the persecutor or his agent can state his comment. The court is obliged to allow the accused or his/her lawyer to state their last defenses before the hearing ends. When the accused or his/her lawyer state something in the last defense which can be effective in exploring truths, the court is obliged to investigate it”. In addition, according to Article 346, “in all criminal affairs, parties can introduce their own lawyers. In case of multiple lawyers, the presence of one of them is enough for taking place the court and trial”. According to the amendment of this article, “in non-criminal cases, the issue of qualification of the criminal court, each party can have maximally two lawyers”. According to

Article 347 of this law, “the accused can demand for determining a lawyer until the end of the first session of investigation in the court. The court is obliged that, in case of the accused’s financial debility, determine a lawyer for him or her from among lawyers of the jurisdiction or from the nearest jurisdiction. In amendment 2 of the article, it is stated that in case of crimes whose punishment is death or life imprisonment, if the accused does not introduce any lawyer, the interrogator selects a public defender for him or her. In amendment 3 of this article, it is stated that if accusations are related to the violation of ethics, the provisions of Article 191 are enforced”. In addition, according to Article 348 of the mentioned Law, “in crimes subject to paragraphs a, b, c, and d of Article 302 of this Law (important crimes), the trial session cannot be take place without the presence of the accused. In crimes whose punishment is death or Life imprisonment, if the accused does not introduce any lawyer in the primary investigations state, the interrogator select a public defender. If the public defender is not present at trial without announcing reasonable excuse, the court discharges him or her and determine another one. The public defender’s honorarium is paid by the funds of the Judiciary Power”. It should be noted that according to Article 350, “in case that the accused has a lawyer, except for crimes subject to paragraphs a, b, c, and d of Article 302 of this law (crimes related to amputations and intentional crimes against physical integrity with the third of the blood money or more) and in cases which the court considers the presence of the accused necessary, the absence of the accused in the trial does not prevent the trial. According to Amendment 1, the right to have a lawyer or no explanation of this right to the accused result the nullity of judicial investigation”.

Conclusion

The degree of the intervention of a lawyer as a person specialist and aware of judiciary delicacies and attends the court as the lawyer of the accused in proceedings has been always considered as a conflicting area for scholars. Traditionally, an attorney have been prohibited to participate in the stage of preparing documents, i.e. the stage of preliminary investigations (police investigations) and primary investigations (prosecutors’ investigations) due preventing the occurrence of hindrance on the path exploding truths. But in recent decades and under the shadow of the principle of equality of arms also known as the principle of correspondence, between the pursuing institution and the accused, the right to have lawyers in this section of proceedings remained undoubtedness. Therefore, the significance of the role of lawyers in criminal procedures can be referred to. Code of Criminal Procedure is considered as a branch of general civil rights and takes the role of a legal vitrine in the legal system of each country. Code of Criminal Procedure in Iran has a longer life than other laws and regulations. In the former Code of Criminal Procedure adopted in 2013, the presence of lawyers in investigations has been mentioned under some conditions and they had no right to state their ideas and intervention in investigations. These deficits were amended in the new law so that the word lawyer has been mentioned more than 80 times in the new law. This issue indicates that the special attention of the legislator to the necessity of attorneys’ intervention in the process of proceedings. In Article 190 of the Code of Criminal Procedure adopted in 2013, the lawyer’s intervention in the primary investigation stage is predicted so that the accused has the right to have a lawyer from when he or she is under the supervision of enforces to the end of primary investigations.

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CONTINUOUS ASSESSMENT BASED ON ACADEMIC ACHIEVEMENT

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Abstract

Academic achievement of students in one of the goals of education in the world and strive to identify factors affecting academic achievement and each of these factors to guide the students to set and achieve higher learning and development Andover large number of students .One of the factors discussed in this article has been its impact on academic achievement, continuous evaluation, that is ,the evaluation must be current ,and the student must known to only judged with as core, but all his actions and efforts to score. This article aims to review the continuing evolution as a qualitative research method based on academic achievement and library studies develop educing Fish. And tries to evaluate the training and the emphasis to pay on the continuing evolution and achievement and then change the focus of the formative evaluation examined the final evaluation and the results of the continuing evolution of the achievement described.

Keywords: continuous assessment, evaluation, educational attainment.

Introduction:

Necessary of education and training, while the complexity and difficulty of real education, something that all nations of the world more or les saw are of it, Thus, every lively nation according to cultural background and social conditions and in accordance with the means at its having, special system to achieve its ideal goals and then provide the foundations for the necessary arrangements, it is implemented on time ,we hope that perhaps in this way can their children according to their own education, and consequently help to improve social life. How ever, rarely accepted that the educational system answerable for people of any country.

That is why the education system of each country, to human nature and the possibilities and limitations of development, the ideals and goals of the community is planned based on taking into consideration the current situation and considering. And the results are evaluated continuously performed(Hashemi, 1378: 4). It should be noted that the educational systems over small issues and public education have to pay attention to issues of quality education a phenomena. And improving the quality of educational resources and equipment through the main factor in the educational system, the "teacher" and targeting have been

considered(Sharma, 2001). Because in an efficient education system and various components of the curriculum, learners, teachers, educational materials, space and equipment, budget, etc ...interact with each other. To achieve the goals expected to enable, in addition to any of the components independently of the quality and efficiency of the treatment is necessary. The teacher's role has got active plays in providing the right conditions for learning. And it is essential competencies required to perform such a role is in education(Malaki, 1386)

One reliable way to achieve thesis formative evaluation of the teacher does during the teaching process. And to clarify the strengths and weaknesses of learners basis for modification, repair and strengthening of teaching-learning provides. Black and Williams(1998) also believe that one of the key factors in the promotion of education through classroom assessment of effective feedback to students. In fact, the effect of the feedback is so strong that some experts have called it a basic principle of learning and motivation.

¹-Sharma

2.Black & William

Educational advancement of scientific and practical point of view is important. One important factor is the acceptance and adoption in the classroom is important to get different jobs, Therefore, every year a large number of studies allocated to, considering the importance academic achievement and its effect on life must also variables that are associated with this concept are identified and evaluated that among these are: talent, mental abilities, family environment, personality traits, etc. (Erfani, 1388)The study of factors affecting academic achievement in the continuing evolution as an evaluation of the student's curriculum. The achievement in the business of learning material set thetas lesson or materials provided to students during a school year. Progress means doing an action to obtain the desired effect and supremacy in a skill or a group of information(shoari nzhad,1389: 21)Achievement of success of students in the study indicate that testis quantifiable (HosseiniNasaband AliAghdam, 1375: 54).Continuous evaluation of the teaching-learning process reintegrated And continued throughout the course, this type of evaluation, focus both on the process of learning and learning efficiency or product results for teachers and students to provide feedback that show to achieve the goal of education, teachers using this feedback on compliance with the program and methods of teaching and learning needs of students decides. Formative assessment and continuous feedback from the students the opportunity to learn what to consider, skills and develop their in tell actual abilities and to gain awareness of their strengths and weaknesses, in order to achieve the educational goals, solve problems and develop and strengthen their positive aspects of step(Shabani, 1391)With this article, this article attempts to answer those questions, Is continuous assessment can be used as the basis for student achievement or not? And what strategies and options can be used to increase academic achievement by taking advantage of the continuing evolution in the process of teaching-learning presented?

The importance and need for research.

Today, as one of the pillars of sustainable development, education and general well-known, And any country in the world, allocated a large part of their income to the development, improvement and efficiency. In fact, education is the fundamental unit of human society, one of the main objectives

of the children's education and their academic success. And all strive to identify factors affecting it, and each of the factors setup for students to grow and learn more reach (Qashqai, 1383). Analysis of the research literature in this area suggests that many factors play a role in predicting academic achievement. These factors include family background, personal experience, training, education level of parents, encourage and educational expectations of parents, school climate, teacher support and training is expectation (Abedi, 1388) Education is one of the institutions in which human capital and intellectual property is used. And reliability is that the curriculums the most importance on statement of the heart. The design consists of four elements: clearly formulated objectives, choice of content, learning experiences and educational supplies and determining effective methods of teaching and set evaluation criteria (Pvrzhyr, 1392) Emphasis on final assessment and lack of attention to the learning process whereby ignore the skills compare to see similarities and differences, to discover causal relationships, temporary displacement of cause and effect, reaching the example of the rule of formulation and evaluation of phenomena studied example.

International assessments such as TIMSS design and project the ABC show education and training of our products due to lack fundamental skills of thinking, in terms of sustain ability and the use of new information and are unable to solve the problem, while for the memories and knowledge are of considerable reserves (Kyamsh, 1378: 70). It is important to consider the human advanced societies, thanks to the development of education and cross comprehensive development the development of education, the most important criterion, and several factors play a role in training is the system of evaluation and testing. Training can be defined as the process of interaction between teachers and students which appropriate learning experiences for the students' educational goals is provided. In traditional education as the last test and evaluation process of teaching and learning circles considered. At the end of the course was used to separate students with different learning abilities. The continuous evaluation and testing process of teaching and learning are an integral part. Along with education and inter connected it is done in a manner consistent and instead classify and compare them with each other to guide students to focus their learning offers (Rastgar, 1385).

Educational Evaluation:

According to Patton definition of "program evaluation is to gather information about the activities, characteristics and out comes program to judge the program is to improve the effectiveness of information for decision-making and planning for the future" (quoted from the Bazirgan, 1386: 32)

Educational Evaluation is the process of judgments and decisions based on the evidence collected to determine the level and rate of learning, learners and learning goals can be a tool to improve a training program or course considered" (Abdullahi, 1387: 230).

In another definition assessment of progress in measuring performance and comparing the results with the aim of training learners predetermined, in order to make a decision about whether teacher training activities tried by learning how have led to the desired results, define. Evaluation of the content and

quality of education affects(Cheng andAtanab, 2004: 240).

Kirkpatrick(2008) identified three reasons for the evaluation of the training is:

- 1.Explain the reasons for the importance of education in achieving the goals and missions of the organization.
- 2.The decision to continue or discontinue training programs.
3. The information to improve future training programs.

Evaluation types.

Different divisions of the assessment has been done on the whole it can be said that a variety of diagnostic assessment, continuous assessment, the final assessment(cumulative), evaluation criteria, evaluation of normative, informal and formal evaluation of internal and external evaluation, assessment, spiral, Evaluation network, bridge evaluation, because of the connection with the evaluation of the study, only three types of the diagnostic evaluation, continuous and cumulative final evaluation will be discussed: Diagnostic evaluation: this evaluation is informal, continuously to assess the training needs of students and the ability to identify and determine the status of the students and program compatibility done at the beginning of class. And usually before any teacher will teach students to recognize his knowledge. And found that his students what level of information and training for the information and what information they should have. Or part of the content that will teach students what they know and what prerequisites need to in order to learn. And teacher's evaluation of students 'education al assessment to identify training and is usually the first step will pursue two main objectives.

A- Student's placement in the right place to start training.

B-The discovery of the causes of learning difficulties in achieving educational goals.

Continuous assessment:

Continuous assessment tool to identify and help improve student learning in courses throughout the day. This assessment is continuous throughout the day in the classroom to improve teaching and learning and informing teachers and students analyzed the progress of students. Ongoing assessment and training program evaluation, and aims to contribute to the improvement of education plans. The results of the evaluation process as a basis for modifying the nature of the program during its development and formation for this credit, the purpose of the evaluation process to help decision-makers to make rational decisions. (Taqi Purzhyr, 1392). Continuous evaluation of the teaching-learning process and are integrated throughout the curriculum continue to exist. This type of evaluation, focus both on the process of learning and learning efficiency or product. Results for teachers and students provide feedback that shows the extent which the goal of training is realized. Teachers using this feedback on compliance and decides with the program methods of teaching and learning needs of students. *Formative evaluation* and frequent feedback to students the opportunity to learn what to consider, Skills and develop their in tell actual abilities and to acquire awareness of their strengths and weaknesses, in order to achieve the educational goals, solve problems and develop and strengthen their positive aspects of step(Shabani, 1391)Another purpose of the evaluation, diagnosis and comprehensive skills in specific parts of

the course and determined that the student is not in control of this assessment determines whether the student has achieved the goal of teaching. If the target is not achieved in this case teaching should consider the causes and take action to resolve the problem, each of the diagnostic evaluation, the final stage and are complementary interaction of all three should give a comprehensive plan for learning. Evaluation stage is a continuous process and it must go through different techniques such as daily or all function, different types of learning activities for students such as assignments and projects to be implemented. Written exam required to achieve the objectives of the evaluation process can be carried out but should be clear explanation and feedback given to students. The relationship between accreditation and techniques, provides feedback to teachers so that teachers can decide on what should be done by the students for learning (Ghoorchian, Malaki, Khadivi, 1383).

The emphasis of the final evaluation formative evaluation:

The traditional approach of evaluation, mainly teachers, learning outcomes evaluation were trying to take it in the report and less was trying to pay attention to how learning and improvement. The new model evaluation, teacher evaluation is in service learning, so completely change his look. His evaluation in such a way that lead to better learning. The weaknesses and strengths of their students' performance, for this purpose, which found a way to fix or improve them, not simply reflect weaknesses. The evaluation model, allows teachers to know their students and their learning companion on the road to move, No one standing at the end of the road, waiting to see who gets to the end of the (learning) (Hasani, 1382). If the targeted and continuous learning process to understand the origins of the beginning and the results of it, evaluation is a continuous stream of starting points and conclusions reached; that is going to be learning side by side; the evaluation will be time to learn and to improve continuous learning useful information to students through the feedback provided. By combining the data obtained from this type of evaluations that have been gathered here during the different stages of teacher education on student may take the appropriate decisions. The description is clear that this pattern is quite dynamic evaluation and dynamic element that will increase the offer descriptive feedback. Numerous studies have shown that descriptive feedback to improve student learning.

Discussion and conclusion:

Evaluation should be considered part of the learning process, because it aims to improve and reform education, not only to determine the success of academic achievement. If in the course of training evaluation process carried out, determines what, to whom, when, for what purpose and how it should be taught to desirable behaviors are learned based on the objectives (Rastgar, 1385: 18). Kirkpatrick (2008), the most important reason to determine the effectiveness of program evaluation and improvement knows. And recommend delight factors that include: 1. What is the content of training courses satisfy for those who have attended the meeting? 2. Is the best for teaching selected? 3. Is the selected Master effective methods for creating interest and if the attitude, knowledge and skills to teach good head? 4. Are the facility inset is factory? 5. Is the program is for participants?

6. Do you support it as effective in improving communication and creating interest?

7. Does the coordination of programs were satisfactory?

8. What else could be done to improve the program?

Bloom and his colleagues in 1986 as a research about the positive attitude of the students towards the continuous evaluation and did what is going on in the classroom, He estimates that 25 percent of the variance in scores of academic achievement can be attributed to positive attitudes. Analysis of the results of the assessment not only to show the different points and weaknesses of the program is desirable, but the results of this data to find the reasons or explanations about the causes of the weaknesses and strengths of the specific program is necessary. The program mentioned earlier, after a view of all available data, this hypothesis has been proposed: However, based on the projected studied a lot of things, but not spend enough time for critical analysis (Taylor, 1392: 144) In 2004, J. Forrester quoted in a state that long-term use of the hand toward the educational process of thinking and ways of knowledge transfer in the field of training, on the other hand the tendency to measure and judge the evaluation process is based on a fair and accurate based on the information that is collected during learning. The educational approach is process-oriented, objective, methods, tools, programs, organizing training and evaluation of the development of mental processes and thinking skills occurs. In this approach, was based active students, learning environment promotes cognitive processes, the role of the teacher, facilitator, encourage, and guide the evaluation methods on performance and provide continuous feedback to students. This approach is based on continuous analysis of the teaching and learning process and provide feedback while to realize educational goals focused (Farajollahi, 1381: 86). Suggesting an impact on student achievement is the continuing evolution. It may be helpful to explain that evaluation, Evaluation of teaching and learning can be activated at beginning of the procedures. The entire process and the evaluation of the curriculum ought to take. Feedback action carried out at all stages of teaching teachers to be informed of the process and the results of positive and negative work. However, this evaluation could be the profile of the evaluation or continuous evaluation which is now used in schools. Strategies to overcome the obstacles that the educational system in order to help give continuous evaluation are: Promoting culture of evaluation, reduction of final validity, quality and officials and staff of the educational system must be involved in all their efforts to implement these guidelines or short-term and long-term planning with regard to the development of educational evaluation and provide continuous evaluation. From the viewpoint of development and one of the most effective training tools and resources to empower communities in the new century is a unique opportunity for developing countries to compensate for their disabilities.

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THE IMPACT OF BUDGETING ON THE PERFORMANCE OF MAHA CEMENTS (MY HOME INDUSTRIES PVT LTD)

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ABSTRACT

This research work was focused on exploration on the use of budgeting in my home industries. A budget is a quantitative expression of a plan for a distinct period of time. It may include deliberate sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. It expresses strategic plans of business units, organizations, activities or events in measurable terms

The objective of the study is to determine whether the budgeting affect the quality of services delivery in production. The research also aims at determining whether the budgeting contributes to the improvement of management efficiency and high productivity.

The present study adopted a descriptive research design with data gathered through questionnaire administered to 128 respondents. Non-parametric tool of chi square was employed to analyze the data. Hypotheses were tested and analyzed on a 5% level of significance and it was revealed that budgeting is a useful tool. It can be concluded that budget, which is a continuous management activity, should adapt to changes in the dynamic business environment.

Key words: budget, management efficiency, planning

INTRODUCTION

The efficiency and effectiveness of the operations of a business depends on the control available to management and all these activities are interrelated in such a way that they affect the attainment of the organization goals.

The institution of cost and management accountant(ICMA)defined budget as a financial or quantitative statement prepared and approved prior to defined period of time of the policy to be pursued during the period for the purpose of attaining a given objectives. It may include income, expenditure and the employment capital.

Therefore in order to achieve these objectives or goals, the organization must economize resources and discover the means of achieving these goals.

Budget helps to aid the planning of actual operations by forcing managers to consider how the conditions might change and what steps should be taken now and by encouraging managers to consider problems before they arise. It also helps co-ordinate the activities of the organization by compelling managers to examine relationships between their own operation and those of other departments. Other essentials and objectives of budget include:

- To control resources for providing visibility into the company's performance
- To communicate plans to various responsibility centre managers and evaluate their performance
- To educate managers for their accountability and motivate to strive towards for attainment of budget goals.

My Home Industries Pvt. Ltd, manufacturer of world-class MAHA cements, is a renowned name in the industry. To suit various construction needs of different geographies, MAHA CEMENT has various brands under its name. All the products surpass the standards set by Bureau of Indian Standards (BIS).

At My Home Industries Pvt. Ltd (MHIPL), every process is closely monitored and controlled, right from the selection of raw materials each process is cautiously carried out through each and every stage until the finished product is packed and dispatched. The product ensures easier workability, lesser permeability, guards all the structures against nature's fury, shields against corrosion and promises longer life.

MHIPL has a joint venture with CRH Plc Ireland, the international leader in building materials. The growth and success of CRH is founded on its exceptional commitment and capabilities. Sharing the common vision of excellence, MHIPL and CRH as one entity, is fast emerging as a leading force in the Indian cement industry.

MHIPL has grown from an annual capacity of 0.2 million tons to a staggering 8.4 million tones within a short span of 15 years. The company is planning to increase its annual capacity to 10 million tons in the near future.

LITERATURE REVIEW

Nyageng'o (2014) conceded a study on local authorities in Kenya to identify factors effecting effective budget implementation. The study discovered that effective budgetary system is helpful in controlling and improved performance of local authorities.

Mwaura (2010) conducted an investigation into the participatory budget setting and budget commitment as a factor that affects performance of the NSE listed companies. The study concluded that budgetary contribution affects return on capital employed and return on assets to a great extent.

Joshi et al. (2003) conducted a quantitative research in Bahrain to examine budget planning, control, and performance evaluation practices. They have taken firm size as an independent variable to test whether this has any effect on budgeting practice. The study concluded that, there is a positive effect on firm's profitability.

Wijewardena and De Zoysa (2001) argue that based on the extent usage of budget and budgetary control, performance may vary from firm to firm. The greater extent of the formal budgeting process should have a positive impact on the performance of SMEs.

Hirst (1987) explains that an effective budgetary control solves an organization's need to plan and consider how to deal with future probable risks and opportunities by setting up an efficient system of control. Shields and Young (1993) Budgets are considered to be the core element of an efficient control process and consequently vital part to the umbrella concept of an effective budgetary control.

A budget is considered to be the core element of the control-process and consequently plays a vital part in the performance of management. Research has shown that there is no single approach to budgeting; it is suitable for all businesses. The research recommends that employees need to be aware on budgetary controls and the effect on performance of the organization. From the above literature little has been done in relation to budgetary control and effectiveness of organizations, this is however geared to establish whether there is any relationship between budgetary control and effectiveness of organizations.

STATEMENT OF PROBLEM

Organizational financial and non- financial resources are limited and its distribution within in the organization in an effective manner plays an important role. Without prior planning and distribution of resources leads to ruined. Budgeting plays an important role in allocation of resources. The present study outlines the extent which budgeting can use as a good planning tool and how the performance can be improved with the help of budgeting.

RESEARCH QUESTIONS

The study was guided by the following research questions:

- Determine whether budgeting serves as effective means of planning
- To determine is there any association between budgeting and management efficiency
- To determine relation between the type of budget implemented and its impact in decision making and employee performance in work

RESEARCH HYPOTHESIS

For the purpose of analyzing the data, the following hypotheses were tested:

H1: There is no significant relationship between budgetary planning on organization performance;

H2: There is no association between the budget and management efficiency

H3: Effective budgeting does not improves management efficiency in decision making and working performance of employees.

METHODOLOGY

The methods adopted by this researcher in collecting the data are direct interviews, observations and the use of questionnaire. Inquiries were also made both directly and indirectly through some unusual questions to both the staff and management of the company.

INSTRUMENT

The primary data was employed in gathering information from staff of all cadres i.e. 128 work force. The questionnaire consists of two sections. Section A elicits demographic information like gender, working experience, while Section B contained structured items relating to the research questions that necessitated this research

Table 1: There is no significant relationship between budgetary planning on organization performance

Subject	No	%	T-calculated	Table value	Decision
Agreed	104	81.25	27.18	9.49	Reject
Disagreed	24	18.75			

Level of significance – 0.5 since t-calculated is greater than the table value (i.e. $27.18 > 9.49$), then the null hypothesis is rejected, while the alternative hypothesis is accepted and conclude that effective budgetary planning has a positive impact on organizational performance.

Table 2: There is no association between the budget and management efficiency

Subject	No	%	T-calculated	Table value	Decision
Agreed	98	76.56	33.62	9.49	Reject
Disagreed	30	23.43			

Level of significance – 0.5 since t-calculated is greater than the table value (i.e. $33.62 > 9.49$), then the null hypothesis is rejected, while the alternative hypothesis is accepted and we conclude that there is significant relationship between budgetary planning and management efficiency.

Table 3: Effective budgeting does not improve management efficiency in decision making and working performance of employees.

Subject	No	%	T-calculated	Table value	Decision
Agreed	84	65.6	22.00	9.49	Reject
Disagreed	44	34.4			

Level of significance – 0.5 since t-calculated is greater than the table value (i.e. $22.00 > 9.49$), then the null hypothesis is rejected, while the alternative hypothesis is accepted and we conclude that budgeting technique is of great importance in in improving management efficiency in decision making and working performance of employees.

CONCLUSIONS

The relevant research questions raised above has been examined in the light of mode of operation of My Home Industries Pvt. Ltd, manufacturer (MHIPL), of world-class MAHA cements. It has been discovered that quite a number of the employees know the budgetary system of the company and there exist considerable participation of lower level employees in planning and budgeting. It was also revealed that the work force is well motivated and proficient enough to drive the company to a greater height. Finally, it can be said that fanatical work force, superior technology and effectual policies (budgeting inclusive) has lend a hand to the company to remain efficient in fulfilling its objectives.

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CONCEPTUAL MODEL OF EMPLOYEE TRUST IN MANAGEMENT AND ORGANIZATIONAL JUSTICE IN INTERNATIONAL COMPANIES

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Abstract

The main purpose this study is to propose a conceptual framework between constructs of organizational justice and trust in management in Pakistan. On the other hand the purpose of this paper is to develop a conceptual frame work showing procedural Justice, distributive justice, interpersonal justice and informational justice as a predictor of trust in management. The literature of trust in management, organizational justice and the related theories are backing as starting-point for constructing the conceptual model for this study. Based on the prior literature all the variables and dimensions are discussed in depth. This study also attempts to reduce the gap in the literature of trust in management and organizational justice. It is anticipated that this study expands the scope of trust in management and organizational justice in the field of research and also it gives insight to researchers and the managers, how to gain the trust of the employees.

Keywords: Organizational Justice, Trust, Trust in Management

Introduction

Trust in the management has acquired substantial importance since past few decades, as functions of organizations are changing over from the controlled system to self-directed, employee empowered and globalized system. Forming a trust between the management and the employee is essential for all the organizations around the world ([Khan & Maalik, 2011a](#)). HR managers can produce a positive impact in the organization by promoting trust between the management and the employees ([Tzafirir, Baruch, & Dolan, 2004](#)).

Trust is the backbone of employee's attitude in the organization. It can be influenced by numerous internal and external factors. Personal characteristics are studied as key determinant in developing trust ([Brashear, Manolis, & Brooks, 2005](#); [Gambetta, 1988](#)). Prior studies have indicated reward expectation, ability, benevolence and organizational justice as determinant of trust in the organization.

This study will expand the field of research by purposing the relationship between trust in management and organizational justice. This study will provide better views for individuals to gain perception of trust towards their management. Also, the research and the literature regarding the study of role of organizational justice on trust in management are very limited in the context of Pakistan ([Khan & Maalik, 2011b](#)). This study will help in better understanding the challenges associated with trust in management in Pakistani context. It is also expected that the results of this study will add knowledge in the field of organizational justice and trust in management. In order to conceptualize this proposed study various data basis were used including Scopus, Science Direct, Elsevier and etc. Latest research studies were reviewed and important citations are added.

Literature review

Trust is defined as the quality or attribute of an individual or a thing. Mayer et al., defines trust as “A positive expectation that another will act benevolently towards other” similarly McCauley and Kuhnert (1992) extended the definition of trust, including behavior, intention and objective as, “a psychosomatic state comprising the objective to recognize susceptibility based upon positive expectations of the intentions or behavior of another”. Maritz, Robbins, Odendaal, and Roodt (2003) proposed a simple definition of trust as, “A positive expectation that another will not act opportunistically”. All these definitions of trust prove trust as a quality and attribute.

Absences of trust produce severe consequences in the organizations as trust is considered as an intangible resource for the modern organizations (Tzafirir et al., 2004). For the success of the organization building trust between the management and the employee is crucial. Prior research suggests that organizations consider trust as a necessary attribute (Dolan & Garcia, 2002; Gambetta, 1988; McKnight, Cummings, & Chervany, 1998). The presence of the trust culture represents that promise are fulfilled by the senior management that would reduce uncertainty in countless extent (Calnan, Rowe, Connell, & Mannion, 2006). To cultivate the trust between the management and the employee is a time intensive process with the display of trustworthiness from both stakeholders(Khan & Maalik, 2011b). This investment in forming trust can be lost effortlessly but forming trust is a very hard and effortful process (Khan & Maalik, 2011b). The one who does not honor the promises is never being trusted again by the stakeholders (Blois, 1999). Trust in management is related to the perception of employees how they will be treated, fulfill their promises and obligations and also in future they will full fill their promises and obligation. Chami and Fullenkamp (2002), argued that if the level of trust encouraged by the organization is high and strong , then it is likely to facilitate the development of a network of communication. This network of communication encourages the employees to meet the extra role behavior in the organization. Employee commitment to the organization and willingness to do extra role behavior depends on the support given by the management. This assessment is based on employee perception about their managers and top managers. Prior studies have revealed several predictors of employee trust in management. For example Ellis and Shockley-Zalabak (2001) in their study on 2068 individuals from 60 different organizations have tested the model of trust in management and clarifies the role of information receiving as a predictor of trust in management. In another study Wong, Ngo, and Wong (2003) found out job security and subordinate-supervisor guanxi as predictor of employee trust in the organization. According to the prior studies various organizational factors are antecedents of trust in management. If this is true then organizational justice is one of the significant elements in an organizational (Zainal & Abdullah, 2008). Therefore this study will propose a conceptual framework of trust in management and organizational justice. Although most of the researches on organizational justice are from western settings (Sparr & Sonnentag, 2008) this study will generalize the results by proposing the study in the context of Pakistan.

Organizational Justice

Organizational justice refers to the fairness received by the employee at work and the perception of treatment received by the employee at the workplace (Cropanzano & Ambrose, 2001; Moorman, 1991). Earlier research on the organizational justice describes four types of organizational justice, namely: Distributive Justice; Procedural Justice; Interpersonal Justice; and Informational justice (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). This section of paper, discusses four types of organizational justice in order to provide a basis for adopting in this study.

Distributive justice and trust in Management

Distributive justice is referred by the perceived fairness of outcome and has its roots in equity theory. As per equity theory of distributive justice by Adams (1965), Distributive justice comprises of psychological processes in building fair perception.

This theory postulates that individuals are anxious about whether they have been given fair output (e.g. Pay, promotion and reward) based on their inputs (e.g. Time and effort) as compared to the inputs and outputs of other individuals in the same workplace. For example If an individual feels that he has been given less rewards as compare to the other individuals in the workplace with the same inputs, those individuals will judge their effort rewards as unfair. Individual perception of reward is not only based on the internal standards but it may also be influenced by the external environment standards (Greenberg, Greenberg, & Antonucci, 2007). Distributive Justice is one of the important predictor of various work outcomes and behaviors. Pillai, Williams, and Justin Tan (2001) in his study argue that, higher level of trust in an organization can be achieved if the distribution of organizational outcomes is considered unbiased. Whereas the perception of unfairness in the distribution of organizational outcomes may lead to negative consequences such as mistrust towards the management (Saunders & Thornhill, 2003). Hence

P1: Distributive justice will positively affect employee trust in management

Procedural Justice and Trust in Management

Following the overview of the theory of distributive justice, emphasis on justice is moved from allocation of outcomes to process involve in distribution of outcomes (Leventhal, 1980; Thibaut & Walker, 1975). This is the observed fairness of the procedure by which rewards are distributed (Cohen & Spector, 2001). Development of the trust is not only based on the fairness distribution of the rewards but also based on the procedures adopted in the distribution of rewards (Saunders & Thornhill, 2003). Leventhal (1980) works of procedural justice and his theory has significant influence on equity theory. For example Folger and Konovsky (1989) found that employees who felt that their manager has conducted appraisals without bias they tends to produce more trust towards their managers. In contrast, if there is an absence of procedural fairness, it will likely to produce lower level of trust towards the management. Hence

P2: Procedural justice will positively affect employee trust in Management

Similar to Adams (1965); (Leventhal, 1980) work was also criticized by researchers. Bies and Moag (1986) have formulated new framework as an alternative to procedural and distributive framework named as interactional justice. In this approach they have extended the interactional factors which are not discussed in previous approaches. They explained communication is significant to confirm that implementation of procedures is completed properly. For example interactive communication is important for the feedback of performance appraisal procedures. Like procedural justice and distributive justice, interactional justice also faced the criticism as it is part of procedural justice (Cropanzano & Ambrose, 2001; Greenberg, 1993). Greenberg (1993) proposed that interactional justice should be separate in to two different components: informational justice and interpersonal justice. Informational justice refers to the social future of procedural justice, the combination of truthfulness and justification rules. Interpersonal justice refers to the social aspect of distributive justice, combination of respect and modesty rules from (Bies & Moag, 1986). Later Colquitt et al. (2001) have expanded the interactional justice with two types, interpersonal justice and informational justice and proposed four dimension model of four dimensions of organizational justice: distributive justice, procedural justice, interpersonal justice and informational justice. Examining the model both in laboratory and field studies, Colquitt et al. (2001) had found support to the proposed model of organizational justice.

Interpersonal justice and trust in Management

Interpersonal justice comprises of respect, truthfulness, justification and politeness, these are the key components that capture the crux of interpersonal dealing during the operationalization of procedures and decision making (Bies & Moag, 1986; Kwon, Kim, Kang, & Kim, 2008). Though, after 21 years Bies (2005) given an updated approach of interpersonal behavior which go

beyond decision making events and includes invasion of privacy, critical judgments, deception, and disrespect in everyday life (Colquitt, Scott, Judge, & Shaw, 2006; Roch & Shanock, 2006). Four elements are found to use interpersonal communication and to encourage an interpersonal justice perception: (1) truthfulness in interaction; (2) decision explanation; (3) refraining from harmful statements; (4) treating employees with respect (Bies & Shapiro, 1987). Collectively it reflects that individual's sense of being treated properly at an interpersonal level (Khaleel, Chelliah, Khalid, Jamil, & Manzoor, 2016). The existence of interpersonal justice is significant for the Frontline employees as if they receive fair treatment from their organizations they will develop a sense of trust towards their organization. For example a study by Wong et al. (2003) on 295 employees working in joint venture organizations found that employees trust in the management is associated with the interpersonal relationship of the manager and the subordinate. Employees who feel that they are fairly and friendly treated by the manager, tends to have more trust towards the management. Hence

P3: Interpersonal justice will positively affect employee trust in management

Informational justice and employee trust in management

Informational justice has to do with the acceptability and credibility of details about processes as perceived by the individuals (Greenberg, 1993) and sharing the work related relevant information (Bies, 2005). Ambrose, Hess, and Ganesan (2007) explain informational justice as it provides an idea about events why it occurred as they did. This shows the fairness of the clear descriptions and explanations provided about procedures and decisions. Therefore, informational justice, not only provides the information regarding to the events happen, but also about the rules and processes that direct the relationship. Bies (2005) proposes that scholars should emphasis on bigger approach of informational justice that is outside the circle of social accountability. Hence, definition of informational justice should also include honesty in communication, suitable openness and information sharing about organizational matters. In developing trust towards the management, fairness in distribution of information has a key role. The individual who gets the fair feedback from the management develops more trust towards their management. Randolph (1995) suggested that sharing of performance related information to the employees will keep them informed about their participation in achieving organizational outcomes. Kramer and Cook (2004) concluded that sharing of timely and accurate information is associated with developing trust. Those employees who receive timely actual information possess more trust towards their management. Hence

P4: Informational justice will positively affect employee trust in management

Conceptual Research Framework

Based on prior studies and findings of review literature, current study developed a research model with the purpose of examining the relationship between for dimensions of organizational justice and trust in management. The relationship between the variables is illustrated in figure 1.

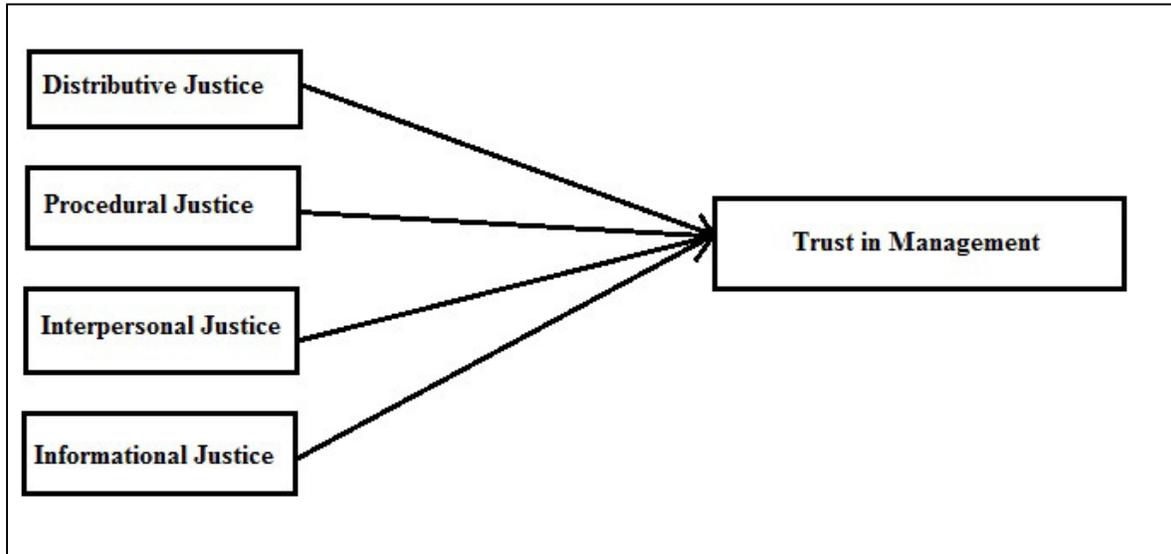


Figure 1: Conceptual Framework of the study

Discussion

This study extends the research on organizational justice and trust in management by finding organizational justice as antecedent of trust in management.

As explained in the first section of the study that presence of organizational justice in the firm benefits both the employees and the employers. As organizational justice is predictor of several positive and negative organizational outcomes.

Since 1960s, the management and social science literature ([Evans, 1996](#)) has recognized trust as an important social factor that is significantly related to the organizational performance. In the recent literature trust is consider as an important outcome for the perception of fairness in the organization.

The main reason or problem statement to conduct this study was to prompt the employer to create an environment of justice that leads to the employees' trust towards their management. It is important to gain the trust of the employees in order to successfully attain the organizational goals. This study is conducted to inform the employers to develop trust in the employee by implementing fairness in distribution of rewards, procedures, information and communication.

Conclusion

The main goal of this study is to develop a new conceptual frame work for the trust in management among the employee. Other objectives for this study are to examine the concept of trust in management, its importance, antecedents, and outcomes. This study also examines distributive justice, procedural justice, interpersonal justice and informational justice as predictors of trust in management. Individual who finds injustice in the organization have less or no trust towards their management. Therefore to attain the trust of the employees there is a need to develop an environment of justice. Finally, one of the leading finding of this paper is that trust in management is a recognizable concept based on relationships.

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CROSS INDUSTRY CAPITAL STRUCTURE AND FIRM CHARACTERISTICS IN PAKISTAN

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Abstract:

This study attempts to investigate the differences among capital structures in different industrial sectors of Pakistan namely food (sugar), chemicals, materials & construction (cement) and textile industry. The study also analyzes characteristics of the firms included in the industries. The study is based on the secondary data collected from the annual financial reports of the companies for period 2012-2013. The data was analyzed by different statistical tools including descriptive statistics, correlation analysis and regression analysis. The results show that there are differences among the measures of indebtedness and capital structure across the four industries selected for the study. The long-term capital structure shows a positive relation with the size and asset structure of the firm while short-term debt financing has no relation with the growth of the firms. Overall, it can be concluded that significant differences exist among the capital structures of the four industrial sectors selected for the study.

Key words: Cross Industry, Capital Structure, Firm characteristics, Pakistan.

INTRODUCTION

The most important factor that has a prominent impact on the financial operations of a firm is the choice of the capital structure. Many researchers have conducted studies and formulated theories for the firms to make use of the mix of the debt and equity in the most profitable way that not only maximizes the stockholders wealth but also the value of the firms and its overall performance. The decisions regarding the capital structure of a firm have a considerable influence at both the micro and macro-level.

There are a number of theories that describe the link of capital structure with the performance of a firm, including the trade-off theory, the pecking order theory, the market timing theory, signalling theory etc. In this study four industrial sectors of Pakistan would be taken into consideration including food (sugar) sector, construction and materials (cement) industrial sector, chemical sector and textile sector. Every industrial sector consists of some companies and this study is designed to find out the differences in the capital structures among the industrial sectors while keeping the characteristics of the firms in view.

Pakistan is a developing economy. It has a very small under-developed debt market so firms are

mostly dependent on the bank debt to finance their operations and investment activities. Pakistan has different and unique setting of institutions having an impact on the decisions regarding financing of firms. Particularly from the view point of firm's financing decision. The institutional setting consists of tax laws, bond market/fixed income market, inflation, bankruptcy cost and economic conditions.

The literature regarding the capital structure is limited in Pakistan as compared to the developed countries where plenty of research is conducted in this area. This study is designed to investigate the differences among capital structures in different industrial sectors of Pakistan.

The objectives of the present study are:

- To investigate the differences in capital structures across different industrial sectors in Pakistan.
- To analyze the characteristics of the firm such as growth and size, liquidity asset structure, profitability and asset tangibility etc across different industrial sectors in Pakistan.

LITERATURE REVIEW

The capital structure is basically the mix of a firm's financial liabilities. The financial capital being a very crucial resource for all firms gives the right to the suppliers of finance to exercise control over firms. Capital structure of a firm can be defined as "the composition or make up of its capitalization" (Gerestenberg) [1]. Capital structure is essentially concerned with the decision of the firm about the type of funds that it can raise. There are two prominent types of funds which include borrowed funds and the equity funds.

Modigliani [2] and Miller Theorem [3] theorem laid the foundation of the modern corporate finance. The theorem presented by Modigliani and suggests capital structure is irrelevant to valuation of the firm. Myers who got inspiration from the literature provided by the book of Donaldson formulated the pecking order theory [4]. The pecking order theory ranks the retained earnings first while financing a firm, then debt and then equity. Trade off theory entails the concept of choosing an optimal capital structure by balancing the cost of financial distress (Kraus and Litzenberger) [5] and agency costs (Jensen and Meckling) [6]. Baker and Wurgler [7] formulated market timing theory of capital structure. This theory postulates that the firms manage their equity issues by managing time. The timing is managed in a way that when the stocks of the firm are perceived to be overvalued, they issue new stocks to be floated in the market. The signalling theory's concept was first brought forward analyzed for the job and product markets by Akerlof [8]. It was further analyzed and developed into signal equilibrium theory by Spence [9], which suggest that a good firm can differentiate itself from a bad firm by signalling about its credible quality in the market.

Harris and Raviv [10] sum up their study as leverage is increased with fixed assets, investment opportunities and the size of the firm is decreased with possibility of bankruptcy, profitability and individuality/uniqueness of the product. Yet, the relationship between the firm characteristics and capital structure is not constant. The experimental results fluctuate, and sometimes oppose in many studies. Furthermore, comparisons of capital structure across countries reveal that institutional differences may have an impact on the relation between leverage and firm characteristics (Niu) [11].

Nguyen [12] as per the findings of his study concludes that there is a confirmed relationship of capital structure with the liquidity, size of the firm and debt ratio. To begin with, there exists a positive relationship between the debt ratio and the size of the firm. The logic that justifies this positive relationship is that bigger firms are more capable of borrowing and have a well established good will that encourages them employ a higher debt. The findings of a study conducted on Malaysian companies by Suhaila and Mahmood [13] suggest that there exists a negative link between the liquidity and the debt ratio of a company. The liquidity of a firm is calculated by the quick ratio, showing how capable the firm is to handle its short-term liabilities.

Talking about the firms with low liquidity, they are more likely to choose debt financing option for financing their activities. Firms that maintain high interest coverage ratio are believed to use lower proportion of debt and this shows the capability of the companies to earn high. Therefore, negative relationship implies that companies possibly utilize these earnings to fund their operations and employ as lower debt in their capital structure as possible. So, it shows that the companies are following the pattern of pecking order financing. It is found that there is an unimportant negative relation between capital structure and growth of the firm, presented by the annual earning changes (Suhaila and Mahmood) [13].

Firm performance measures include liquidity ratios, which are financial ratios used to evaluate whether a firm is capable enough to pay the bills within time or not. To measure liquidity, current ratio, current liabilities, quick ratio etc are used. To measure growth of a firm, the PE ratio, previous net earnings' growth, net earnings' growth and previous asset growth ratios will be used. For analyzing the size of the company natural log of market capitalization will be calculated. For analyzing the asset tangibility characteristic of the firm its total assets must be calculated and for the purpose of analyzing the profitability, there is a profitability measure that calculates that how much capable is a company to pay its taxes from profit before taxes.

Omran and Pointon [14] state that for dealing with income as well as capital, there will be devised four ways to measure indebtedness which are:

- Financial leverage = long-term debt and current liabilities/equity
- Long-term capital structure = long-term debt /equity
- Short-term debt financing ratio = short-term debt/(long-term debt + equity)
- Interest ratio = interest/net profit before interest and tax

METHODOLOGY

Data Source: The data is collected from the annual financial reports for 2012-2013 of the companies taken from the four industrial sectors listed on Karachi Stock Exchange (KSE) which are selected on the basis of data availability, the four sectors are:

- Food (Sugar)
- Textile
- Construction & Materials (Cement)
- Chemicals

The data taken is such that a total sample of 100 companies is selected from the above mentioned 4 sectors, 20 companies from food (sugar) industry, 20 companies from the chemical industry, 30 industries from the construction and materials (cement) industry and 30 companies from the textile industry making a sample of 100 companies for further analysis to be conducted. The data is analyzed by using three statistical tools which are:

- Descriptive Statistics
- Correlations
- Regression Analysis

Variables of the Study

Independent Variables:

- Current Ratio
- Current Liabilities
- Quick Ratio
- PE Ratio
- Previous Net Earnings' Growth
- Previous Asset Growth
- Natural Log of Market Capitalization
- Total Assets
- Tax to Profit before Tax

Dependent Variables:

- Financial Leverage
- Long-Term Capital Structure
- Short-Term Debt Financing Ratio
- Interest Ratio

Hypotheses: The following relationships are expected to exist between the capital structure and firm performance measures:

H1-There are differences among the determinant factor across four measures of indebtedness.

H2-There is a positive association of liquidity with each measure of indebtedness.

H3-There is a positive relation between long-term capital structure and total asset structure.

H4-There is a positive association between size and long-term capital structure.

H5- There is a positive relation between short-term debt with growth (in earnings/or assets).

H6-There are significant differences among capital structures across industries.

Data Analysis

Table 1: Descriptive Statistics.

		Total Assets (Rs in Billions)	Financial Leverage	Long-Term Capital Structure	Short-Term Debt Financing Ratio	Interest Ratio	Total Equity (Rs in Billions)
Overall N=100	Mean	10.49	-15.245	-.053	.89	34.894	44.64
	St Dev	16.95	17.573	4.069	4.654	21.97	10.25
Sugar Sector N=20	Mean	4.27	2.287	2.533	0.0358	94.859	1.08
	St Dev	499.9	6.614	1.560	9.253	443.640	15.59
Chemical Sector N=20	Mean	15.94	-86.251	-1.379	1.245	21.045	6.15
	St Dev	23.64	392.079	7.782	4.503	72.539	10.27
Construction Sector N=30	Mean	12.38	3.081	0.484	0.466	4.689	6.13
	St Dev	16.07	14.451	2.778	1.260	76.188	11.95
Textile Sector N=30	Mean	9.30	2.077	-0.098	0.329	34.355	3.96
	St Dev	16.79	10.967	2.404	1.219	151.0175	11.50

Prominent differences exist across debt measures in the selected four industrial sectors of Pakistan (Table 1). The material and construction (cement) sector is highly leveraged. The materials and construction (cement) sector of Pakistan is using a higher amount of borrowed money. In 2012-2013, the cement industry became the most profitable industry of Pakistan. Though higher leverage exposes an industry to higher level of risk but if the return on assets is higher, it can be very beneficial as it was for the cement industry of Pakistan. The sugar sector of Pakistan has employed the highest long-term capital structure showing that the portion in its total of long-term debt is higher than the short-term debt. High long-term capital structure shows sugar industry is more exposed to the business risk. It shows that Pakistani firms generally with higher exposure to business risks do not result in lower levels of long-term capital structure as the interest ratio of sugar industry is highest as well showing its capability to pay back its loans. Chemical industry tends to raise its working capital through short-term debt financing.

Table 2: Correlation Analysis

Dependent Variables	FL				LTCS				STDFR				IR				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Independent																	

Variables																
CR	-0.31	.275	-.084	-.002	.000	.256	-.103	.092	-.060	-.280	-.030	.108	-.076	.539*	.217	.028
CL	.077	-.320	-.108	.028	.114	-.297	-.057	.149	.058	.307	-.225	-.022	.019	-.166	.230	-.160
QR	-0.40	.231	-.051	-.037	.056	.219	-.041	.095	-.082	-.239	-.071	.006	-.048	.676*	.218	.078
PER	.005	.172	.111	.037	-.028	.160	-.031	.037	-.034	-.159	.810*	-.064	.008	-.073	.059	.012
PNEG	-.480*	.141	.148	-.156	-.108	.142	.144	-.263	-.106	-.153	-.159	-.062	.007	.027	.015	.347
PAG	.312	.377	-.011	-.023	.171	.368	.019	.028	-.035	-.390	-.078	.048	.780*	.117	.226	-.016
NLMC	.113	-.165	-.119	.649*	.067*	-.155*	-.021*	.485*	.083	.160	-.416*	.414*	.356	-.149	.225	-.087
TA	.082	.043	-.109	-.003	.169*	.052*	.058*	.106*	.022	-.055	-.203	.004	.029	-.099	.332	-.027
TPBT	-.116	.340	-.042	-.036	-.245	.333	.011	-.003	-.039	-.334	-.247	-.044	.059	.065	.012	-.057

***Significant at 10%

**Significant at 1%

*Significant at 5%

Sector 1: Sugar Sector

Sector 2: Chemical Sector

Sector 3: Materials and Construction (Cement) Sector
Sector 4: Textile Sector

Correlation shows the relation among different variables, it shows a highly positive correlation among the current ratio and the quick ratio (Table 2). Different sectors show different relations between dependent and independent variables. The relation of the long-term capital structure with the total Asset structure and size is significantly positive. The short-term debt financing has a mixed kind of relation with the growth ratios and the liquidity ratios also have mixed relations with all four measures of indebtedness. The positive relation between long-term capital structure and total assets show that in Pakistani firms, mostly assets are backed by long-term loans. Other variables do not follow a trend and show that every industry is different from the other.

Table 3: Regression Analysis with Financial Leverage as Dependent Variable

Standardized Coefficients				
(T-Ratio)				
Dependent Variable: Financial Leverage				
	Sugar Sector	Chemical Sector	Materials & Construction (Cement) Sector	Textile Sector
Current Ratio	1.154 (1.689)	.198 (.357)	-.008 (-.015)	.357 (1.093)
Quick Ratio	-.854 (-1.319)	-.257 (-.401)	-.156 (-.265)	-.146 (-.472)
PE Ratio	1.068* (2.197)	-.333 (-.789)	.098 (.459)	.068 (.446)
Previous Net Earnings Growth	-.736* (-2.724)	.099 (.376)	.323 (1.124)	-.192 (-1.269)
Previous Net Asset Growth	.288 (1.241)	.464 (1.148)	.251 (.830)	.178 (1.071)
Natural Log of Market Capitalization	-.35 (-.141)	-.029 (-.107)	-.151 (-.621)	.787** (4.910)
Tax to Profit before Tax	-.623 (-1.396)	.481 (1.345)	.014 (.064)	.058 (.261)
ANOVA				
F-Ratio	1.823	0.719	0.280	3.720**
R	0.718	0.544	0.286	0.736
R-Squared	0.515	0.295	0.082	0.542

The Table 3 shows the regression analysis of the independent variables with dependent variable financial

leverage. PE ratio shows a significantly positive relation with financial leverage in sugar sector at 5% significance level while previous net earnings' growth has a negative relation with financial leverage in sugar sector at 5% significance level. Other sectors do not follow a similar trend. Natural log of market capitalization in textile sector has a highly positive relation with financial leverage at 10% showing an increase in financial leverage with result in the increase in natural log of market capitalization as well. The F-ratio of textile is significant at 1% with highest value of R that is 73.6% and R-squared at 54.2%.

Table 4: Regression Analysis with Long-Term Capital Structure as Dependent Variable

Standardized Coefficients (T-Ratio)				
Dependent Variable: Long-Term Capital Structure				
	Sugar Sector	Chemical Sector	Materials & Construction (Cement) Sector	Textile Sector
Current Ratio	-.069 (-.084)	.162 (.291)	-.228 (-.411)	.336 (.928)
Quick Ratio	.175 (.223)	-.247 (-.383)	.055 (.093)	.081 (.237)
PE Ratio	.950 (1.620)	-.355 (-.837)	-.021 (-.097)	.087 (.512)
Previous Net Earnings Growth	.027 (.083)	.093 (.353)	.277 (.957)	-.319*** (-1.897)
Previous Net Asset Growth	.258 (.922)	.474 (1.164)	.219 (.717)	.190 (1.031)
Natural Log of Market Capitalization	.065*** (.220)	-.028 (-.102)	-.063 (-.255)	.632** (3.559)
Tax to Profit before Tax	-1.087*** (-2.020)	.493 (1.369)	.025 (.114)	-.098 (-.401)
ANOVA				
F-Ratio	0.718	0.688	0.228	2.448***
R	0.543	0.535	0.260	0.662
R-Squared	0.295	0.286	0.068	0.438

The Table 4 shows a significantly positive relation of long-term capital structure with natural log of market capitalization while a negative relation with tax to profit before tax ratio at 10% significance level in sugar sector. Long-term capital structure shows a significantly negative relation with previous net earnings' growth and a significantly positive relation with natural log of market capitalization in the

textile sector. The F-ratio is significant for textile sector only with highest R 66.2% and R-squared 43.8%.

Table 5: Regression Analysis with Short-Term Debt Financing Ratio as Dependent Variable

Standardized Coefficients (T-Ratio)				
Dependent Variable: Short-Term Debt Financing Ratio				
	Sugar Sector	Chemical Sector	Materials & Construction (Cement) Sector	Textile Sector
Current Ratio	.275 (.289)	-.204 (-.372)	.160 (.540)	.590 (1.464)
Quick Ratio	-.415 (-.458)	.275 (.433)	-.100 (-.313)	-.278 (-.732)
PE Ratio	-.042 (-.062)	.363 (.871)	.736** (6.398)	-.007 (-.037)
Previous Net Earnings Growth	-.128 (-.340)	-.105 (-.403)	-.143 (-.923)	-.136 (-.726)
Previous Net Asset Growth	-.140 (-.433)	-.497 (-1.241)	-.074 (-.456)	.133 (.650)
Natural Log of Market Capitalization	.194 (.565)	.019 (.073)	-.179 (-1.368)	.534*** (2.702)
Tax to Profit before Tax	-.049 (-.079)	-.491 (-1.388)	-.127 (-1.081)	-.098 (-.358)
ANOVA				
F-Ratio	0.100	0.772	8.622**	1.367
R	0.235	0.557	0.557	0.551
R-Squared	0.055	0.310	0.733	0.303

The Table 5 shows a highly positive relation of PE ratio with short-term debt financing at 1% significance level in the materials and construction (cement) sector and the natural log of market capitalization with short-term debt financing ratio at 10% significance level. The F-ratio is significant for material and construction (cement) sector with R 55.7% and R-squared 73.3%.

Table 6: Regression Analysis with Interest Ratio as Dependent Variable

Standardized Coefficients (T-Ratio)				
Dependent Variable: Interest Ratio				

	Sugar Sector	Chemical Sector	Materials & Construction (Cement) Sector	Textile Sector
Current Ratio	-.301 (-.534)	-.546*** (-1.874)	.070 (.132)	-.219 (-.505)
Quick Ratio	.223 (.417)	1.792** (5.313)	.065 (.113)	.401 (.977)
PE Ratio	-.031 (-.077)	.514* (2.319)	.134 (.647)	.047 (.228)
Previous Net Earnings Growth	.313 (1.408)	.353* (2.558)	.109 (.391)	.395*** (1.957)
Previous Net Asset Growth	.807** (4.218)	-.914** (-4.300)	.210 (.713)	-.133 (-.600)
Natural Log of Market Capitalization	.105 (.515)	-.211 (-1.490)	.195 (.825)	-.122 (-.570)
Tax to Profit before Tax	-.164 (-.446)	-.124 (-.657)	-.037 (-.172)	-.241 (-.820)
ANOVA				
F-Ratio	3.497*	7.068**	0.469	0.733
R	0.819	0.897	0.360	0.435
R-Squared	0.671	0.805	0.130	0.189

According to Table 6 the interest ratio has a highly positive relation with previous net earnings growth at 1% significance level in the sugar sector. In chemical sector the interest ratio has a significantly negative relation with current ratio and previous net earnings growth at 10% and 1% significance level respectively while a significantly positive relation with quick ratio and PE ratio at 1% and 5% significance level respectively. The F-ratio is significant for both the sugar sector as well as chemical sector with R 81.9 and 89.7% of sugar and chemical sectors respectively. R-squared of sugar sector is 67.1% and of chemical sector is 80.5%.

Regression analysis shows the level of independent variables explaining the dependent variables. The observation of all the four measures of indebtedness individually with independent variables that represent capital structure in selected four industrial sectors shows that capital structure differences exist among the selected four industries. So, we can conclude that overall, in Pakistani firms, there are significant differences in the determinants of the four measures of debt.

Hypotheses Testing

- There are prominent differences across debt measures in all the industrial sectors. The materials and construction (cement) sector has highest leverage, sugar sector employees the highest long-term capital structure, short-term debt is highest in chemical industry and interest ratio is highest in sugar sector. Therefore, hypothesis H1 is accepted.
- As liquidity is not positively associated with the measures of indebtedness. Current ratio and quick ratio show mixed relations with financial leverage, long-term capital structure, short-term debt financing ratio and interest ratio throughout the sample of four sectors studied. Therefore hypothesis H2 is not accepted.
- There is a positive relation between the total asset structure and long-term capital structure. Therefore hypothesis H3 is accepted.
- Two sectors from the study show positive relation between the size and long-term capital structure (Sugar and Textile) and two show negative relation (Chemical and Materials and Construction Sectors) and overall correlation shows a positive relation between size and long-term capital structure. Therefore, hypothesis H4 is accepted.
- Short-term debt measure is not positively related to the growth ratios (in earnings or in assets). Therefore, hypothesis H5 is not accepted.
- The four measures of indebtedness which are measures of capital structure show a different behavior in every industrial sector which shows capital structure differences exist among the four industrial sectors. Hence, hypothesis H6 is accepted.

CONCLUSIONS

The analysis consisted of two types of variables. Capital structure measures which formed the dependent variables including financial leverage, long-term capital structure, short-term debt financing ratio and the interest ratio and firm Characteristics variables which formed independent variables including current ratio, current liabilities, quick ratio, PE ratio, previous net earnings growth, previous assets growth, total assets, natural log of market capitalization, tax to profit before taxes ratio. The tests conducted showed the relation between all these variables as well as showed the capital structure differences among the different industrial sectors (Omran and Pointon) [14].

Descriptive statistics shows there are differences among the four measures of indebtedness in all the selected four industrial sectors. The materials and construction (cement) sector has highest leverage, sugar sector employees the highest long-term capital structure, short-term debt is highest in chemical industry and interest ratio is highest in sugar sector. Correlation shows the relation among different variables, it shows a highly positive correlation among the current ratio and the quick ratio. The relation of the long-term capital structure with the total Asset structure and size is significantly positive. The short-term debt financing has a mixed kind of relation with the growth ratios and the liquidity ratios also have mixed relations with all four measures of indebtedness which cannot be hypothesized. Regression analysis shows the level of independent variables explaining the dependent variables. The observation of all the four measures of indebtedness individually with independent variables that represent capital

structure in selected four industrial sectors shows that capital structure differences exist among the selected four industries. Following are given some recommendations on the basis of the conducted study:

- High cost of financing has made it difficult for firms to improve the leverage and manage debt.
- The major source of debt used by these sectors is bank loans so the State Bank of Pakistan should provide loans at subsidized rates for making it easy for the firms to finance their operations.
- The companies should focus more on long-term capital structure as it makes a company stable in the long-run. Short-term debt financing should also be focused but only to the extent of stabilizing the current financial position of the firms but the short-term debt financing is not positively related to the size of the firm.
- Government of Pakistan needs to take some serious steps for developing the debt market and making it easy for companies to obtain loans and finance their operations.
- Companies should improve the asset structure by employing long-term capital structure as both of them have a positive relation.

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INTELLIGENT LIFE CYCLE ASSESSMENT IN ENVIRONMENTAL SUSTAINABILITY

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Abstract

Environmental impact assessment of products has vital importance in research and development for sustainable product development. Assessment of environmental footprints and designing sustainable products are challenging issues to be accomplished due to the fact that they require analysis of each component of a product through their life cycle. This book chapter presents life cycle assessments along with footprints in a conceptual point of view. It provides the framework of research studies based on intelligent techniques regarding footprints and life cycle assessments, as well.

Keywords: Life cycle assessments, footprints, sustainability, intelligent techniques

1. Introduction

Moving towards sustainability requires the redesigning of production, consumption, and waste management. In fact, sustainability is a holistic concept that applies to politics and society as well as industry. Accordingly, the principle of sustainability is used in the macro level as and the micro level. The latter represents the company level, and hence the contribution of enterprises and in particular their Corporate Social Responsibility (CSR), which is a holistic term for “actions of firms that contribute to social welfare, beyond what is required for profit maximization”, initiatives leads to sustainable development (McWilliams, 2015). Nowadays, sustainable development has become a primary objective for many countries and regions throughout the world. Reliable definitions and measurements are essential in order to enhance the goals.

For measuring sustainable development, indicators need to be developed in order to provide a basis for decision-making. Many different concepts, tools and methods have already been developed for the environmental, economic, and/or social evaluations of particular processes, products or activities (EC, 2010; Jeswani et al., 2010) such as footprints and Life Cycle Assessment (LCA). The perspectives on sustainable development, footprints, sustainable development, and LCA indicate that substantial work needs to be performed in order to integrate economic, environmental, and social considerations during

decision-making properly.

Footprint is a quantitative measurement describing the appropriation of natural resources by humans. The ecological footprint (EF) is a kind of concise method of quantifiably measuring the natural capital consumption and it can reflect the goal of sustainability (Bin and Liya, 2005).

Environmental impact assessment of products has been a key area of research and development for sustainable product development (Carbonell, 2007). Environmental impacts are usually defined through a Life Cycle Assessment (LCA). LCA is also known as Life Cycle Analysis, and is an instrument for environmental decision support (Von Blottnitz and Curran, 2007). ISO 14040 (2005) describes LCA as "LCA is a method for analyzing and assessing environmental impacts of a material, product or service along its entire life Cycle". ISO 14040 are considered the main and most important standards for environmental assessment based on product life cycle and serve as a basis for other more specific standards such as ISO 14025 (Environmental Product Declaration), ISO 14067 (carbon footprint), ISO 14045 (eco-efficiency), among others (Klöpffer, 2012). LCA has gained wider acceptance over recent years within both academia and industry (Grossmann and Guillén-Gosálbez, 2010).

The uncertainty in the results of input–output-based life cycle assessment models makes the sustainability performance assessment and ranking a challenging task. It is inevitable to integrate the uncertainty in the results of the life cycle assessment models into the decision-making for sustainability, benchmarking, and ranking. To the best of our knowledge, there has not been handles the review of intelligent techniques applied in life cycle assessments along with footprints. From this standpoint, this book chapter presents life cycle assessments along with footprints in a conceptual point of view. It provides the framework of research studies based on intelligent techniques regarding footprints and life cycle assessments, as well. The rest of the book chapter is organized as follows: Section 2 gives brief information about LCA. Section 3 involves stages of LCA. Section 4 explains categories of LCA. Section 5 defines and classifies footprints. A brief literature review on artificial intelligence in footprints and life cycle assessments is given in The last section involves conclusion, comparisons and recommendations for future directions.

2. Life Cycle Assessment

Life Cycle Assessment (LCA) methodology is structured, comprehensive, internationally-standardized by ISO 14040 series (environmental management standards ISO 14040 and 14044, 2006) for quantifying the emissions, resource consumption, environmental, and health impacts associated with processes, products or activities over their entire life cycles: from the extraction of resources (“cradle”) through materials production, manufacturing, use, maintenance, to the recycling, recovery and reuse (“cradle”) or disposal (“grave”), and includes all of the transportation steps (EC, 2010; Guinée et al., 2002).

In a competitive and globalized business environment, the need for the green products becomes stronger.

To meet these trends, environmental impact assessment besides delivery, cost and quality of products should be considered as an important factor in new product development stage (Park and Seo, 2006). Many companies are beginning to change the way they develop products due to increasing awareness of environmentally conscious product development. To copy with these trends, designers are being asked to incorporate environmental criteria into the design process. Recently, (LCA) is used to support the decision-making for product design and the best alternative can be selected based on its estimated environmental impacts and benefits. Both the lack of detailed information and time for a full LCA for a various range of design concepts need the new approach for the environmental analysis (Seo et al., 2005).

LCA is the assessment of the environmental impacts and resources used throughout a product's life cycle, i.e., from raw material acquisition, via production and use phases, to waste management. The unique feature of LCA is the focus on products and services in a life-cycle perspective. LCA aims at making a comprehensive assessment of the environmental impacts of products and services in a life-cycle perspective. That is, LCA is a tool for assessing the environmental impacts of a product (covering both goods and services) throughout its life cycle by compilation and evaluation of the inputs and outputs assigned interconnected product systems. The comprehensive scope of LCA is useful for avoiding problem-shifting, from one phase of the life cycle to another, from one region to another, or from one environmental problem to another. The inputs of resources and the assigned outputs of emissions are typically compiled by the aid of large, electronic databases which contain data on the causal relationships of economic systems. The environmental evaluation of this compilation is conducted by the use of LCA software, which projects and quantifies how outputs from the technosphere result in multiple environmental impacts, such as global warming, release of respiratory inorganics and eutrophication. Particularly, exclusive focus on product provision and the application of a life cycle perspective is the most distinct feature of LCA (Finnveden et al., 2009; Finnveden and Moberg, 2005). LCA of a production line will not focus on the production facilities. The impacts will be attributed each produced unit (the 'function' of the system) and span from *upstream impacts*, which are the impacts assigned to the acquisition and refinement of the resources required for its production to the *downstream impacts*, which are the impacts imposed during its use and disposal.

LCA covers a diversity of environmental impacts and may include comparison across impact categories. It can therefore be argued that modelling should ideally be done with the same degree of realism for every impact to avoid introducing bias in the comparisons between categories. On this background, LCA aims for a comparable way of assessing impacts. This is often interpreted as aiming for best estimates in the modelling of all impacts. This can be in contrast to other tools, e.g., chemical risk assessment, where the first tiers will adopt a typically conservative approach applying realistic worst case estimates in order to be on the safe side in identifying situations posing potential risks of toxic effects above agreed thresholds (Hauschild and Pennington, 2002).

LCA is a methodology that is frequently used to assess products and technologies and it strives to give a

complete picture of the environmental impact. They are considered the main and most important standards for environmental assessment based on product life cycle and serve as a basis for other more specific standards such as ISO 14025 (Environmental Product Declaration), ISO 14067 (carbon footprint), ISO 14045 (eco-efficiency).

3. Stages of LCA

LCA involves four stages, which are listed as follows:

1. Goal and scope definition,
2. Inventory analysis,
3. Life Cycle Impact Assessment (LCIA)
4. Interpretation.

3.1 Goal and Scope Definition

The first stage “Goal and Scope Definition” is perhaps the most important component of LCA because the study is carried out according to the statements made in this phase (Roy et al., 2009). In this stage, it is necessary to identify the purpose of the analysis, the system boundaries, the functional unit (FU) and assumptions. Given the subjective characteristics of this activity, it is necessary to be transparent with regards to all decisions and assumptions for this phase of the analysis. The goals and scope can be adjusted during the iterative process of the LCA (Benedetto and Klemes, 2009).

In the Goal and Scope Definition stage, questions or hypotheses should be formulated. This is an important phase since the appropriate LCA method depends on the purpose of the individual study (Consoli et al, 1993). Many attempts have been made to describe when different types of LCA are appropriate (Finnveden et al., 2009).

LCA are distinguished between two types of methods : attributional and consequential LCA. Attributional LCA is defined by its focus on describing the environmentally relevant physical flows to and from a life cycle and its subsystems. Consequential LCA is defined by its aim to describe how environmentally relevant flows will change in response to possible decisions Curran et al., 2005).

3.2 Inventory Analysis

The inventory analysis stage involves the life cycle inventory (LCI) of the LCA methodology. It is essentially the collection of the data (Shafie et al., 2012). The fundamental aim is to perform mass and energy balances to quantify all the materials and energy inputs, as well as wastes and emissions from the system that cause the environmental burdens (Benedetto and Klemes, 2009). Inputs are raw materials, energies, water, etc. Outputs are the products and co-products, emission to air, water and soil, and wastes (Roy et al., 2009).

3.3 Life Cycle Impact Assessment

The impact assessment in LCA consists of the elements, which are classification, characterization, normalization and valuation. According to Benedetto and Klemes (2009) the phase is based on the aggregation of the environmental impacts quantified in the inventory analysis into a limited set of recognizable impact categories (e.g. climate change, global warming, ozone depletion, acidification, eutrophication).

3.4 Interpretation

The last stage purpose of an LCA is to draw conclusions that can support a decision or can provide a readily understandable result of LCA (Roy et al., 2009). Interpretation is a procedure to evaluate the information from the inventory analysis and impact assessment of the system and to propose conclusions from all of the previous results of the study (Benedetto and Klemes, 2009).

4 Categories of Life Cycle Assessment

LCA studies can be categorized into two general types, which are known as attributional life cycle assessment (ALCA) and consequential life cycle assessment (CLCA). The approaches differ with respect to system delimitation and the use of average versus marginal data. ALCA methodology accounts for immediate physical flows (i.e., resources, material, energy, and emissions) involved across the life cycle of a product. ALCA typically utilizes average data for each unit process within the life cycle. On the other hand, CLCA aims to describe how physical flows can change as a consequence of an increase or decrease in demand for the product system under study (Ekvall and Weidema, 2004).

4.1 Attributional life cycle assessment (ALCA)

The system investigated is limited to a single full life cycle from cradle to grave. Hence, co-production has to be treated by applying allocation factors (Ekvall and Weidema, 2004). Furthermore, the attributional approach uses average data in order to attribute the average environmental burdens for producing a unit of the product in the system. When no decision is at hand, ALCA should be utilized due to the fact that modelling consequences of decisions is somewhat pointless in such circumstances.

Finnveden et al. (2009) highlighted that average data for a system are those representing the average environmental burdens for producing a unit of the good and/or service in the system. Marginal data represent the effects of a small change in the output of goods and/or services from a system on the environmental burdens of the system. Attributional LCA excludes the use of marginal data. Instead, some sort of average data reflecting the actual physical flows should be used.

4.2 Consequential life cycle assessment (CLCA)

Over the past two decades, consequential life cycle assessment (CLCA) has emerged as a modeling approach for capturing environmental impacts of product systems beyond physical relationships accounted for in attributional or traditional LCA (ALCA). In short, CLCA represents the convergence of

LCA and economic modeling approaches. In contrast to ALCA, the system within a CLCA is not limited to one life cycle. The consequential approach uses system enlargement to include the life cycles of the products affected by a change of the physical flows in the central life cycle. Hence, allocation is avoided. According to this, marginal instead of average data is used within the consequential approach. Marginal data is represented by the product, resource, supplier or technology, which is the most sensitive to changes in demand. Economic value criteria are used to identify the marginal products. Unlike ALCA, CLCA includes unit processes inside and outside of the product's immediate system boundaries. It utilizes economic data to measure physical flows of indirectly affected processes (Earles and Halog, 2011).

5. Footprints

In order to achieve sustainable design of products, companies need to evaluate the environmental impact of their system, identify the major contributors to the footprint, and select the design alternative with the lowest environmental footprint (Hossain et al., 2014).

Figure 1 shows categorization of footprints. According to Čuček et al. (2012), the usage of environmental footprints is particularly widespread and therefore, such footprints are being defined more frequently and their units clearly expressed. In contrast, social and economic footprints are rarely used.

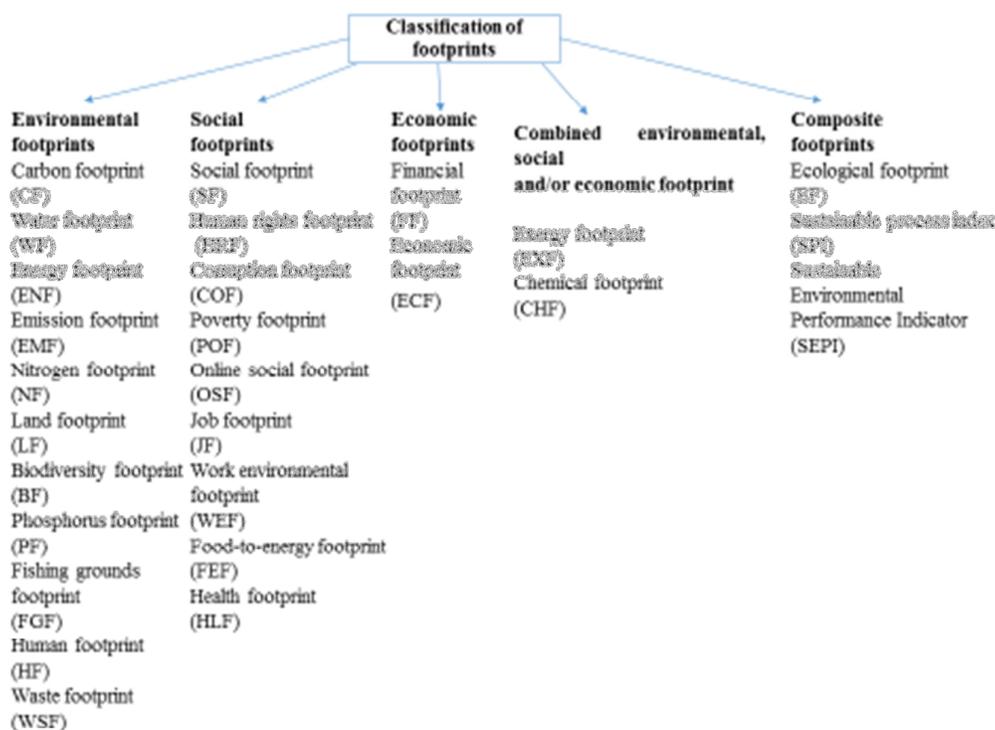


Figure 1. Classification of footprints

Research attention has been focused on industrial activities which largely consume energy and emit

carbon to the atmosphere due to the growing concerns on global warming. Low-carbon manufacturing, aiming to reduce carbon intensity and enhance resource utilization, is then emerging as a timely topic and spurs much research into a low carbon scenario (Li et al., 2013).

6. Intelligent Techniques used for Footprints and Life Cycle Assessments

Park and Seo (2003) explored a new approximate LCA methodology for the product concepts by grouping products according to their environmental characteristics and by mapping product attributes into environmental impact driver (EID) index. They verified the relationship statistically by exploring the correlation between total impact indicator and energy impact category. Then, they developed a neural network approach to predict an approximate LCA of grouping products in conceptual design. Trained learning algorithms for the known characteristics of existing products will quickly give the result of LCA for newly designed products. The training is generalized by using product attributes for an EID in a group as well as another product attributes for the other EIDs in other groups. The neural network model with back propagation algorithm is used, and the results are compared with those of multiple regression analysis. The proposed approach does not replace the full LCA but it would give some useful guidelines for the design of environmentally conscious products in conceptual design phase.

Seo et al. (2005) presented an artificial neural network (ANN) based approximate LCA model of product concepts for product groups using a product classification method. They developed a product classification method to support the specialization of ANN based LCA model for different classes of products. Hierarchical clustering is used to guide a systematic identification of product groups based upon environmental categories using the C4.5 decision tree algorithm. Then, they used ANN approach to estimate an approximate LCA for classified products with product attributes and environmental impact drivers identified.

Park and Seo (2006) developed a knowledge-based approximate life cycle assessment system (KALCAS) to assess the environmental impacts of product design alternatives aiming to improve environmental efficiency of a product using artificial neural networks, which consist of high-level product attributes and LCA results. They proposed overall framework of a collaborative design environment involving KALCAS using engineering solution CO (TM) based on the distributed object-based modeling and evaluation (DOME) system. This framework allows users to access the product data and other related information on a wide variety of application. They explored an approximate LCA of product design alternatives represented by solid models in a collaborative design environment.

Seo and Kim (2006) presented an optimization strategy for approximate LCA using a hybrid approach which incorporate genetic algorithms (GAs) and neural networks (NNs). They employed GAs to select feature subsets to eliminate irrelevant factors and determine the number of hidden nodes and processing elements. GAs can optimize the connection weights between layers of NN simultaneously. Their

experimental results showed that a hybrid GA and NN approach outperformed the conventional backpropagation neural network.

Khoshnevisan et al. (2014) handled environmental impact assessment of tomato and cucumber cultivation in greenhouses using life cycle assessment and adaptive neuro-fuzzy inference system.

Hossain et al. (2014) formulated sustainable design as a series of clustering and classification problems, and proposed a framework called AutoLCA that simplifies the effort of estimating the environmental footprint of a product bill of materials by more than an order of magnitude over current methods, which are mostly labor intensive. They applied AutoLCA to real data from a large computer manufacturer and conducted a case study on bill of materials of four different products, performed a "hotspot" assessment analysis to identify major contributors to carbon footprint, and determined design alternatives that can reduce the carbon footprint from 1% to 36%.

Techniques for evaluating different types of criteria allow multi-criteria analysis to be applied in life cycle assessment methods. Agarski et al. (2016) presented a multi-criteria fuzzy logic methodology aimed to perform impact category weighting and sensitivity analysis within the life cycle assessment of products and processes. Their proposed methodology for impact category weighting integrates the decision maker's subjective and the default impact category weighting factors using a fuzzy interference system. The fuzzy interference system allows the relevance of the subjective and default impact category weightings to be changed and provides a novel approach to modelling the weighting factors using fuzzy membership functions.

Egilmez et al. (2016) introduced a new approach, fuzzy data envelopment analysis with an input–output-based life cycle assessment approach to perform the sustainability performance assessment of the 33 food manufacturing sectors in the United States. Seven environmental impact categories were considered the inputs and the total production amounts were identified as the output category, where each food manufacturing sector was considered a decision-making unit. To apply the proposed approach, the life cycle assessment results were formulated as fuzzy crisp valued-intervals and integrated with fuzzy data envelopment analysis model, thus, sustainability performance indices were quantified. Results indicated that majority (31 out of 33) of the food manufacturing sectors were not found to be efficient, where the overall sustainability performance scores ranged between 0.21 and 1.00 (efficient), and the average sustainability performance was found to be 0.66. To validate the current study's findings, a comparative analysis with the results of a previous work was also performed. The major contribution of their proposed framework is that the effects of uncertainty associated with input–output-based life cycle assessment approaches can be successfully tackled with the proposed Fuzzy DEA framework which can have a great area of application in research and business organizations that use with eco-efficiency as a sustainability performance metric.

7. Conclusion

Environmental impact assessment of products has been a key area of research and development for sustainable product development. Environmental criteria into the product design process must be considered.

It must be taken into consideration that there are some drawbacks of performing footprint analyses: They can be costly regarding data, resources, and be time intensive. Moreover, there are lacks of application for other footprints. It has to be emphasize that LCA is still under development. For decision making, LCA should be utilized, but not when the difference between consequential and attributional LCA results is small, and not when the uncertainties in the consequential modelling outweigh the insights gained from it. Initial efforts relied on heuristic approach to determining affected technologies, more recent techniques incorporate sophisticated economic models. The uncertainty in the results of input–output-based life cycle assessment models makes the sustainability performance assessment and ranking a challenging task. It is inevitable to integrate the uncertainty in the results of the life cycle assessment models into the decision-making for sustainability, benchmarking, and ranking.

Sustainable design and manufacturing must cover economic, societal, and environmental dimensions simultaneously over the product life cycle. While decision support tools have been developed to assist designers in creating more sustainable products, tools are insufficient for addressing the sustainability impacts of manufacturing during engineering design. For further directions, it is possible to highlight that sustainable development along with footprints and LCA requires proper integration of economic, environmental, and social considerations for decision-making to enhance harmonious solutions.

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E GOVERNMENT SYSTEMS AND ITS IMPACT ON QUALITY OF SERVICE AT PUBLIC HOSPITALS IN AMMAN (FILED STUDY)

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Abstract

Aim: find the impact of e government systems on Quality of service at private Hospitals in Amman (Filed Study)

Factors: independent factors: e- government systems (e-participation, m- government –open data) and dependent factor (quality of service)

Method and Sampling: the sample was private hospitals in Amman which are 20 beds above capacity, 300 questioners distributed for employees worked in private hospitals in Amman .243 were valid and analyzed

Finding: there is an impact of each of e- government systems (e-participation, m- government –open data) on the quality of service

Future work: Building a data warehouse to make a strong integration data and information for patients among all these hospitals and increasing the budget to overcome the finical barriers that affect e-government system

Key words: E –government systems, Quality of service, public hospitals, e -participation, m- government, open data

Introduction

Information and Communication Technology (ICT) is one of the most important characteristics of our age and every new development changes our lives to some extent. Its evolution has dramatically changed how citizens interact with their government, creating an important development in their expectations (Dodd, 2000). Following e-commerce's evolution in the private sector, electronic government (e-government) seems to be the next generation of the development in the public sector. More and more governments around the world are introducing e-government as a means of reducing costs, improving services for citizens and increasing effectiveness and efficiency at national, regional and local levels of the public sector. 179 out of 192 UN members reported that they developed strategies to implement e-government systems and therefore e-government has been identified as one of the top priorities for governments across the world (UN, 2008).

The main concepts of e-government will be discussed in following sections.

E-government is a generic term for web-based services from agencies of local, state and federal

governments. In e-government, the government uses information technology and particularly the Internet to support government operations, engage citizens, and provide government services. The interaction may be in the form of obtaining information, filings, or making payments and a host of other activities via the World Wide Web (Sharma & Gupta, 2003, Sharma, 2004, Sharma 2006) Therefore this research is attempt to study e –government system and its impact on Quality of service at public Hospitals in Amman

Literature review

World Bank (www.worldbank.org) definition (AOEMA report): “E-Government refers to the use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government. These technologies can serve a variety of different ends: better delivery of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information, or more efficient government management. The resulting benefits can be less corruption, increased transparency, greater convenience, revenue growth, and/or cost reductions.” United Nations (www.unpan.org) definition (AOEMA report): “E-government is defined as utilizing the Internet and the world-wide-web for delivering government information and services to citizens.”

E -government is in the early stages of development. Most governments have already taken or are taking initiatives offering government services online. However, for the true potential of e-government to be realized, government needs to restructure and transform its long entrenched business processes. According to Gartner, e-government involves the use of ICTs to support government operations and provide government services (Fraga, 2002). However, e-government goes even further and aims to fundamentally transform the production processes in which public services are generated and delivered, thereby transforming the entire range of relationships of public bodies with citizens, businesses and other governments (Leitner, 2003).

Study Hypotheses and Model

The study hypotheses have therefore been developed as:

1. There is no significant statistical effect of e–participation on the quality of service at level of ($\alpha \leq 0.05$)
2. There is no significant statistical effect of m-government on the quality of service at level of ($\alpha \leq 0.05$)
3. There is no significant statistical effect of open data on the quality of service at level of ($\alpha \leq 0.05$)

Figure 1 shows the study model, with the four variables proposed to affect quality of service in e-government systems (e- participation, m-government, open data)

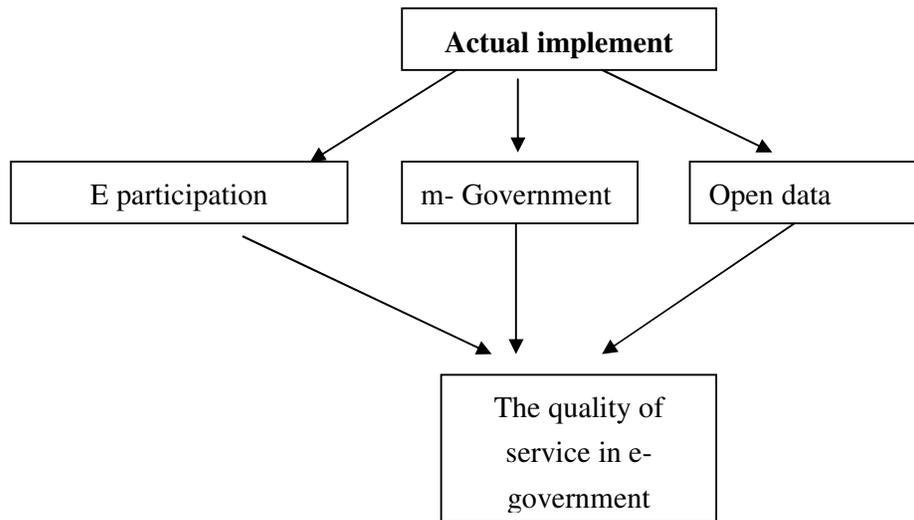


Figure 1. Study model

Materials and Methods

Study Population and Sample

The population of the study consisted of employees from all levels of managerial in public hospitals in Amman have different sizes (hospitals sizes are measured by the number of beds in Amman which have more than 20 beds and there were three main hospitals). The sample chosen for this study represent a large number of the population., a total of 300 questioners have been disrupted, 243 back and was valid to analyze.

Study Tools and Data Collection

Since there have been no previous studies on the field of study, there was no suitable survey instrument. We therefore developed our own, based on the factors emerging from the literature. This survey was designed to explore the perceptions of employee about their e government systems and its quality of service, using Likert-type scales for

A total of 20 questions in an initial survey were piloted in the field of study out of the full sample. The piloting aimed to identify any questions where answers were not equally distributed, or which were consistently not completed by respondents, and any other aspects which could reduce the response rate. The responses were assessed for validity and reliability.

Data Analysis

Percentage, frequency, mean and standard deviation were used to describe the sample and basic responses. Simple linear regression analysis with (F) test was used. SPSS (v20) was used to analyze all the data. Relative importance of individual factors was assigned using: Class interval = (maximum class –

minimum class) / number of levels = $(5\bar{1})/3 = 4/3 = 1.33$ A low degree of importance was less than 2.33, median was 2.33–3.66 and high was 3.67 and above.

Results and discussion

Survey Development

There were no missing data from the pilot study, suggesting that the respondents found all the questions comprehensible. The responses from the pilot study were grouped into factors,. Although the pilot sample size was small, the results suggest that the variables within each factor showed a correlation of over 60%. Cronbach’s alpha for the overall pilot study was, .88 showing good reliability. No evidence of multi-co linearity was found in the pilot study.

Table 1. Cronbach’s alpha (α) to test reliability.

Variables'	Cronbach’s alpha
E –participation	.98
m- government	.72
Open data	.79
Over all .83	
Quality of service	.94
Over all	.88

Hypothesis testing

Table 2. F-Test for hypothesis

Variables'	T- test	Result
H ₀ 1: e participation , Quality of service	2.783	Refused
H ₀ 2: m government , Quality of service	2.652	Refused
H ₀ 3:open data , Quality of service	2.636	Refused

By looking at table (2) we can see that the absolute value of T calculated in every factor more than F tabulated at level ($\alpha \leq 0.05$). This indicates that all hypotheses are valid. Therefore, the null sub-hypotheses were refused and the alternative accepted

Conclusion and recommendations

The results are

1. There is significant statistical effect of e participation on quality of service in public hospital in Amman
2. There is significant statistical effect of m-government on quality of service in public hospital in Amman
3. There is significant statistical effect of open data on quality of service in public hospital in Amman

Based on previous results and conclusions, the following recommendations might help in enhancing

e government systems and its quality of service

1. Building a data warehouse to make a strong integration data and information for patients among all these hospitals.
2. Increasing the budget to overcome the financial barriers that affect e government systems
3. Running and maintaining e government systems to deal with any error
4. training courses for managers and employees to increase their knowledge about the quality of service for the adoption of e government systems
5. investigate the use of e government systems through mobile applications in order to fully utilize the benefits of cloud computing in health sector
6. Incentives to use the e government systems to improve consumer health and health care costs.

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